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As filed with the Securities and Exchange Commission on October 25, 2013

Registration No. 333-191689

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
to
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Xencor, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**2834**	**20-1622502**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

111 West Lemon Avenue
Monrovia, California 91016
(626) 305-5900
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Bassil I. Dahiyat, Ph.D.
President and Chief Executive Officer
Xencor, Inc.
111 West Lemon Avenue
Monrovia, California 91016
(626) 305-5900
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Thomas A. Coll, Esq. **Kenneth J. Rollins, Esq.** **Cooley LLP** **1333 2nd Street, Suite 400** **Santa Monica, California 90401** **(310) 883-6400**	**Bruce K. Dallas, Esq.** **Davis Polk & Wardwell LLP** **1600 El Camino Real** **Menlo Park, California 94025** **(650) 752-2000**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed maximum aggregate offering price(1)**	**Amount of registration fee**

Common Stock, $0.01 par value per share	$69,000,000	$8,887(2)

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act. Includes the offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any.
(2) Previously paid.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED OCTOBER 25, 2013

PRELIMINARY PROSPECTUS

Shares

Common Stock

This is the initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between $ and $ per share.

We have applied to list our common stock on the NASDAQ Global Market under the symbol "XNCR."

The underwriters have an option to purchase a maximum of additional shares of common stock from us.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012, and, as such, we have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 11.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Xencor
Per Share	$	$	$
Total	$	$	$

(1) See "Underwriting" beginning on page 160 for additional information regarding underwriting compensation.

Delivery of the shares of common stock will be made on or about , 2013.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse **Leerink Swann**

Wedbush PacGrow Life Sciences

The date of this prospectus is , 2013

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We have not, and the underwriters have not, authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date, regardless of its time of delivery or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Until , 2013 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: We have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

PROSPECTUS SUMMARY

This summary highlights information contained in other parts of this prospectus. Because it is only a summary, it does not contain all of the information that you shoul consider before investing in shares of our common stock and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearin elsewhere in this prospectus. You should read the entire prospectus carefully, especially "Risk Factors" and our financial statements and the related notes, before deciding t buy shares of our common stock.

Unless the context requires otherwise, references in this prospectus to "Xencor," "we," "us" and "our" refer to Xencor, Inc.

Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. We use our proprietary XmAb technology platform to create next-generation antibody product candidates designed to treat autoimmune and allergic diseases, cancer and other conditions. In contrast to conventional approaches to antibody design, which focus on the portion of antibodies that interact with targ antigens, we focus on the portion of the antibody that interacts with multiple segments of the immune system. This portion, referred to as the Fc domain, is constant and interchangeable among antibodies. Our engineered Fc domains, the XmAb technology, can be readily substituted for natural Fc domains. We believe our Fc domains enhanc antibody performance by, for example, increasing immune inhibitory activity, improving cytotoxicity or extending circulating half-life, while typically maintaining over 99.5% identity in structure and sequence to natural antibodies. By improving over natural antibody function, we believe that our XmAb-engineered antibodies offer innovative approaches to treating disease and potential clinical advantages over other treatments.

Our business strategy is based on the plug-and-play nature of the XmAb technology platform to modify features of natural antibodies and create numerous differentiate antibody product candidates. We have internally generated a pipeline that has allowed us to selectively partner certain development programs while maintaining full ownership of other programs. We also have a number of technology licenses under which we have licensed the XmAb technology platform to pharmaceutical and biotechnology companies for use in a limited number of programs, providing multiple revenue streams that require no further resources from Xencor. There are currently fiv antibody product candidates in clinical trials that have been engineered with XmAb technology, including four candidates being advanced by licensees and development partners. As of September 30, 2013, our XmAb technology platform is protected by 21 issued U.S. patents and 44 U.S. patent applications, in addition to foreign counterparts.

Our internally-generated pipeline includes the following three lead XmAb-engineered antibodies that are currently in development:

- ***XmAb5871*** is being developed for the treatment of autoimmune diseases, including rheumatoid arthritis and lupus. It uses our Immune Inhibitor Fc Domain and targets B cells, an important component of the immune system. We believe XmAb5871 has the potential to address a key unmet need in autoimmune therapies due to its combination of potent B-cell inhibition without B-cell depletion. We are currently conducting a Phase 1b/2a clinical trial for XmAb5871 in rheumatoid arthritis patients with active disease on stable non-biologic disease modifying anti-rheumatic drug (DMARD) therapy. We expect to report preliminary data from this trial in the second half of 2014. Our partner, Amgen Inc. (Amgen), has an option to acquire an exclusive worldwide license for XmAb5871, exercisable at any time before completion of a data review period following our planned subsequent Phase 2b proof-of-concept clinical trial. Until the option exercise, we lead research, development and manufacturing activities for XmAb5871 with collaborative input and development support fron Amgen. According to the American College

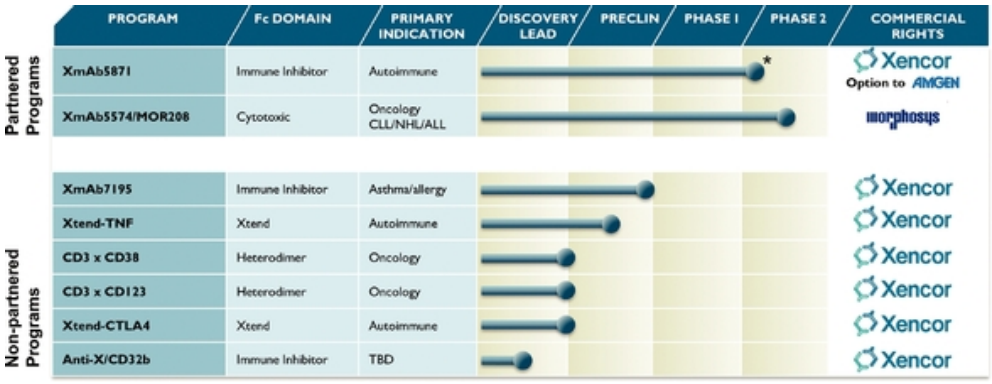
of Rheumatology, rheumatoid arthritis and lupus affect approximately 1.3 million and 160,000 adults in the United States, respectively. Humira, the leading antibody therapy for autoimmune diseases, generated sales of approximately $9.3 billion worldwide in 2012.

- ***XmAb7195*** is being developed for the treatment of severe asthma and allergic diseases. It uses our Immune Inhibitor Fc Domain and is designed to reduce blood plasma levels of IgE, which mediates allergic responses and allergic disease. Its three specific mechanisms of action give it potential advantages over current therapies: (i) increased IgE binding, (ii) inhibition of IgE production and (iii) rapid clearance of IgE from circulation. We anticipate filing an investigational new drug application (IND) with the United States Food and Drug Administration (FDA) and initiating a Phase 1a clinical trial in the first hal of 2014. We plan to report preliminary data from this trial at the end of 2014. According to the U.S. Centers for Disease Control and Prevention (CDC), one in 12 Americans has asthma, and there were 1.8 million emergency room visits caused by asthma in 2010. Xolair, the leading antibody therapy for the treatment of severe refractory asthma, generated approximately $1.3 billion in worldwide sales in 2012.

- ***XmAb5574/MOR208*** is being developed for the treatment of blood-based cancers and uses our Cytotoxic Fc Domain. Our partner, MorphoSys AG (MorphoSys), is currently conducting two Phase 2 clinical trials of XmAb5574/MOR208 in patients with B-cell acute lymphoblastic leukemia (B-ALL) and non-Hodgkin lymphomas (NHL). According to the Leukemia and Lymphoma Society, over 60,000 Americans are diagnosed with these cancers each year. Rituxan, the leading antibody therapy for NHL, generated approximately $6.1 billion in worldwide oncology sales in 2012.

Product Pipeline and Platform

A summary of the partnered and non-partnered product development programs that we have generated internally is shown below.



* Currently enrolling Phase 2a portion of Phase 1b/2a clinical trial.

In addition, we have licensed our XmAb technology to pharmaceutical and biotechnology companies for use in a limited number of their programs. These licensees include Boehringer Ingelheim, CSL, Janssen, Merck and Alexion, and collectively these licensees have three Phase 1 clinical development-stage programs and four pre-clinical development-stage programs.

Antibody Structure and Fc Domain Function

Antibodies are Y-shaped proteins that are produced by B cells and used by the immune system to target and neutralize foreign objects known as antigens. These objects may include tumor cells, bacteria and viruses. Antibodies are composed of two structurally independent parts, the variable domain (the Fv domain) and the constant domain (the Fc domain and the CH1 domain). The Fv domain is responsible for targeting a specific antibody to a specific antigen, and is different for every type of antibody. The Fc domain interacts with various receptors on immune cells and other cells and, rather than binding antibodies to target antigens, it endows antibodies with properties beyond simple binding, such as immune response regulation and cytotoxicity. Importantly, Fc domains are the same and interchangeable from antibody to antibody.

Our Fc Domain Focused Approach

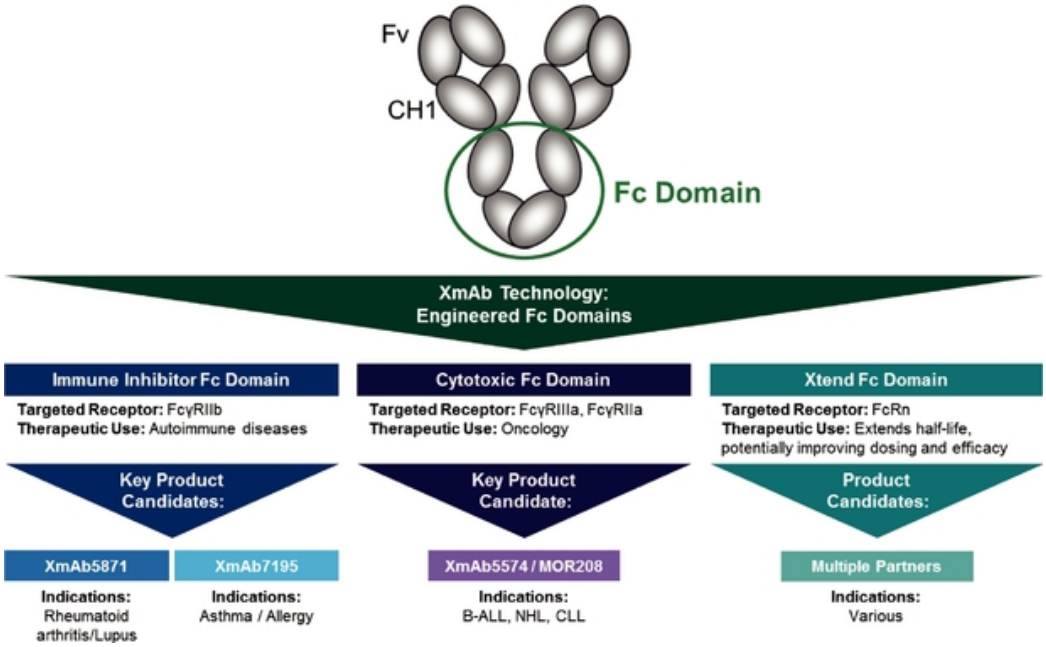
The global market for antibody therapeutics was estimated to be approximately $45.0 billion in 2011, of which the U.S. market was estimated to be $20.0 billion. Intense competition drives companies to develop differentiated antibody drugs, often because of the common pursuit of the same antigen Fv targets across the industry. Industry efforts have focused on engineering Fv domains since the mid-1980s to enhance performance. More recently, many efforts at differentiation have attempted to improve upon antibody performance by drastically changing the antibody structure or substituting new molecules altogether, for example, new antibody-like scaffolds, bi-specific antibodies and antibody-drug conjugates. A challenge to these efforts has been making these new drug molecules replicate the beneficial features of natural antibodies, including ease of production, safety, efficacy and simplicity. These efforts, however, have largely ignored the Fc domain.

In contrast, in the last decade Xencor has focused on Fc engineering. Fc engineering involves additional complexities, particularly consideration of simultaneous interactions with multiple Fc receptors and immune cell types and requires significant expertise in structural biology and immunology. Our XmAb Fc domain technology is platform of patented antibody components that enable the creation of therapeutic antibody candidates that have novel interactions with the human immune and antibody regulation systems. Each XmAb Fc domain consists of a naturally occurring Fc domain with a small number of amino acid changes found to be critical for modulating interactions with the desired Fc receptors. We have identified a set of Fc domains, each of which is engineered with particular amino acid changes to augment a specific naturally-occurring antibody function based on its Fc receptor binding profile, including:

- ***Immune Inhibitor Fc Domain***—selective immune inhibition and rapid target clearance, targeting the receptor FcgRIIb;
- ***Cytotoxic Fc Domain***—increased cytotoxicity, targeting the receptors FcgRIIIa on natural killer (NK) cells and FcgRIIa on other immune system cells; and
- ***Xtend Fc Domain***—extended antibody half-life, targeting the receptor FcRn on endothelial cells.

With such limited modifications of the natural Fc domain, XmAb-engineered antibodies are typically over 99.5% identical in structure and sequence to natural antibodies, simplifying product

development yet enhancing function. A summary of the Fc domain properties improved by our XmAb technology and the associated product candidates and targeted indications are summarized below:



Our Strategy

Our goal is to become a leading biopharmaceutical company focused on developing and commercializing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. Key elements of our strategy are to:

- ***Advance the clinical development of our lead Immune Inhibitor Fc Domain product candidates.*** We are developing XmAb5871, in partnership with Amgen, for the treatment of autoimmune diseases and are developing XmAb7195 independently for the treatment of asthma and allergic diseases.

- ***Continue to monetize and expand the use of our XmAb technology platform.*** We are seeking additional licensing and partnering opportunities, similar to our partnerships with Amgen and with MorphoSys for XmAb5574/MOR208, with leading pharmaceutical and biotechnology companies.

- ***Build a large and diversified portfolio of product candidates.*** We aim to create new XmAb-engineered antibody product candidates that exploit the novel properties of our XmAb technology platform.

- ***Broaden the functionality of our XmAb technology platform.*** We are conducting further research into the function and application of antibody Fc domains in order to expand the scope of our XmAb technology platform.

- ***Continue to expand our patent portfolio protecting our XmAb technology platform.*** We seek to expand and protect our development programs and produc candidates by filing and prosecuting patent applications in the United States and other countries.

Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled "Risk Factors" immediately following this prospectus summary. These risks include, but are not limited to, the following:

- We have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. Our accumulated deficit was $223.9 million as of September 30, 2013, representing our cumulative losses since our inception in 1997.
- Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. We have never generated any revenue from product sales and may never be profitable.
- We will require additional financing and may be unable to raise sufficient capital, which could lead us to delay, reduce or abandon research and development programs or commercialization.
- If we are unable to obtain, maintain and enforce intellectual property protection covering our products, others may be able to make, use or sell products substantially the same as ours, which could adversely affect our ability to compete in the market.
- The development and commercialization of biologic products is subject to extensive regulation, and we may not obtain regulatory approvals for any of our product candidates.
- Even if we receive regulatory approval for any of our product candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense. Additionally, our product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problem with our products.
- We may not be successful in our efforts to use and expand our XmAb technology platform to build a pipeline of product candidates and develop marketable products.
- Our existing partnerships are important to our business, and future partnerships may also be important to us. If we are unable to maintain any of these partnerships, or if these partnerships are not successful, our business could be adversely affected.
- We face significant competition from other biotechnology and pharmaceutical companies and our operating results will suffer if we fail to compete effectively.

Corporate and Other Information

We were incorporated in California in August 1997 under the name Xencor, Inc. In September 2004, we reincorporated in the state of Delaware under the name Xencor, Inc. Our principal executive offices are located at 111 West Lemon Avenue, Monrovia, California, 91016, and our telephone number is (626) 305-5900. Our corporate website address is www.xencor.com. Information contained on or accessible through our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

This prospectus contains references to our trademarks and to trademarks belonging to other entities. Solely for convenience, trademarks and trade names referred to in this prospectus, including logos, artwork and other visual displays, may appear without the ® or ^{TM} symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies' trade name or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (JOBS Act) enacted in April 2012. An "emerging growth company" may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may use these provisions until the last day of our fiscal year following the fifth anniversary of the completion of this offering. However, if certain events occur prio to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of the reduced disclosure obligations in the registration statement of which this prospectus is a part and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

The Offering

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Option to purchase additional shares	The underwriters have a 30-day option to purchase a maximum of additional shares of common stock.
Use of proceeds	We intend to use the net proceeds from this offering to fund the clinical development of XmAb5871 and XmAb7195, research and development, working capital and other general corporate purposes, including the costs associated with being a public company. See "Use of Proceeds."
Risk factors	See "Risk Factors" beginning on page 11 and the other information included in this prospectus for a discussion of factors to consider carefully before deciding to purchase any shares of our common stock
Proposed NASDAQ Global Market symbol	"XNCR"

The number of shares of our common stock to be outstanding after this offering is based on 51,747,525 shares of common stock outstanding as of September 30, 2013, after giving effect to the conversion of our outstanding convertible preferred stock into 51,523,206 shares of common stock and excludes:

- 5,591,612 shares of common stock issuable upon the exercise of outstanding stock options as of September 30, 2013, at a weighted-average exercise price of $0.52 per share;
- shares of common stock reserved for future issuance under our 2013 equity incentive plan (the 2013 plan), which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part (including 2,730,358 shares of common stock reserved for issuance under our 2010 equity incentive plan (the 2010 pre-IPO plan), which shares will be added to the shares reserved under the 2013 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under our 2013 employee stock purchase plan (the 2013 purchase plan), which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part.

Unless otherwise indicated, all information contained in this prospectus and the number of shares of common stock outstanding as of September 30, 2013 assumes:

- the conversion of all our outstanding convertible preferred stock outstanding as of September 30, 2013 into an aggregate of 51,523,206 shares of common stock in connection with the closing of this offering;
- no exercise by the underwriters of their over-allotment option to purchase up to an additional shares of our common stock;
- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the closing of this offering; and
- a one-for- reverse stock split of our common stock to be effected prior to the closing of this offering.

Summary Financial Data

The following table summarizes certain of our financial data. We derived the summary statement of operations data for the years ended December 31, 2012 and 2011 from our audited financial statements and related notes appearing elsewhere in this prospectus. The summary statement of operations data for the nine months ended September 30, 2013 and 2012 and the summary balance sheet data as of September 30, 2013 were derived from our unaudited financial statements appearing elsewhere in this prospectus. The unaudited financial data, in management's opinion, have been prepared on the same basis as the audited financial statements and related notes included elsewhere in this prospectus, and include all adjustments, consisting only of normal recurring adjustments, that management considers necessary for a fair presentation of th information for the periods presented. Our historical results are not necessarily indicative of the results that may be expected in the future and results of interim periods are not necessarily indicative of the results for the entire year. The summary financial data should be read together with our financial statements and related notes, "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	Year Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012	2013
	(in thousands, except share and per share data)			
	(Restated)		(unaudited)	
Statement of Operations Data:				
Revenues	$ 6,849	$ 9,524	$ 7,099	$ 8,428
Operating expenses:				
Research and development	12,663	12,668	8,725	12,857
General and administrative	3,638	3,086	2,081	2,381
Total operating expenses	16,301	15,754	10,806	15,238
Loss from operations	(9,452)	(6,230)	(3,707)	(6,810)
Other income (expenses)				
Interest income	34	11	11	7
Interest expense	(1,850)	(2,461)	(1,811)	(1,212)
Other income (expense)	65	86	24	15
Loss on settlement of notes(1)	—	—	—	(48,556)
Total other income (expenses), net	(1,751)	(2,364)	(1,776)	(49,746)
Net loss	(11,203)	(8,594)	(5,483)	(56,556)
Net deemed contribution on exchange and sale of preferred stock(2)	—	—	—	144,765
Net income (loss) attributable to common stockholders	$ (11,203)	$ (8,594)	$ (5,483)	$ 88,209
Net income (loss) per share attributable to common stockholders(3):				
Basic	$ (49.94)	$ (38.31)	$ (24.44)	$ 393.23
Diluted	$ (49.94)	$ (38.31)	$ (24.44)	$ (1.33)
Weighted average shares of common stock used in computing net income (loss) per share attributable to common stockholders:				
Basic	224,319	224,319	224,319	224,319
Diluted	224,319	224,319	224,319	42,585,327
Pro forma net loss per share of common stock, basic and diluted (unaudited)(4)		$ (0.17)		$ (0.15)
Weighted average shares used in computing pro forma net loss per share of common stock, basic and diluted (unaudited)(4)		51,747,525		51,747,525

(1) See the notes to our financial statements appearing elsewhere in this prospectus for a description of the Adjustment to net loss resulting from exchange of convertible notes for preferred stock.

(2) See the notes to our financial statements appearing elsewhere in this prospectus for a description of the deemed contribution on exchange and sale of preferred stock.

(3) See the notes to our financial statements appearing elsewhere in this prospectus for a description of the method used to calculate basic and diluted loss per common.

(4) Pro forma net loss per share attributable to common stockholders excludes the impact of non-recurring items recognized in income attributable to common stockholders for the periods presented. We calculated pro forma weighted average shares outstanding for the nine months ended September 30, 2013 to give effect to the automatic conversion into shares of common stock, on a 1:1 basis, of all shares of convertible preferre stock outstanding at September 30, 2013. We calculated pro forma weighted average shares outstanding for the year ended December 31, 2012 to give effect to the automatic conversion into shares of common stock on a 1:1 basis, of all shares of convertible preferred stock outstanding at September 30, 2013, which includes 42,364,821 shares of common stock issuable upon conversion of the shares of preferred stock issued in exchange for our outstanding promissory notes on June 13, 2013. We believe the calculation of pro forma shares described above is the most meaningful to investors, as such calculation represents the actual numbe of shares of common stock our notes became convertible into, and prior to the exchange of our convertible notes in June 2013, such notes were not convertible at the option of the holders, and the number of shares common stock such notes were automatically convertible into upon an initial public offering was contingent on the public offering price, which was not known at the time of the conversion of the notes or applicable to the actual number of shares of common stock issued upon conversion of the notes.

Pro forma net loss attributable to common stockholders:

	Year Ended December 31, 2012	Nine Months Ended September 30, 2013
Net income (loss) attributable to common stockholders	$ (8,594)	$ 88,209
Loss on settlement of notes	—	48,556
Net deemed contribution on exchange and sale of preferred stock	—	(144,765)
Pro forma net loss attributable to common stockholders	$ (8,594)	$ (8,000)

Pro forma weighted average shares outstanding, basic and diluted:

	Year Ended December 31, 2012	Nine Months Ended September 30, 2013
Common stock	224,319	224,319
Preferred Stock	51,523,206	51,523,206
Pro forma weighted average shares outstanding, basic and diluted	51,747,525	51,747,525
Pro forma net loss per share of common stock, basic and diluted (unaudited)	$ (0.17)	$ (0.15)

	As of September 30, 2013		
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)(3)
		(in thousands) (unaudited)	
Balance Sheet Data:			
Cash and cash equivalents	$ 9,621	$ 9,621	$
Working capital	2,127	2,127	
Patents, licenses, and other intangible assets, net	9,013	9,013	9,013
Total assets	20,206	20,206	
Deferred revenue, less current portion	7,000	7,000	7,000
Convertible preferred stock	79,601	—	—
Total stockholders' equity (deficit)	(75,029)	4,572	

(1) Pro forma amounts reflect the conversion of all our outstanding shares of convertible preferred stock outstanding as of September 30, 2013 into an aggregate of 51,523,206 shares of our common stock.

(2) Pro forma as adjusted amounts reflect the pro forma conversion adjustments described in footnote (1) above, as well as the sale of shares of ou common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus), and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us

(3) A $1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) each of the cash, cash equivalents and marketable securities, working capital, total assets and total stockholders' equity by $, $, $ and $, respectively, assuming the number of shares offered by us as stated on the cover page of this prospectus remains unchanged and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents, working capital, total assets and total stockholders' equity by $, $, $ and $, respectively, assuming the assumed initial public offering price of $ per share (th mid-point of the price range set forth on the cover page of this prospectus) remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

An investment in shares of our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information appearing elsewhere in this prospectus, before deciding to invest in our common stock. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and future growth prospects. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and to the Discovery, Development and Regulatory Approval of Our Product Candidates

We have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future.

We are a clinical-stage biopharmaceutical company. To date, we have financed our operations primarily through private placements of convertible debt and preferred stock and our research and licensing agreements and have incurred significant operating losses since our inception in 1997. Our net loss for the nine months ended September 30, 2013 was $56.6 million (including a $48.6 million loss on settlement of convertible notes) and for the years ended December 31, 2011 and 2012 it was $11.2 million and $8.6 million, respectively. As of September 30, 2013, we had an accumulated deficit of $223.9 million. Such losses are expected to increase in the future as we execute our plan to continue our discovery, research and development activities, including the ongoing and planned clinical development of our antibody product candidates, and incur the additional costs of operating as a public company. We are unable to predict the extent of any future losses or when we will become profitable, if ever. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis which would adversely affect our business, prospects, financial condition and results of operations.

For the reasons cited above, without giving effect to the proceeds of this offering, the report of our independent registered public accountant on our financial statements as of and for the year ended December 31, 2012 includes explanatory language describing the existence of substantial doubt about our ability to continue as a going concern. There have been no adjustments in the accompanying financial statements to reflect this uncertainty.

Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. We have never generated any revenue from product sales and may never be profitable.

We have devoted substantially all of our financial resources and efforts to developing our proprietary XmAb technology platform, identifying potential product candidates and conducting preclinical studies and clinical trials. We and our partners are still in the early stages of developing our product candidates, and we have not completed development of any products. Our revenue to date has been primarily revenue from the license of our proprietary XmAb technology platform for the development of product candidates by others or revenue from our partners. Our ability to generate revenue and achieve profitability depends in large part on our ability, alone or with partners, to achieve milestones and to successfully complete the development of, obtain the necessary regulatory approvals for, and commercialize, product candidates. We do not anticipate generating revenues from sales of products for the foreseeable future. Our ability to generate future revenues from product sales depends heavily on our and our partners' success in:

- completing clinical trials through all phases of clinical development of our current product candidates, XmAb5871 and XmAb7195, as well as the product candidates that are being developed by our partners and licensees;

- seeking and obtaining marketing approvals for product candidates that successfully complete clinical trials;
- launching and commercializing product candidates for which we obtain marketing approval, with a partner or, if launched independently, successfully establishing a sales force, marketing and distribution infrastructure;
- identifying and developing new XmAb-engineered therapeutic antibody candidates;
- establishing and maintaining supply and manufacturing relationships with third parties;
- obtaining additional licensing and partnering opportunities, similar to our partnership with MorphoSys for XmAb5574/MOR208, with leading pharmaceutical and biotechnology companies;
- achieving the milestones set forth in our agreements with our partners;
- conducting further research into the function and application of antibody Fc domains in order to expand the scope of our proprietary XmAb technology platform;
- maintaining, protecting, expanding and enforcing our intellectual property; and
- attracting, hiring and retaining qualified personnel.

Because of the numerous risks and uncertainties associated with biologic product development, we are unable to predict the timing or amount of increased expenses and when we will be able to achieve or maintain profitability, if ever. In addition, our expenses could increase beyond expectations if we are required by the U.S. Food and Drug Administration (FDA), or foreign regulatory agencies, to perform studies and trials in addition to those that we currently anticipate, or if there are any delays in our or our partners completing clinical trials or the development of any of our product candidates. If one or more of the product candidates that we independently develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing such product candidates. Even if we or our partners are able to generate revenues from the sale of any approved products, we may not become profitable and may need to obtain additional funding to continue operations, which may not be available to us on favorable terms, if at all. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or even continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

We will require additional financing and may be unable to raise sufficient capital, which could lead us to delay, reduce or abandon research and development programs or commercialization.

Our operations have used substantial amounts of cash since inception. Our research and development expenses were $12.9 million for the nine months ended September 30, 2013, and $12.7 million for each of the years ended December 31, 2011 and 2012, respectively. We expect our expenses to increase in connection with our ongoing development activities, including the continuation of our ongoing Phase 1b/2a clinical trial of XmAb5871 in patients with rheumatoid arthritis, the initiation of additional clinical trials of XmAb5871 and the submission of an investigational new drug application (IND) to the FDA for XmAb7195 to be followed by our first clinical trial of XmAb7195. Identifying potential product candidates and conducting preclinical testing and clinical trials are time-consuming, expensive and uncertain processes that takes years to complete, and we or our partners may never generate the necessary data or results required to obtain regulatory approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success.

Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if at all. If we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. Furthermore, after the closing of this offering, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We believe that the net proceeds from this offering and our existing cash, together with interest thereon, will be sufficient to fund our operations through 2016. However, changing circumstances or inaccurate estimates by us may cause us to use capital significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control. For example, our planned clinical trials for XmAb5871 may encounter technical, enrollment or other issues that could cause our development costs to increase more than we expect. Even with the expected net proceeds from this offering, we do not have sufficient cash to complete the clinical development of any of our product candidates and will require additional funding in order to complete the development activities required for regulatory approval of either XmAb5871 or XmAb7195 or any future product candidates that we develop independently. Because successful development of our product candidates is uncertain, we are unable to estimate the actual funds we will require to complete research and development and commercialize our product candidates. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations; even if we believe we have sufficient funds for our current or future operating plans. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

The development and commercialization of biologic products is subject to extensive regulation, and we may not obtain regulatory approvals for any of our product candidates.

The clinical development, manufacturing, labeling, packaging, storage, recordkeeping, advertising, promotion, export, import, marketing and distribution and other possible activities relating to XmAb5871, XmAb7195 and XmAb5574/MOR208, our current lead antibody product candidates, as well as any other antibody product candidate that we may develop in the future, are subject to extensive regulation in the United States as biologics. Biologics require the submission of a Biologics License Application (BLA) to the FDA and we are not permitted to market any product candidate in the United States until we obtain approval from the FDA of a BLA for that product. A BLA must be supported by extensive clinical and preclinical data, as well as extensive information regarding chemistry, manufacturing and controls (CMC) sufficient to demonstrate the safety, purity, potency and effectiveness of the applicable product candidate to the satisfaction of the FDA.

Regulatory approval of a BLA is not guaranteed, and the approval process is an expensive and uncertain process that may take several years. The FDA and foreign regulatory entities also have substantial discretion in the approval process. The number and types of preclinical studies and clinical trials that will be required for BLA approval varies depending on the product candidate, the disease or the condition that the product candidate is designed to target and the regulations applicable to any particular product candidate. Despite the time and expense associated with preclinical studies and clinical trials, failure can occur at any stage, and we could encounter problems that require us to repeat or perform additional preclinical studies or clinical trials or generate additional CMC data. The FDA and similar foreign authorities could delay, limit or deny approval of a product candidate for many reasons, including because they:

- may not deem our product candidate to be adequately safe and effective;

- may not find the data from our preclinical studies and clinical trials or CMC data to be sufficient to support a claim of safety and efficacy;
- may not approve the manufacturing processes or facilities associated with our product candidate;
- may conclude that we have not sufficiently demonstrated long-term stability of the formulation of the drug product for which we are seeking marketing approval;
- may change approval policies or adopt new regulations; or
- may not accept a submission due to, among other reasons, the content or formatting of the submission.

Generally, public concern regarding the safety of drug and biologic products could delay or limit our ability to obtain regulatory approval, result in the inclusion of unfavorable information in our labeling, or require us to undertake other activities that may entail additional costs.

We have not submitted an application for approval or obtained FDA approval for any product. This lack of experience may impede our ability to obtain FDA approval in a timely manner, if at all, for our product candidates.

To market any biologics outside of the United States, we and current or future collaborators must comply with numerous and varying regulatory and compliance related requirements of other countries. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods, including obtaining reimbursement and pricing approval in select markets. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks associated with FDA approval as well as additional, presently unanticipated, risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others, including the risk that our product candidates may not be approved for all indications requested and that such approval may be subject to limitations on the indicated uses for which the drug may be marketed. Certain countries have a very difficult reimbursement environment and we may not obtain reimbursement or pricing approval, if required, in all countries where we expect to market a product, or we may obtain reimbursement approval at a level that would make marketing a product in certain countries not viable.

If we experience delays in obtaining approval or if we fail to obtain approval of our product candidates, the commercial prospects for our product candidates may be harmed and our ability to generate revenues will be materially impaired which would adversely affect our business, prospects, financial condition and results of operations.

Even if we receive regulatory approval for any of our product candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense. Additionally, our product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

Any regulatory approvals that we or our partners receive for our product candidates may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the product candidate. In addition, if the FDA or a comparable foreign regulatory authority approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for the product will be subject to

extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with current good manufacturing practices (cGMPs), and current good clinical practices (cGCPs), for any clinical trials that we conduct post-approval. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, undesirable side effects caused by the product, problems encountered by our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, either before or after product approval, may result in, among other things:

- restrictions on the marketing or manufacturing of the product;
- requirements to include additional warnings on the label;
- requirements to create a medication guide outlining the risks to patients;
- withdrawal of the product from the market;
- voluntary or mandatory product recalls;
- requirements to change the way the product is administered or for us to conduct additional clinical trials;
- fines, warning letters or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us or our strategic partners, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products;
- injunctions or the imposition of civil or criminal penalties; and
- harm to our reputation.

Additionally if any of our product candidates receives marketing approval, the FDA could require us to adopt a Risk Evaluation and Mitigation Strategy (REMS) to ensure that the benefits of the therapy outweigh its risks, which may include, among other things, a medication guide outlining the risks for distribution to patients and a communication plan to health care practitioners.

Any of these events could prevent us from achieving or maintaining market acceptance of the product or the particular product candidate at issue and could significantly harm our business, prospects, financial condition and results of operations.

The FDA's policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States. In addition, some of our competitors have ongoing clinical trials for product candidates that treat the same indications as

our product candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates.

Patient enrollment is affected by other factors including:

- the severity of the disease under investigation;
- the patient eligibility criteria for the study in question;
- the perceived risks and benefits of the product candidate under study;
- our payments for conducting clinical trials;
- the patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

For example, in our Phase 1a clinical trial of XmAb5871, which we completed in December 2012, delays in patient enrollment that were outside our control caused several weeks of delay that we did not predict at the outset of that clinical trial. Our inability to enroll a sufficient number of patients for any of our clinical trials could result in significant delays and could require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates and in delays to commercially launching our product candidates, if approved, which would cause the value of our company to decline and limit our ability to obtain additional financing.

The manufacture of biopharmaceutical products, including XmAb-engineered antibodies, is complex and manufacturers often encounter difficulties in production. If we or any of our third-party manufacturers encounter any loss of our master cell banks or if any of our third-party manufacturers encounter other difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide product candidates for clinical trials or our products to patients, once approved, the development or commercialization of our product candidates could be delayed or stopped.

The manufacture of biopharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and our contract manufacturers must comply with cGMP regulations and guidelines. Manufacturers of biopharmaceutical products often encounter difficulties in production, particularly in scaling up and validating initial production and contamination. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Furthermore, if microbial, viral or other contaminations are discovered in our products or in the manufacturing facilities in which our products are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.

All of our XmAb engineered antibodies are manufactured by starting with cells which are stored in a cell bank. We have one master cell bank for each antibody manufactured in accordance with cGMP and multiple working cell banks and believe we would have adequate backup should any cell bank be lost in a catastrophic event. However, it is possible that we could lose multiple cell banks and have our manufacturing severely impacted by the need to replace the cell banks.

We cannot assure you that any stability or other issues relating to the manufacture of any of our product candidates or products will not occur in the future. Additionally, our manufacturer may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or

otherwise fail to comply with their contractual obligations, our ability to provide any product candidates to patients in clinical trials and products to patients, once approved, would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely. Any adverse developments affecting clinical or commercial manufacturing of our product candidates or products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our product candidates or products. We may also have to take inventory write-offs and incur other charges and expenses for product candidates or products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay or impede the development and commercialization of any of our product candidates or products and could have a material adverse effect on our business, prospects, financial condition and results of operations.

Adverse side effects or other safety risks associated with our product candidates could delay or preclude approval, cause us to suspend or discontinue clinical trials, abandon product candidates, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.

Undesirable side effects caused by our product candidates could result in the delay, suspension or termination of clinical trials by us, our collaborators, the FDA or other regulatory authorities for a number of reasons. If we elect or are required to delay, suspend or terminate any clinical trial of any product candidates that we develop, the commercial prospects of such product candidates will be harmed and our ability to generate product revenues from any of these product candidates will be delayed or eliminated. Serious adverse events observed in clinical trials could hinder or prevent market acceptance of the product candidate at issue. Any of these occurrences may harm our business, prospects, financial condition and results of operations significantly.

In our Phase 1a clinical trial of XmAb5871, for example, some subjects reported mild to severe gastrointestinal symptoms including nausea, vomiting, abdominal pain, abdominal discomfort, epigastric discomfort (upper stomach pain) and diarrhea. As of September 30, 2013, one patient in our on-going Phase 1b clinical trial of XmAb5871 experienced an infusion related reaction with hypotension and other adverse events that have been reported by investigators include nausea, vomiting, fever-increased temperature, headache and bronchitis. If these or other side effects cause excessive discomfort, safety risks or reduction in acceptable dosage, then the development and commercialization of XmAb5871 could suffer significant negative consequences. We cannot predict if additional types of adverse events or more serious adverse events will be observed in future clinical trials of XmAb5871, XmAb7195 or any future product candidate.

In addition, we observed detectable levels of immunogenicity, or the creation by the immune system of anti-XmAb5871 antibodies, in 44% of subjects receiving XmAb5871 in the Phase 1a clinical trial. While a common occurrence for antibody therapies, immunogenicity to XmAb5871 or any of our other product candidates could neutralize the therapeutic effects of XmAb5871 or such other candidates and/or alter their pharmacokinetics, which could have a material adverse effect on the effectiveness of our product candidates and on our ability to commercialize them.

We may not be successful in our efforts to use and expand our XmAb technology platform to build a pipeline of product candidates and develop marketable products.

We are using our proprietary XmAb technology platform to develop engineered antibodies, with an initial focus on three properties: immune inhibition, cytotoxicity and extended half-life. This platform has led to our three lead product candidates, XmAb5871, XmAb7195 and

XmAb5574/MOR208 as well as the other programs that utilize our technology and that are being developed by our partners and licensees. While we believe our preclinical and clinical data to date, together with our established partnerships, has validated our platform to a degree, we are at a very early stage of development and our platform has not yet, and may never lead to, approved or marketable therapeutic antibody products. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of their harmful side effects, limited efficacy or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we do not successfully develop and commercialize product candidates based upon our technological approach, we may not be able to obtain product or partnership revenues in future periods, which would adversely affect our business, prospects, financial condition and results of operations.

We face significant competition from other biotechnology and pharmaceutical companies and our operating results will suffer if we fail to compete effectively.

The biotechnology and pharmaceutical industries are intensely competitive. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, biotechnology companies, universities and other research institutions. Many of our competitors have substantially greater financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations and well-established sales forces. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis drug products that are more effective or less costly than any product candidate that we are currently developing or that we may develop.

We face intense competition in autoimmune disease drug development from multiple monoclonal antibodies, other biologics and small molecules approved for the treatment of rheumatoid arthritis and autoimmune diseases many of which are being developed or marketed by large multinational pharmaceutical companies such as GlaxoSmithKline plc, AbbVie Inc., Janssen Pharmaceuticals, Inc., Roche/Genentech Inc. and Amgen Inc. GlaxoSmithKline's Benlysta (belimumab) is currently the only monoclonal antibody that we are aware of that is approved for the treatment of lupus although we believe that Biogen Idec/Genentech's Rituxan (rituximab) is prescribed, off label, for this indication. Pfizer's Xeljanz (tofacitinib), AbbVie's Humira (adalimumab), Amgen's Enbrel (etanercept), Janssen Pharmaceuticals, Inc.'s Remicade (infliximab) and Simponi (golimumab), Bristol-Myers Squibb's Orencia (abatacept) and Rituxan, among others, are approved for the treatment of rheumatoid arthritis. In addition, these and other pharmaceutical companies have monoclonal antibodies or other biologics in clinical development for the treatment of autoimmune diseases.

Many companies have approved therapies or are developing drugs for the treatment of asthma including multinational pharmaceutical companies such as GlaxoSmithKline, Roche/Genentech, Novartis AG and AstraZeneca plc. Monoclonal antibody drug development has primarily focused on allergic asthma. Xolair is currently the only monoclonal antibody that we are aware of that is approved for the treatment of severe asthma. In addition, Novartis, AstraZeneca/MedImmune and Genentech each have an antibody targeting IgE in Phase 1 or 2 clinical development for asthma.

Competition in blood cancer drug development is intense, with more than 250 compounds in clinical trials by large multinational pharmaceutical companies and Rituxan is just one of many monoclonal antibodies approved for the treatment of non-Hodgkin lymphomas or other blood cancers.

Our ability to compete successfully will depend largely on our ability to leverage our experience in drug discovery and development to:

- discover and develop products that are superior to other products in the market;

- attract qualified scientific, product development and commercial personnel;
- obtain and maintain patent and/or other proprietary protection for our products and technologies;
- obtain required regulatory approvals; and
- successfully collaborate with pharmaceutical companies in the discovery, development and commercialization of new products.

The availability and price of our competitors' products could limit the demand, and the price we are able to charge, for any of our product candidates, if approved. We will not achieve our business plan if acceptance is inhibited by price competition or the reluctance of physicians to switch from existing drug products to our products, or if physicians switch to other new drug products or choose to reserve our products for use in limited circumstances.

Established biopharmaceutical companies may invest heavily to accelerate discovery and development of products that could make our product candidates less competitive. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA approval or discovering, developing and commercializing medicines before we do, which would have a material adverse impact on our business. We will not be able to successfully commercialize our product candidates without establishing sales and marketing capabilities internally or through collaborators.

Risks Relating to Our Dependence on Third Parties

Our existing partnerships are important to our business, and future partnerships may also be important to us. If we are unable to maintain any of these partnerships, or if these partnerships are not successful, our business could be adversely affected.

Because developing biologics products, conducting clinical trials, obtaining regulatory approval, establishing manufacturing capabilities and marketing approved products are expensive, we have entered into partnerships, and may seek to enter into additional partnerships, with companies that have more resources and experience than us, and we may become dependent upon the establishment and successful implementation of partnership agreements.

Our partnership and license agreements include those we have announced with Amgen, MorphoSys, Boehringer Ingelheim and others. These partnerships and license agreements also have provided us with important funding for our development programs, and we expect to receive additional funding under these partnerships in the future. Our existing partnerships, and any future partnerships we enter into, may pose a number of risks, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these partnerships;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;

- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;

- a collaborator with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;

- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;

- while we have generally retained the right to maintain and defend our intellectual property under our agreements with collaborators, certain collaborators may not properly maintain or defend certain of our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information;

- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability;

- collaborators may learn about our technology and use this knowledge to compete with us in the future;

- results of collaborators' preclinical or clinical studies could produce results that harm or impair other products using our XmAb technology platform;

- there may be conflicts between different collaborators that could negatively affect those partnerships and potentially others; and

- the number and type of our partnerships could adversely affect our attractiveness to future collaborators or acquirers.

If our partnerships and license agreements do not result in the successful development and commercialization of products or if one of our collaborators terminates its agreement with us, or in the case of Amgen, elects not to exercise its option under our agreement, we may not receive any future research and development funding or milestone or royalty payments under the arrangement. If we do not receive the funding we expect under these arrangements, our continued development of our product candidates could be delayed and we may need additional resources to develop additional product candidates. All of the risks relating to product development, regulatory approval and commercialization described in this prospectus also apply to the activities of our collaborators and there can be no assurance that our partnerships and license agreements will produce positive results or successful products on a timely basis or at all.

Our partnership agreements generally grant our collaborators exclusive rights under certain of our intellectual property, and may therefore preclude us from entering into partnerships with others relating to the same or similar compounds, indications or diseases. In addition, partnership agreements may place restrictions or additional obligations on our ability to license additional compounds in different indications, diseases or geographical locations. If we fail to comply with or breach any provision of a partnership agreement, a collaborator may have the right to terminate, in whole or in part, such agreement or to seek damages. Many of our collaborators also have the right to terminate the partnership agreement for convenience. If a partnership agreement is terminated, in whole or in

part, we may be unable to continue the development and commercialization of the applicable product candidates, and even if we are able to do so, such efforts may be delayed and result in additional costs.

There is no assurance that a collaborator who is acquired by a third party would not attempt to change certain contract provisions that could negatively affect our partnership. The acquiring company may also not accept the terms or assignment of our contracts and may seek to terminate the agreements. Any one of our partners could breach covenants, restrictions and/or sub-license agreement provisions leading us into disputes and potential breaches of our agreements with other partners.

We may in the future determine to partner with additional pharmaceutical and biotechnology companies for development and potential commercialization of therapeutic products. We face significant competition in seeking appropriate collaborators. Our ability to reach a definitive agreement for a partnership will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed partnership and the proposed collaborator's evaluation of a number of factors. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into partnerships and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market or continue to develop our product platform and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We rely upon third-party contractors and service providers for the execution of most aspects of our development programs. Failure of these collaborators to provide services of a suitable quality and within acceptable timeframes may cause the delay or failure of our development programs.

We outsource certain functions, tests and services to contract research organizations (CROs), medical institutions and collaborators as well as outsourcing manufacturing to collaborators and/or contract manufacturers, and we rely on third parties for quality assurance, clinical monitoring, clinical data management and regulatory expertise. We also have engaged, and may in the future engage, a CRO to run all aspects of a clinical trial on our behalf. There is no assurance that such individuals or organizations will be able to provide the functions, tests, biologic supply or services as agreed upon or in a quality fashion and we could suffer significant delays in the development of our products or processes.

In some cases there may be only one or few providers of such services, including clinical data management or manufacturing services. In addition, the cost of such services could be significantly increased over time. We rely on third parties and collaborators as mentioned above to enroll qualified patients and conduct, supervise and monitor our clinical trials. Our reliance on these third parties and collaborators for clinical development activities reduces our control over these activities. Our reliance on these parties, however, does not relieve us of our regulatory responsibilities, including ensuring that our clinical trials are conducted in accordance with GCP regulations and the investigational plan and protocols contained in the regulatory agency applications. In addition, these third parties may not complete activities on schedule or may not manufacture under GMP conditions. Preclinical or clinical studies may not be performed or completed in accordance with Good Laboratory Practices (GLP) regulatory requirements or our trial design. If these third parties or collaborators do not successfully carry out their contractual duties or meet expected deadlines, obtaining regulatory approval for manufacturing and commercialization of our product candidates may be delayed or prevented. We rely substantially on third-party data managers for our clinical trial data. There is no assurance that these third parties will not make errors in the design, management or retention of our data or data systems. There is no assurance these third parties will pass FDA or regulatory audits, which could delay or prohibit regulatory approval.

We rely on third parties to manufacture supplies of our preclinical and clinical product candidates. The development of such candidates could be stopped or delayed if any such third party fails to provide us with sufficient quantities of product or fails to do so at acceptable quality levels or prices or fails to maintain or achieve satisfactory regulatory compliance.

We do not currently have nor do we plan to acquire the infrastructure or capability internally to manufacture our clinical drug supplies for use in the conduct of our clinical trials, and we lack the resources and the capability to manufacture any clinical candidates on a clinical scale. Instead, we rely on our third-party manufacturing partners, Catalent Pharma Solutions LLC (Catalent) and Cook Pharmica, LLC (Cook) for the production of XmAb5871 and XmAb7195, respectively, and Cook and third parties for fill and testing services, pursuant to agreements with each. Either Catalent or Cook may not perform as agreed, may be unable to comply with cGMP requirements and with FDA, state and foreign regulatory requirements or may terminate its agreement with us.

In addition, manufacturers are subject to ongoing periodic unannounced inspection by the FDA and other governmental authorities to ensure strict compliance with government regulations. We do not control the manufacturing processes of either Catalent or Cook and are currently completely dependent on each of Catalent and Cook for the production of XmAb5871 and XmAb7195 in accordance with cGMP, which include, among other things, quality control, quality assurance and the maintenance of records and documentation. If we were to experience an unexpected loss of supply, we could experience delays in our planned clinical trials, as Catalent or Cook would need to manufacture additional clinical drug supply and would need sufficient lead time to schedule a manufacturing slot. While there are other potential suppliers of clinical supplies of our biologics, the long transition periods necessary to switch manufacturers for either XmAb5871 and XmAb7195 would significantly delay our clinical trials and the commercialization of such products, if approved.

We intend to rely on third parties to manufacture commercial supplies of our product candidates, if and when approved. If we are unable to obtain a license agreement from Catalent for the manufacture of XmAb5871, if we are unable to enter into commercial supply agreements with third-party suppliers or if any such third-party supplier fails to provide us with sufficient quantities or fails to comply with regulatory requirements, commercialization of such products could be delayed or stopped.

We do not currently have nor do we plan to acquire the infrastructure or capability internally to manufacture our products on a commercial scale. Although we have entered into agreements for the manufacture of clinical supplies of XmAb5871 and XmAb7195, we have not entered into a commercial supply agreement with either Catalent or Cook and neither has demonstrated that it will be capable of manufacturing XmAb5871 and XmAb7195 on a large commercial scale. We might be unable to identify manufacturers for commercial supply on acceptable terms or at all. Moreover, our existing license with Catalent to use certain technology and know-how in the production of our XmAb5871 product candidate only applies for so long as manufacturing services are provided by Catalent. We expect to move manufacturing services to another contract manufacturing organization, or to Amgen if they exercise their option for XmAb5871, to support late-stage clinical trials for XmAb5871 as well as commercial supplies which would require negotiation of a license from Catalent. We expect to be able to finalize such a license agreement with Catalent for XmAb5871 in due course. However, we can provide no assurances as to when such a license agreement will be executed or if it will be executed at all. If we, or our collaborator Amgen, are not able to secure a commercial license from Catalent, or not able to obtain a commercial license on acceptable terms, we may be required to change the manufacturing process for XmAb5871. A change to the manufacturing process for XmAb5871 would cause us to incur significant costs and to devote significant efforts to implement such a change. Additionally, the late-stage clinical development and commercialization of XmAb5871 by us or our collaborators may be delayed as a result, which would materially and adversely affect our business.

If our third-party manufacturers cannot successfully manufacture material that conforms to our specifications and the applicable regulatory authorities' strict regulatory requirements, or pass regulatory inspection, they will not be able to secure or maintain regulatory approval for the manufacturing facilities. In addition, we have no control over the ability of any third-party manufacturer to maintain adequate quality control, quality assurance and qualified personnel. The facilities used by our third-party manufacturers to manufacture XmAb5871 and XmAb7195 and any other potential product candidates that we may develop in the future must be approved by the applicable regulatory authorities, including the FDA, pursuant to inspections that will be conducted after we submit our BLA to the FDA. In addition, manufacturers are subject to ongoing periodic unannounced inspection by the FDA and other governmental authorities to ensure strict compliance with government regulations. If the FDA or any other applicable regulatory authorities do not approve these facilities for the manufacture of our products or if they withdraw any such approval in the future, or if our suppliers or third-party manufacturer decide they no longer want to supply our biologics or manufacture our products, we may need to find alternative manufacturing facilities, which would significantly impact our ability to market our products and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Risks Relating to Our Intellectual Property

If we are unable to obtain, maintain and enforce intellectual property protection covering our products, others may be able to make, use or sell products substantially the same as ours, which could adversely affect our ability to compete in the market.

Our commercial success depends, in part, on our ability to obtain, maintain and enforce patents, trade secrets, trademarks and other intellectual property rights and to operate without having third parties infringe, misappropriate or circumvent the rights that we own or license. If we are unable to obtain, maintain and enforce intellectual property protection covering our products, others may be able to make, use or sell products that are substantially the same as ours without incurring the sizeable development and licensing costs that we have incurred, which would adversely affect our ability to compete in the market. As of September 30, 2013, we held 21 issued U.S. patents and 44 pending U.S. patent applications related to our XmAb technology platform. We have also filed and are actively pursuing additional patent applications in the United States, Canada, Japan, Europe and other major markets either directly or via the Patent Cooperation Treaty. Our ability to stop third parties from making, using, selling, offering to sell or importing our product candidates is dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities. However, the patent positions of biopharmaceutical companies, including ours, can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in patents in these fields has emerged to date in the United States. The U.S. patent laws have recently changed, there have been changes regarding how patent laws are interpreted, and the U.S. Patent and Trademark Office (the PTO) has also implemented changes to the patent system. Some of these changes are currently being litigated, and we can not accurately determine the outcome of any such proceedings or predict future changes in the interpretation of patent laws or changes to patent laws which might be enacted into law. Those changes may materially affect our patents, our ability to obtain patents or the patents and applications of our collaborators and licensors. The patent situation in the biopharmaceutical industry outside the United States is even more uncertain. Therefore, there is no assurance that our pending patent applications will result in the issuance of patents or that we will develop additional proprietary products which are patentable. Moreover, patents issued or to be issued to us may not provide us with any competitive advantage. Our patent position is subject to numerous additional risks, including the following:

- we may fail to seek patent protection for inventions that are important to our success;
- our pending patent applications may not result in issued patents;

- we cannot be certain that we are the first to invent the inventions covered by pending patent applications or that we were the first to file such applications and, if we are not, we may be subject to priority disputes;
- we may be required to disclaim part or all of the term of certain patents or all of the term of certain patent applications;
- we may file patent applications but have claims restricted or we may not be able to supply sufficient data to support our claims and, as a result, may not obtain the original claims desired or we may receive restricted claims. Alternatively, it is possible that we may not receive any patent protection from an application;
- we could inadvertently abandon a patent or patent application, resulting in the loss of protection of certain intellectual property rights in a certain country. We, our collaborators or our patent counsel may take action resulting in a patent or patent application becoming abandoned which may not be able to be reinstated or if reinstated, may suffer patent term adjustments;
- the claims of our issued patents or patent applications when issued may not cover our product candidates;
- no assurance can be given that our patents would be declared by a court to be valid or enforceable or that a competitor's technology or product would be found by a court to infringe our patents. Our patents or patent applications may be challenged by third parties in patent litigation or in proceedings before the PTO or its foreign counterparts, and may ultimately be declared invalid or unenforceable, or narrowed in scope;
- there may be prior art of which we are not aware that may affect the validity or enforceability of a patent claim. There also may be prior art of which we are aware, but which we do not believe affects the validity or enforceability of a claim, which may, nonetheless, ultimately be found to affect the validity or enforceability of a claim;
- third parties may develop products which have the same or similar effect as our products without infringing our patents. Such third parties may also intentionally circumvent our patents by means of alternate designs or processes or file applications or be granted patents that would block or hurt our efforts;
- there may be dominating patents relevant to our product candidates of which we are not aware;
- our patent counsel, lawyers or advisors may have given us, or may in the future give us incorrect advice or counsel. Opinions from such patent counsel or lawyers may not be correct or may be based on incomplete facts;
- obtaining regulatory approval for biopharmaceutical products is a lengthy and complex process, and as a result, any patents covering our product candidates may expire before, or shortly after such product candidates are approved and commercialized;
- the patent and patent enforcement laws of some foreign jurisdictions do not protect intellectual property rights to the same extent as laws in the United States, and many companies have encountered significant difficulties in protecting and defending such rights in foreign jurisdictions. If we encounter such difficulties or we are otherwise precluded from effectively protecting our intellectual property rights in foreign jurisdictions, our business prospects could be substantially harmed; and
- we may not develop additional proprietary technologies that are patentable.

Any of these factors could hurt our ability to gain full patent protection for our products. Registered trademarks and trademark applications in the United States and other countries are subject

to similar risks as described above for patents and patent applications, in addition to the risks described below.

Many of our product development partnership agreements are complex and may call for licensing or cross-licensing of potentially blocking patents, know-how or intellectual property. Due to the potential overlap of data, know-how and intellectual property rights there can be no assurance that one of our collaborators will not dispute our right to use, license or distribute data, know-how or other intellectual property rights, and this may potentially lead to disputes, liability or termination of a program. There are no assurances that our actions or the actions of our collaborators would not lead to disputes or cause us to default with other collaborators. For example, we may become involved in disputes with our collaborators relating to the ownership of intellectual property developed in the course of the partnership. We also cannot be certain that a collaborator will not challenge the validity or enforceability of the patents we license.

We cannot be certain that any country's patent and/or trademark office will not implement new rules which could seriously affect how we draft, file, prosecute and/or maintain patents, trademarks and patent and trademark applications. We cannot be certain that increasing costs for drafting, filing, prosecuting and maintaining patents, trademarks and patent and trademark applications will not restrict our ability to file for patent protection. For example, we may elect not to seek patent protection in certain jurisdictions or for certain inventions in order to save costs. We may be forced to abandon or return the rights to specific patents due to a lack of financial resources.

We currently rely, and may in the future rely, on certain intellectual property rights licensed from third parties to protect our technology. In particular, we have licensed and sublicensed certain intellectual property relating to our Xtend technology from a third party. Under our license, we have no right to control patent prosecution of this intellectual property or to enforce the patents, and as such the licensed rights may not be adequately maintained by the licensors. The termination of this or other licenses could also prevent us from commercializing product candidates covered by the licensed intellectual property.

Furthermore, the research resulting in the in-licensed patents was developed in the course of research funded by the U.S. government. As a result, the U.S. government may have certain rights ("march-in rights") to intellectual property embodied in our Xtend products. Government rights in certain inventions developed under a government-funded program include a non-exclusive, non-transferable, irrevocable worldwide license to use inventions for any governmental purpose. Circumstances that trigger march-in rights include, for example, failure to take, within a reasonable time, effective steps to achieve practical application of the invention in a field of use, failure to satisfy the health and safety needs of the public and failure to meet requirements of public use specified by federal regulations. Federal law requires any licensor of an invention that was partially funded by the federal government to obtain a covenant from any exclusive licensee to manufacture products using the invention substantially in the United States. The U.S. government also has the right to use and disclose, without limitation, scientific data relating to licensed technology that was developed in whole or in part at government expense. The government funding agency can elect to exercise these march-in rights on their own initiative or at the request of a third party.

We intend to file applications for trademark registrations in connection with our product candidates in various jurisdictions, including the United States. No assurance can be given that any of our trademark applications will be registered in the United States or elsewhere, or that the use of any registered or unregistered trademarks will confer a competitive advantage in the marketplace. Furthermore, even if we are successful in our trademark registrations, the FDA and regulatory authorities in other countries have their own process for drug nomenclature and their own views concerning appropriate proprietary names. No assurance can be given that the FDA or any other regulatory authority will approve of any of our trademarks or will not request reconsideration of one of

our trademarks at some time in the future. The loss, abandonment, or cancellation of any of our trademarks or trademark applications could negatively affect the success of the product candidates to which they relate.

If we are not able to prevent disclosure of our trade secrets and other proprietary information, the value of our technology and products could be significantly diminished.

We rely on trade secret protection to protect our interests in proprietary know-how and in processes for which patents are difficult to obtain or enforce. We may not be able to protect our trade secrets adequately. We have a policy of requiring our consultants, advisors and collaborators to enter into confidentiality agreements and our employees to enter into invention, non-disclosure and non-compete agreements. However, no assurance can be given that we have entered into appropriate agreements with all parties that have had access to our trade secrets, know-how or other proprietary information. There is also no assurance that such agreements will provide for a meaningful protection of our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of information. Furthermore, we cannot provide assurance that any of our employees, consultants, contract personnel, or collaborators, either accidentally or through willful misconduct, will not cause serious damage to our programs and/or our strategy, for example by disclosing important trade secrets, know-how or proprietary information to our competitors. It is also possible that our trade secrets, know-how or other proprietary information could be obtained by third parties as a result of breaches of our physical or electronic security systems. Any disclosure of confidential data into the public domain or to third parties could allow our competitors to learn our trade secrets and use the information in competition against us. In addition, others may independently discover our trade secrets and proprietary information. Any action to enforce our rights is likely to be time consuming and expensive, and may ultimately be unsuccessful, or may result in a remedy that is not commercially valuable. These risks are accentuated in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in the United States or Europe. Any unauthorized disclosure of our trade secrets or proprietary information could harm our competitive position.

We may be required to reduce the scope of our intellectual property due to third-party intellectual property claims.

Our competitors may have filed, and may in the future file, patent applications covering technology similar to ours. Any such patent application may have priority over our patent applications, which could further require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to ours that claims priority to an application filed prior to March 16, 2013, we may have to participate in an interference proceeding declared by the PTO to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful if, unbeknownst to us, the other party had independently arrived at the same or similar invention prior to our own invention, resulting in a loss of our U.S. patent position with respect to such inventions. In addition, changes enacted on March 15, 2013 to the U.S. patent laws under the America Invents Act resulted in the United States changing from a "first to invent" country to a "first to file" country. As a result, we may lose the ability to obtain a patent if a third party files with the PTO first and could become involved in proceedings before the PTO to resolve disputes related to inventorship. We may also become involved in similar proceedings in other jurisdictions.

Furthermore, recent changes in U.S. patent law under the America Invents Act allows for post-issuance challenges to U.S. patents, including ex parte reexaminations, inter partes reviews and post-grant oppositions. There is significant uncertainty as to how the new laws will be applied and if our U.S. patents are challenged using such procedures, we may not prevail, possibly resulting in altered or diminished claim scope or loss of patent rights altogether. Similarly, some countries, notably

members of the European Union, also have post grant opposition proceedings that can result in changes in scope and/or cancellation of patent claims.

Our products could infringe patents and other property rights of others, which may result in costly litigation and, if we are not successful, could cause us to pay substantial damages or limit our ability to commercialize our products, which could have a material adverse effect on our business.

Our commercial success depends upon our ability, and the ability of our collaborators, to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the patents and other proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries. For example, we are aware of issued U.S. patents and patent applications owned by Genentech that may relate to and claim components of certain of our product candidates, including XmAb5871, XmAb7195 and XmAb5574/MOR208 or their manufacture. We believe that these patents and patent applications will expire in the United States in 2020 and 2021, respectively, but it is possible that the terms could be extended, for example, as a result of patent term restoration to compensate for regulatory delays. While we believe that our current development of these candidates currently falls into the "safe harbor" of non-infringement under 35 U.S.C. §271(e)(1), this protection terminates upon commercialization. In addition, there can be no assurance that our interpretation of this statutory exemption would be upheld. Furthermore, while we believe that claims in these patents are either invalid or not infringed, we cannot assure you that if we were sued for infringement of these patents that we would prevail. In order to successfully challenge the validity of any issued U.S. patent, we would need to overcome a presumption of validity. This burden is a high one requiring us to present clear and convincing evidence as to the invalidity of such claims. There is no assurance that a court would find these claims to be invalid or not infringed.

In addition, as the biopharmaceutical industry expands and more patents are issued, the risk increases that there may be patents issued to third parties that relate to our products and technology of which we are not aware or that we must challenge to continue our operations as currently contemplated. Our products may infringe or may be alleged to infringe these patents. Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patents that may cover our technologies, our product candidates or their use. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our technologies, our products or the use of our products. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future.

If we are sued for patent infringement, we would need to demonstrate that our products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and divert management's time and attention in pursuing these proceedings, which could have a material adverse effect on us.

Any such claims are likely to be expensive to defend, and some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources.

If we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle litigation or in order to resolve disputes prior to litigation. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us, and could require us to make substantial royalty payments. We could also be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

Our intellectual property may be infringed upon by a third party.

Third parties may infringe one or more of our issued patents or trademarks. We cannot predict if, when or where a third party may infringe one or more of our issued patents or trademarks. To counter infringement, we may be required to file infringement claims, which can be expensive and time consuming. There is no assurance that we would be successful in a court of law in proving that a third party is infringing one or more of our issued patents or trademarks. Any claims we assert against perceived infringers could also provoke these parties to assert counterclaims against us, alleging that we infringe their intellectual property. In addition, in a patent infringement proceeding, a court may decide that a patent of ours is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly and/or refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question, any of which may adversely affect our business. Even if we are successful in proving in a court of law that a third party is infringing one or more of our issued patents or trademarks there can be no assurance that we would be successful in halting their infringing activities, for example, through a permanent injunction, or that we would be fully or even partially financially compensated for any harm to our business. We may be forced to enter into a license or other agreement with the infringing third party at terms less profitable or otherwise commercially acceptable to us than if the license or agreement were negotiated under conditions between those of a willing licensee and a willing licensor. We may not become aware of a third-party infringer within legal timeframes for compensation or at all, thereby possibly losing the ability to be compensated for any harm to our business. Such a third party may be operating in a foreign country where the infringer is difficult to locate and/or the intellectual property laws may be more difficult to enforce. Some third-party infringers may be able to sustain the costs of complex infringement litigation more effectively than we can because they have substantially greater resources. Any inability to stop third-party infringement could result in loss in market share of some of our products or even lead to a delay, reduction and/or inhibition of the development, manufacture or sale of certain products by us. There is no assurance that a product produced and sold by a third-party infringer would meet our or other regulatory standards or would be safe for use. Such third-party infringer products could irreparably harm the reputation of our products thereby resulting in substantial loss in market share and profits.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of our employees' former employers or other third parties. We may also be subject to claims that former

employers or other third parties have an ownership interest in our patents. Litigation may be necessary to defend against these claims. There is no guarantee of success in defending these claims, and if we do not prevail, we could be required to pay substantial damages and could lose rights to important intellectual property. Even if we are successful, litigation could result in substantial cost and be a distraction to our management and other employees.

Risks Related to Employee Matters and Managing Growth and Other Risks Related to Our Business

We are subject to competition for our skilled personnel and may experience challenges in identifying and retaining key personnel that could impair our ability to conduct and grow our operations effectively.

Our future success depends on our ability to retain our executive officers and to attract, retain and motivate qualified personnel. If we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy. Although we have not experienced problems attracting and retaining highly qualified personnel in the recent past, our industry has experienced a high rate of turnover of management personnel in recent years. Our ability to compete in the highly competitive biotechnology and pharmaceuticals industries depends upon our ability to attract and retain highly qualified management, scientific and medical personnel. We are highly dependent on our current management team, whose services are critical to the successful implementation of our product candidate development and regulatory strategies. In order to induce valuable employees to continue their employment with us, we have provided stock options that vest over time. The value to employees of stock options that vest over time is significantly affected by movements in our stock price that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies.

Despite our efforts to retain valuable employees, members of our management team may terminate their employment with us at any time, with or without notice. Further, we do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of any of our executive officers and our inability to find suitable replacements could harm our business, financial condition, prospects and ability to achieve the successful development or commercialization of our product candidates. Our success also depends on our ability to continue to attract, retain and motivate highly skilled scientific and medical personnel at all levels.

We may experience growth in the number of our employees and the scope of our operations, especially in clinical development. This growth will place a significant strain on our management, operations and financial resources, and we may have difficulty managing this future potential growth. Moreover, no assurance can be provided that we will be able to attract new employees to assist in our growth. Many of the other biotech and pharmaceutical companies and academic institutions that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. We also may employ consultants or part-time and contract employees. There can be no assurance that these individuals are retainable. While we have been able to attract and retain skilled and experienced personnel and consultants in the past, no assurance can be given that we will be able to do so in the future.

We may become subject to the risk of product liability claims.

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk if we or our partners commercialize any products. Human therapeutic products involve the risk of product liability claims and associated adverse publicity. Currently, the principal risks we face relate to patients in our clinical trials, who may suffer unintended consequences. Claims might be made by patients, healthcare providers or pharmaceutical companies or others. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product

liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates, if approved. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products due to negative public perception;
- injury to our reputation;
- withdrawal of clinical trial participants or difficulties in recruiting new trial participants;
- initiation of investigations by regulators;
- costs to defend or settle the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenues from product sales; and
- the inability to commercialize any of our product candidates, if approved.

We may not have or be able to obtain or maintain sufficient and affordable insurance coverage to cover product liability claims, and without sufficient coverage any claim brought against us could have a materially adverse effect on our business, financial condition or results of operations. We run clinical trials through investigators that could be negligent through no fault of our own and which could affect patients, cause potential liability claims against us and result in delayed or stopped clinical trials. We are required by contractual obligations to indemnify collaborators, partners, third-party contractors, clinical investigators and institutions. These indemnifications could result in a material impact due to product liability claims against us and/or these groups. We currently carry $5 million in product liability insurance, which we believe is appropriate for our current clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. We may also need to expand our insurance coverage as our business grows or if any of our product candidates is commercialized. We may not be able to maintain or increase insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with manufacturing standards we have established, to comply with federal and state healthcare fraud and abuse laws and regulations, or to report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and

regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a Code of Business Conduct and Ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions, and our reputation.

We may be vulnerable to disruption, damage and financial obligation as a result of system failures.

Despite the implementation of security measures, any of the internal computer systems belonging to us, our collaborators or our third-party service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that causes interruptions in our own, in collaborators' or in third-party service vendors' operations could result in a material disruption of our drug discovery and development programs. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our or our partners' regulatory approval efforts and significantly increase our costs in order to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we may incur liability as a result, our drug discovery programs and competitive position may be adversely affected and the further development of our product candidates may be delayed. Furthermore, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Our business involves the controlled use of hazardous materials and as such we are subject to environmental and occupational safety laws. Continued compliance with these laws may incur substantial costs and failure to maintain compliance could result in liability for damages that may exceed our resources.

Our research, manufacturing and development processes, and those of our third-party contractors and partners, involve the controlled use of hazardous materials. We and our manufacturers are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. The risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result, and any such liability could exceed our resources. We are not insured against this type of liability. We may be required to incur significant costs to comply with environmental laws and regulations in the future, and our operations, business or assets may be materially adversely affected by current or future environmental laws or regulations or any liability thereunder.

Risks Related to this Offering and Ownership of Our Common Stock

The market price of our common stock may be highly volatile, and you may not be able to resell your shares at or above the initial public offering price.

The trading price of our common stock is likely to be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

- adverse results or delays in clinical trials;

- inability to obtain additional funding;
- any delay in filing a BLA for any of our product candidates and any adverse development or perceived adverse development with respect to the FDA's review of that BLA;
- failure to successfully develop and commercialize our product candidates;
- changes in laws or regulations applicable to our products;
- inability to obtain adequate product supply for our product candidates, or the inability to do so at acceptable prices;
- adverse regulatory decisions;
- introduction of new products or technologies by our competitors;
- failure to meet or exceed product development or financial projections we provide to the public;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- additions or departures of key scientific or management personnel;
- significant lawsuits, including patent or stockholder litigation;
- changes in the market valuations of similar companies;
- sales of our common stock by us or our stockholders in the future; and
- trading volume of our common stock.

In addition, the stock market in general, and the NASDAQ Global Market in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

An active trading market for our common stock may not develop.

Prior to this offering, there has not been a public market for our common stock. Although we expect that our common stock will be approved for listing on the NASDAQ Global Market, an active trading market for our shares may never develop or be sustained following this offering. If an active market for our common stock does not develop, you may not be able to sell your shares quickly or at the market price. The initial public offering price for the shares will be determined by negotiations between us and representatives of the underwriters and may not be indicative of prices that will prevail in the trading market.

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

Our executive officers, directors, 5% stockholders and their affiliates beneficially own, as a group, approximately 80.2% of our voting stock. Based upon the assumed number of shares to be sold in this offering as set forth on the cover page of this prospectus, upon the closing of this offering, that same group will beneficially own approximately % of our outstanding voting stock, which does not include any effect of these stockholders purchasing additional shares in this offering. Further, John S.

Stafford III, one of our directors, beneficially owns approximately 43.6% of our voting stock and his family members beneficially own approximately an additional 16.3% of our voting stock. Following the offering, and not including any shares of our common stock that Mr. Stafford or his family members or their affiliates may purchase in this offering, Mr. Stafford and his family members will beneficially own approximately % of our voting stock.

Therefore, even after this offering our officers, directors and 5% stockholders and their affiliates, including Mr. Stafford, will have the ability to influence us through this ownership position and so long as they continue to beneficially own a significant amout of our outstanding voting stock. These stockholders, and Mr. Stafford, in particular, may be able to determine all matters requiring stockholder approval and this concentration of ownership may deprive other stockholders from realizing the true value of our common stock. For example, these stockholders, acting together, may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals, offers for our common stock or other transactions or arrangements that you may believe are in your best interest as one of our stockholders.

We are an "emerging growth company," and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least $1 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) as well as rules subsequently implemented by the Securities and Exchange Commission (SEC) and the NASDAQ Global Market have imposed various requirements on public companies. Public companies are subject to the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires management to establish and maintain a system of internal control over financial reporting and annual reports on Form 10-K filed under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act) to contain a report from management assessing the effectiveness of a company's internal control over financial reporting. We will be required to comply with Section 404 of the Sarbanes-Oxley Act, although as an emerging growth company, we are not required to comply with Section 404(b) which requires attestation from our external auditors on our internal control over financial reporting. We will, however, be subject to Section 404(a) which requires management to provide a report regarding the effectiveness of internal controls. We will be reviewing all of our control processes to align them to the Section 404 requirements. Failure to provide assurance that our financial controls are effective could lead to lack of confidence by investors which could lead to a lower share price. When and if we are no longer an "emerging growth company," our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. To comply with the requirements of being a reporting company under the Exchange Act, we may need to upgrade our systems including information technology, implement additional financial and management controls, reporting systems, and procedures, and hire additional accounting and finance staff.

In addition, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted. There are significant corporate governance and executive compensation related provisions in the Dodd-Frank Act and in rules and regulations subsequently adopted by the SEC in areas such as "say on pay" and proxy access. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact (in ways we cannot currently anticipate) the manner in which we operate our business.

Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain our current levels of such coverage.

Raising additional funds through debt or equity financing may be dilutive or restrict our operations and raising funds through licensing may require us to relinquish rights to our technology or product candidates.

To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of those securities could result in substantial dilution for our current stockholders and the terms may include liquidation or other preferences that adversely affect the rights of our current stockholders. Existing stockholders may not agree with our financing plans or the terms of such financings. Moreover, the incurrence of debt financing could result in a substantial portion of our operating cash flow being dedicated to the payment of principal and interest on such indebtedness and could impose restrictions on our operations. Debt financing and preferred equity 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.

In addition, if we raise additional funds through product development partnerships and licensing arrangements, it may be necessary to relinquish potentially valuable rights to our products or proprietary technologies, or grant licenses on terms that are not favorable to us. If we are unable to obtain additional funding on required timelines, we may be required to (1) seek collaborators for one or more of our product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available; (2) relinquish or license on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves; or (3) significantly curtail one or more of our research or development programs or cease operations altogether. Additional funding may not be available to us on acceptable terms, or at all.

The clinical development stage of our operations may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

Our operations to date have been limited to organizing and staffing our company, business planning, raising capital, developing our proprietary XmAb technology platform, identifying potential product candidates, and conducting preclinical studies and clinical trials. We are conducting a Phase 1b/2a clinical trial for XmAb5871, but have not completed any late stage clinical trials for this or any other product candidate. We have not yet demonstrated our ability to successfully complete any Phase 2 or pivotal clinical trials, obtain regulatory approvals, manufacture a commercial scale product, or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we were further advanced in development of our product candidates.

In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition at some point from a company with a research and development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We expect our financial condition and operating results to continue to fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Accordingly, you should not rely upon the results of any quarterly or annual periods as indications of future operating performance.

We have identified material weaknesses and a significant deficiency in our internal control over financial reporting. If our internal control over financial reporting is not effective, we may not be able to accurately report our financial results or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports in a timely manner. In connection with the audits of our financial statements for the years ended December 31, 2011 and 2012, we concluded that there were material weaknesses and a significant deficiency in our internal control over financial reporting. A material weakness is a significant deficiency, or a combination of significant deficiencies, in internal control over financial reporting such that it is reasonably possible that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company's financial reporting.

The material weaknesses our independent registered public accounting firm identified related to (1) a lack of sufficient staff with appropriate training in GAAP and the various rules and regulations

with respect to financial reporting and (2) revenue recognition as it relates to properly recording negotiated terms and conditions in our product development partnerships and license agreements and the misapplication of GAAP with respect to the timing of the recognition of revenue for such agreements. The material weakness in our revenue recognition led to the restatement of our financial statements as of and for the year ended December 31, 2011. The significant deficiency related to adjustments to stock-based compensation and additional paid-in capital, although the amounts were individually and in the aggregate not material.

In an attempt to remediate our resource weakness and the significant deficiency, we have hired and we intend to hire additional finance and accounting personnel to augment our accounting staff and to provide more resources for complex GAAP accounting matters. In an attempt to remediate our revenue recognition weakness, we intend to review our revenue recognition policies and procedures, enhance training of our personnel with respect to such policies and procedures and devote additional resources to our revenue recognition, including by adding additional accounting staff with technical experience in revenue recognition arrangements similar to our product development partnerships and license agreements. However, we cannot assure you that these efforts will remediate our material weaknesses or significant deficiency in a timely manner, or at all, or prevent restatements of our financial statements in the future. If we are unable to successfully remediate our material weaknesses and our significant deficiency, or identify any future significant deficiencies or material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports, and our stock price may decline as a result.

In addition, even if we remediate our material weaknesses, following the completion of this offering, we will be required to expend significant time and resources to further improve our internal controls over financial reporting, including by further expanding our finance and accounting staff. If we fail to adequately staff our accounting and finance function to remediate our material weaknesses and our significant deficiency or otherwise to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act of 2002, or fail to maintain adequate internal control over financial reporting, any new or recurring material weakness could prevent our management from concluding our internal control over financial reporting is effective and impair our ability to prevent material misstatements in our financial statements, which could cause our business to suffer.

If you purchase our common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.

Investors purchasing common stock in this offering will pay a price per share that substantially exceeds the pro forma book value (deficit) per share of our tangible assets after subtracting our liabilities. As a result, investors purchasing common stock in this offering will incur immediate dilution of $ per share, based on an assumed initial public offering price of $ per share, the mid-point of the price range set forth on the cover page of this prospectus, and our pro forma net tangible book value (deficit) as of September 30, 2013. For more information on the dilution you may suffer as a result of investing in this offering, see "Dilution."

This dilution is due to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price offered to the public in this offering. In addition, as of September 30, 2013, options to purchase 5,591,612 shares of our common stock at a weighted-average exercise price of $0.52 per share were outstanding. The exercise of any of these options would result in additional dilution. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation.

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

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

Substantially all of our existing stockholders are subject to lock-up agreements with the underwriters of this offering that restrict the stockholders' ability to transfer shares of our common stock for 180 days from the date of this prospectus. The lock-up agreements limit the number of shares of common stock that may be sold immediately following the public offering. Subject to certain limitations, including sales volume limitations with respect to shares held by our affiliates, substantially all of our outstanding shares prior to this offering will become eligible for sale upon expiration of the lock-up period, as calculated and described in more detail in the section entitled "Shares Eligible for Future Sale." In addition, shares issued or issuable upon exercise of options and warrants vested as of the expiration of the lock-up period will be eligible for sale at that time. Sales of stock by these stockholders could have a material adverse effect on the trading price of our common stock.

Certain holders of our securities are entitled to rights with respect to the registration of their shares under the Securities Act of 1933, as amended (the Securities Act), subject to the 180-day lock-up arrangement described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders.

Pursuant to our 2013 equity incentive plan (2013 plan), our management is authorized to grant stock options and other equity-based awards to our employees, directors and consultants. The number of shares available for future grant under the 2013 plan will automatically increase each year by % of all shares of our capital stock outstanding as of December 31 of the prior calendar year, subject to the ability of our Board of Directors to take action to reduce the size of the increase in any given year. Currently, we plan to register the increased number of shares available for issuance under the 2013 plan each year. If our Board of Directors elects to increase the number of shares available for future grant by the maximum amount each year, our stockholders may experience additional dilution, which could cause our stock price to fall.

We are at risk of securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biopharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds, including for any of the purposes described in "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. We expect that, with our most recent private placement and other transactions that have occurred over the past three years, we will trigger an "ownership change" limitation and that our net operating losses and tax credit carryforwards will be limited as a result of this initial public offering. The limitation may result in the expiration of our net operating losses and credits before we can use them, which could potentially result in increased future tax liability to us.

We may also experience ownership changes in the future as a result of future offerings and other subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards to offset United States federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

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

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

- authorizing the issuance of "blank check" preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our Board of Directors. This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders. Further, other provisions of Delaware law may also discourage, delay or prevent someone from acquiring us or merging with us.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no or few securities or industry analysts commence coverage of us, the trading price for our stock would be negatively impacted. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our target animal studies and operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors which 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. Forward-looking statements include, but are not limited to, statements about:

- the success, cost and timing of our or our partners' product development activities and clinical trials;
- our ability to obtain and maintain regulatory approval of our product candidates, and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- our ability to obtain funding for our operations, including funding necessary to complete the clinical trials of any of our product candidates;
- our plans to research, develop and commercialize our product candidates;
- our ability to attract and retain collaborators with development, regulatory and commercialization expertise;
- the size and growth potential of the markets for our product candidates, and our ability to serve those markets;
- our ability to successfully commercialize our product candidates;
- the rate and degree of market acceptance of our product candidates;
- our ability to develop sales and marketing capabilities, whether alone or with potential future collaborators;
- regulatory developments in the United States and foreign countries;
- the performance of our third-party suppliers and manufacturers;
- the success of competing therapies that are or become available;
- the loss of key scientific or management personnel;
- our expectations regarding the period during which we qualify as an emerging growth company under the JOBS Act;
- our use of the proceeds from this offering;
- the accuracy of our estimates regarding expenses, future revenues, capital requirements and needs for additional financing; and
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates.

In some cases, you can identify these statements by terms such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or the negative of those terms, and similar expressions. These forward-looking statements reflect our management's beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this prospectus and are subject to risks and uncertainties. We discuss many of these risks in greater detail under the heading "Risk Factors." Moreover, we operate in a very

competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ million (or approximately $ million if the underwriters' over-allotment option is exercised in full) from the sale of the shares of common stock offered by us in this offering, based on an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus), and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the net proceeds to us by $, assuming the assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover of this prospectus) remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital to support our operations, to create a public market for our common stock and to facilitate our future access to the public equity markets. We anticipate that we will use the net proceeds of this offering as follows:

- approximately $ million to fund the continued clinical development of XmAb5871 through a planned Phase 2b clinical trial;
- approximately $ million to fund initial clinical development of XmAb7195 through a planned Phase 1b clinical trial; and
- the remainder for research and development, working capital and other general corporate purposes, including the additional costs associated with being a public company.

We may also use a portion of the net proceeds from this offering to in-license, acquire, or invest in complementary businesses, technologies, products or assets. However we have no current plan, commitments or obligations to do so.

We believe that the net proceeds from this offering and our existing cash and cash equivalents, together with interest thereon, will be sufficient to fund our operations through 2016. Even with the expected net proceeds from this offering, we do not expect to have sufficient cash to complete the clinical development of any of our product candidates or, if applicable, to prepare for commercializing any product candidate that is approved.

Our expected use of net proceeds from this offering represents our current intentions based upon our present plans and business condition. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering, or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual use of the net proceeds will vary depending on numerous factors, including our ability to obtain additional financing, the progress, cost and results of our preclinical and clinical development programs, and whether we are able to enter into future product development partnerships and technology license arrangements. As a result, our management will have broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the net proceeds from this offering.

Pending their use, we plan to invest the net proceeds from this offering in short- and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our Board of Directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2013:

- on an actual basis;
- on a pro forma basis, giving effect to the conversion of all our outstanding convertible preferred stock outstanding as of September 30, 2013 into an aggregate of 51,523,206 shares of our common stock upon the effectiveness of the registration statement of which this prospectus is a part; and
- on a pro forma as adjusted basis, reflecting the pro forma adjustments discussed above and giving further effect to the sale by us of shares of our common stock at an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus), and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma information below is illustrative only and our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our audited consolidated financial statements and the related notes appearing at the end of this prospectus, the sections entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information contained in this prospectus.

	As of September 30, 2013		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
	(in thousands, except share and per share amounts) (unaudited)		
Cash and cash equivalents	$ 9,621	$ 9,621	$
Mezzanine equity:			
Convertible preferred stock; $0.01 par value:			
69,219,264 shares authorized, 51,523,206 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	$ 79,601	$ —	$ —
Stockholders' equity (deficit):			
Preferred stock; $0.01 par value:			
No shares authorized, issued or outstanding, actual; 10,000,000 shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock and additional paid-in capital; $0.01 par value:			
77,765,553 shares authorized, 224,319 shares issued and outstanding, actual; 200,000,000 shares authorized, 51,747,525 shares issued and outstanding, pro forma; 200,000,000 shares authorized, shares issued and outstanding, pro forma as adjusted	2	500	
Additional paid-in capital	148,837	227,940	
Accumulated deficit	(223,868)	(223,868)	(223,868)
Total stockholders' equity (deficit)	(75,029)	4,572	
Total capitalization	$ 4,572	$ 4,572	$

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, respectively, the amount of cash and cash equivalents, additional paid-in capital and total capitalization by approximately $ million, assuming the number of shares offered by us, as set

forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering costs payable by us.

The number of common shares shown as issued and outstanding in the table is based on the number of shares of our common stock outstanding as of September 30, 2013, and excludes:

- 5,591,612 shares of common stock issuable upon the exercise of outstanding stock options as of September 30, 2013, at a weighted-average exercise price of $0.52 per share;
- shares of common stock reserved for future issuance under the 2013 plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part (including 2,730,358 shares of common stock reserved for issuance under our 2010 pre-IPO plan, which shares will be added to the shares reserved under the 2013 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under the 2013 purchase plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma net tangible book value per share of our common stock after this offering.

Our historical net tangible book value (deficit) as of September 30, 2013 was approximately $(84.0) million, or $(374.66) per share of common stock. Our historical net tangible book value (deficit) is the amount of our total tangible assets less our liabilities and convertible preferred stock which is not included within equity. Net historical tangible book value (deficit) per share is our historical net tangible book value (deficit) divided by the number of shares of common stock outstanding as of September 30, 2013. Our pro forma net tangible book value (deficit) as of September 30, 2013 was $(4.4) million, or $(0.09) per share of common stock. Pro forma net tangible book value (deficit) gives effect to the conversion of all of our outstanding convertible preferred stock as of September 30, 2013, into an aggregate of 51,523,206 shares of our common stock.

Pro forma as adjusted net tangible book value is our pro forma net tangible book value (deficit), plus the effect of the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus), and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. This amount represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to our existing stockholders, and an immediate dilution of $ per share to new investors participating in this offering.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Historical net tangible book value (deficit) per share as of September 30, 2013	$ (374.66)	
Pro forma increase in net tangible book value per share as of September 30, 2013 attributable to the conversion of convertible preferred stock	374.57	
Pro forma net tangible book value per share as of September 30, 2013, before giving effect to this offering	(0.09)	
Increase in pro forma net tangible book value per share attributable to new investors participating in this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors participating in this offering		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the mid-point of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value (deficit) per share after this offering by approximately $ per share and the dilution in pro forma per share to investors participating in this offering by approximately $ per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value (deficit) per share after this offering by approximately $ and the dilution in pro forma per share to investors participating in this offering by approximately $, assuming the assumed initial public offering price of $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full to purchase additional shares of our common stock in this offering, the pro forma as adjusted net tangible book value will increase to $ per share, representing an immediate increase to existing stockholders of $ per share and an immediate dilution of $ per share to new investors participating in this offering.

The foregoing discussion is based on 224,319 shares of common stock outstanding as of September 30, 2013, and excludes:

- 5,591,612 shares of common stock issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $0.52 per share;
- shares of common stock reserved for future issuance under the 2013 plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part (including 2,730,358 shares of common stock reserved for issuance under our 2010 pre-IPO plan, which shares will be added to the shares reserved under the 2013 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under our 2013 purchase plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part.

Effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part, an aggregate of and shares of our common stock will be reserved for issuance under the 2013 plan (including 2,730,358 shares of common stock reserved for issuance under our 2010 pre-IPO plan, which shares will be added to the shares reserved under the 2013 plan upon its effectiveness) and the 2013 purchase plan, respectively, and these share reserves will also be subject to automatic annual increases in accordance with the terms of the plans. Furthermore, we may choose to raise additional capital through the sale of equity or convertible debt securities due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that any of these options are exercised, new options are issued under our equity incentive plans or we issue additional shares of common stock or other equity or convertible debt securities in the future, there will be further dilution to investors participating in this offering.

SELECTED FINANCIAL DATA

The following selected financial data should be read together with our financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The selected financial data in this section are not intended to replace our financial statements and the related notes. Our historical results are not necessarily indicative of the results that may be expected in the future and results of interim periods are not necessarily indicative of the results for the entire year.

The selected statement of operations data for the years ended December 31, 2011 and 2012 and the selected balance sheet data as of December 31, 2011 and 2012 are derived from our audited financial statements appearing elsewhere in this prospectus. The selected statement of operations data for the nine months ended September 30, 2012 and 2013 and the selected balance sheet data as of September 30, 2013 are derived from our unaudited financial statements appearing elsewhere in this prospectus. The unaudited financial statements have been prepared on a basis consistent with our audited financial statements included in this prospectus and include, in our opinion, all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial information in those statements.

	Year Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012	2013
	(in thousands, except share and per share data)			
	(Restated)		(unaudited)	
Statement of Operations Data:				
Revenues	$ 6,849	$ 9,524	$ 7,099	$ 8,428
Operating expenses:				
Research and development	12,663	12,668	8,725	12,857
General and administrative	3,638	3,086	2,081	2,381
Total operating expenses	16,301	15,754	10,806	15,238
Loss from operations	(9,452)	(6,230)	(3,707)	(6,810)
Other income (expenses)				
Interest income	34	11	11	7
Interest expense	(1,850)	(2,461)	(1,811)	(1,212)
Other income (expense)	65	86	24	15
Loss on settlement of notes(1)	—	—	—	(48,556)
Total other income (expenses), net	(1,751)	(2,364)	(1,776)	(49,746)
Net loss	(11,203)	(8,594)	(5,483)	(56,556)
Net deemed contribution on exchange and sale of preferred stock(2)	—	—	—	144,765
Net income (loss) attributable to common stockholders	$ (11,203)	$ (8,594)	$ (5,483)	$ 88,209
Net income (loss) per share attributable to common stockholders(3):				
Basic	$ (49.94)	$ (38.31)	$ (24.44)	$ 393.23
Diluted	$ (49.94)	$ (38.31)	$ (24.44)	$ (1.33)
Weighted average shares of common stock used in computing net income (loss) per share attributable to common stockholders:				
Basic	224,319	224,319	224,319	224,319
Diluted	224,319	224,319	224,319	42,585,327
Pro forma net loss per share of common stock, basic and dilulted (unaudited)(4)		$ (0.17)		$ (0.15)
Weighted average shares used in computing pro forma net loss per share of common stock, basic and diluted (unaudited)(4)		51,747,525		51,747,525

(1) See the notes to our financial statements appearing elsewhere in this prospectus for a description of the Adjustment to net loss resulting from exchange of convertible notes for preferred stock.

(2) See the notes to our financial statements appearing elsewhere in this prospectus for a description of the deemed contribution on exchange and sale of preferred stock.

(3) See the notes to our financial statements appearing elsewhere in this prospectus for a description of the method used to calculate basic and diluted loss per common share.

(4) Pro forma net loss per share attributable to common stockholders excludes the impact of non-recurring items recognized in income attributable to common stockholders for the periods presented. We calculated pro forma weighted average shares outstanding for the nine months ended September 30, 2013 to give effect to the automatic conversion into shares of common stock, on a 1:1 basis, of all shares of convertible preferred stock outstanding at September 30, 2013. We calculated pro forma weighted average shares outstanding for the year ended December 31, 2012 to give effect to the automatic conversion into shares of common stock, on a 1:1 basis, of all shares of convertible preferred stock outstanding at September 30, 2013, which includes 42,364,821 shares of common stock issuable upon conversion of the shares of preferred stock issued in exchange for our outstanding convertible promissary notes on June 13, 2013. We believe the calculation of pro forma shares described above is the most meaningful to investors, as such calculation represents the actual number of shares of common stock our notes became convertible into, and prior to the exchange of our convertible notes in June 2013, such notes were not convertible at the option of the holders, and the number of shares of common stock such notes were automatically convertible into upon an initial public offering was contingent on the public offering price, which was not known at the time of the conversion of the notes or applicable to the actual number of shares of common stock issued upon conversion of the notes.

Pro forma net loss attributable to common stockholders:

	Year Ended December 31, 2012	Nine Months Ended September 30, 2013
Net income (loss) attributable to common stockholders	$ (8,594)	$ 88,209
Loss on settlement of notes	—	48,556
Net deemed contribution on exchange and sale of preferred stock	—	(144,765)
Pro forma net loss attributable to common stockholders	$ (8,594)	$ (8,000)

Pro forma weighted average shares outstanding, basic and diluted:

	Year Ended December 31, 2012	Nine Months Ended September 30, 2013
Common stock	224,319	224,319
Preferred Stock	51,523,206	51,523,206
Pro forma weighted average shares outstanding, basic and diluted	51,747,525	51,747,525
Pro forma net loss per share of common stock, basic and diluted (unaudited)	$ (0.17)	$ (0.15)

	As of December 31, 2011 (restated)	As of December 31, 2012 (in thousands)	As of September 30, 2013 (unaudited)
Balance Sheet Data:			
Cash and cash equivalents	$ 14,537	$ 2,312	$ 9,621
Working capital (deficit)	(11,550)	(22,640)	2,127
Patents, licenses, and other intangible assets, net	7,250	8,460	9,013
Total assets	22,374	11,659	20,206
Deferred revenue, less current portion	7,114	5,672	7,000
Convertible preferred stock	146,766	146,766	79,601
Total stockholders' deficit	(157,703)	(166,268)	(75,029)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with "Selected Financial Data" and our financial statements and related notes included elsewhere in this prospectus. This discussion and analysis and other parts of this prospectus contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. You should carefully read the "Risk Factors" section of this prospectus to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements. Please also see the section entitled "Special Note Regarding Forward-Looking Statements."

Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. We use our proprietary XmAb technology platform to create next-generation antibody product candidates designed to treat autoimmune and allergic diseases, cancer and other conditions. In contrast to conventional approaches to antibody design, which focus on the portion of antibodies that interact with target antigens, we focus on the portion of the antibody that interacts with multiple segments of the immune system. This portion, referred to as the Fc domain, is constant and interchangeable among antibodies. Our engineered Fc domains, the XmAb technology, can be readily substituted for natural Fc domains. We believe our Fc domains enhance antibody performance by, for example, increasing immune inhibitory activity, improving cytotoxicity or extending circulating half-life, while maintaining 99.5% identity in structure and sequence to natural antibodies. By improving over natural antibody function, we believe that our XmAb-engineered antibodies offer innovative approaches to treating disease and potential clinical advantages over other treatments.

Our business strategy is based on the plug-and-play nature of the XmAb technology platform to modify features of natural antibodies and create numerous differentiated antibody product candidates. We have internally generated a pipeline that has allowed us to selectively partner certain development programs while maintaining full ownership of other programs. We also have a number of technology licenses under which we have licensed the XmAb technology platform to pharmaceutical and biotechnology companies for use in a limited number of programs, providing multiple revenue streams that require no further resources from Xencor. There are currently five antibody product candidates in clinical trials that have been engineered with XmAb technology, including four candidates being advanced by licensees and development partners. At present, our XmAb technology platform is protected by 21 issued U.S. patents and 44 U.S. patent applications, in addition to foreign counterparts.

We were founded in 1997 based on protein engineering technology developed by our co-founders Bassil Dahiyat, Ph.D. and Stephen Mayo, Ph.D. at the California Institute of Technology. We began our first therapeutic monoclonal antibody engineering and discovery programs in 2002 and entered into our first XmAb technology license in 2004. Our product development partnerships and technology licenses have provided us with approximately $60 million in cash during the last five years, and we have the potential to receive an aggregate of approximately $1.3 billion in milestone payments, in addition to royalties on sales, upon successful development and commercialization of the programs contemplated by our product development partnership and technology license agreements. These potential milestone payments include $240 million relating to the achievement of clinical development milestones.

We have no products approved for commercial sale and have not generated any revenues from product sales, and we continue to incur significant research and development expenses and other

expenses related to our ongoing operations. To date, we have funded our operations primarily through the sale of our convertible preferred stock, sale of convertible promissory notes and through payments generated from our product development partnership and licensing arrangements.

We have incurred losses in each year since our inception. Our net losses were $56.6 million for the nine months ended September 30, 2013 and $11.2 million and $8.6 million for years ended December 31, 2011 and 2012, respectively. As of September 30, 2013, we had an accumulated deficit of $223.9 million. Substantially all of our operating losses resulted from expenses incurred in connection with our product candidate development programs, our research activities and general and administrative costs associated with our operations.

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

- continue clinical development of our XmAb5871 program pursuant to our collaboration and option agreement with Amgen, Inc. (Amgen), which will require additional expenditures for clinical trials and toxicology studies to support the clinical trials, including the manufacture of additional supply of the product candidate;
- continue development of our XmAb7195 program, which will require expenditures for clinical trials and toxicology studies to support the clinical trials, including the manufacture of additional supply of the product candidate;
- continue research expenditures in developing and advancing our pre-clinical programs and investing in improving our antibody discovery platform and technologies; and
- provide general and administrative support for our operations.

Key Company Milestones

XmAb5871. In December 2010, we entered into a Collaboration and Option Agreement with Amgen for an option for the acquisition by Amgen of exclusive rights to our XmAb5871 product candidate and received an $11.0 million upfront payment. For more information on our agreement with Amgen, see the section entitled "Business—Product Development Partnerships, Other Commercial Agreements and Technology Licenses" on page 98 of this prospectus. In January 2013, we initiated a Phase 1b/2a clinical trial for XmAb5871 and received a $2.0 million milestone payment. We expect to have preliminary results from the Phase 1b/2a trial treating patients with rheumatoid arthritis with active disease on stable non-biologic DMARD therapy in the second half of 2014. We expect to initiate the Phase 2b proof-of-concept trial in the first half of 2015 and complete the trial and deliver the clinical trial package to Amgen in 2017, following which Amgen will have 90 days to review the data and exercise its option.

XmAb7195. We expect to file an investigational new drug application (IND) with the FDA for our XmAb7195 program in the first half of 2014 and to begin dosing subjects in a Phase 1a clinical trial. We expect to complete the initial Phase 1a clinical trial at the end of 2014. Further, we plan on initiating a Phase 1b clinical trial of XmAb7195 in healthy volunteers and in patients with mild-to-moderate asthma in early 2015.

XmAb5574/MOR208. In June 2010, we entered into a Collaboration and License Agreement with MorphoSys AG (MorphoSys) for the worldwide rights to our XmAb5574/MOR208 product candidate, for which we received an upfront payment of $13.0 million in July 2010. MorphoSys initiated a Phase 2 clinical trial with XmAb5574/MOR208 in May 2013, treating patients with non-Hodgkin lymphoma (NHL) and a second Phase 2 clinical trial in April 2013 to treat patients with acute lymphoblastic leukemia (ALL). In conjunction with the initiation of these trials, we received two milestone payments totaling $3.0 million. For more information on our agreement with MorphoSys, see the section entitled

"Business—Product Development Partnerships, Other Commercial Agreements and Technology Licenses" on page 98 of this prospectus.

Preferred Stock Financing and Note Conversion Agreement

From our inception in 1998 through 2007, we completed the sale of five rounds of convertible preferred stock: Series A, Series B, Series C, Series D and Series E convertible preferred stock (Preferred Series A – E) for total proceeds of $146.8 million, which amount is classified as mezzanine equity as of December 31, 2012 and September 30, 2012. In 2009 and 2010, we sold a total of $15.1 million of convertible promissory notes (the Notes) to our existing preferred stockholders. The Notes originally carried an interest rate of 10.0% per annum and originally matured within 12 months of issuance. In 2011, the Notes were amended to extend the maturity date to December 31, 2012 and to increase the interest rate on the Notes to 12.5% per annum. In 2012 and 2013, the Notes were amended on multiple occasions to subsequently extend the maturity date to March 31, 2013, April 15, 2013 and finally to June 15, 2013. The Notes provided that, upon a change of control or other liquidation event, the outstanding principal and accrued interest of the Notes would be converted into shares of our Series E-1 convertible preferred stock, at a per share price of $2.41, which would be entitled to payment of a liquidation preference equal to three times such per share price in priority to any liquidation payments to be made to any other series of convertible preferred stock or common stock. The principal amount of the Notes, together with accrued and unpaid interest, was $18.5 million and $20.9 million as of December 31, 2011 and 2012, respectively, and was shown as a current liability on our balance sheet for each such date.

In June 2013, our Board of Directors and the requisite holders of the Notes and requisite preferred stockholders agreed to a series of transactions to exchange the Notes and existing Preferred Series A – E for a new class of preferred stock, the Series A-1 convertible preferred stock, and also authorized the sale of up to $10.0 million of Series A-1 convertible preferred stock to existing stockholders. The transaction was completed in the following steps:

- an exchange of the outstanding principal due on the Notes for shares of Series A-1 convertible preferred stock and cancellation of the accrued and unpaid interest thereon, pursuant to a Note Conversion Agreement;
- an exchange of the current outstanding shares of Preferred Series A – E for Series A-1 convertible preferred stock pursuant to the operation of provisions in our certificate of incorporation, which was amended and restated in connection with this series of transactions;
- the sale of an additional $7.6 million in Series A-1 convertible preferred stock to existing stockholders that closed in June 2013;
- the conversion of certain shares of Series A-1 convertible preferred stock into shares of Series A-2 convertible preferred stock at a conversion rate of 1 for 3, pursuant to a mandatory conversion provision in our amended and restated certificate of incorporation; and
- the sale of an additional $2.4 million in Series A-1 convertible preferred stock to existing stockholders that closed in September 2013.

The primary business purpose for this series of transactions was to raise an additional $10.0 million of capital from the sale of shares of our Series A-1 convertible preferred stock (the Financing). The exchange of Notes, cancellation of interest, restatement of our certificate of incorporation to effect the exchange of Preferred Series A – E for Series A-1 convertible preferred stock and the conversion of certain shares of Series A-1 convertible preferred stock for shares of Series A-2 convertible preferred stock were each negotiated aspects of, and conditions to, the Financing. When considering the terms for the Financing, our Board of Directors took these conditions into account and, ultimately, determined that the Financing was in the best interests of the Company and our stockholders.

Subsequent to approval of the Financing by our Board of Directors, the requisite stockholders and holders of the Notes also approved this series of transactions.

Under the terms of the Note Conversion Agreement, the total outstanding principal due on the Notes as of June 13, 2013 was exchanged for 45,902,321 shares of Series A-1 convertible preferred stock, 5,303,597 of which were subsequently converted into 1,766,097 shares of Series A-2 convertible preferred stock. We determined that the per share fair value of the shares of Series A-1 convertible preferred stock issued under the Note Conversion Agreement was $1.54 and the total fair value of the shares of Series A-1 convertible preferred stock was $70.7 million and we recognized a loss on the exchange of $48.6 million for the difference in the fair value of the shares of Series A-1 convertible preferred stock and the carrying value of the Notes as of June 13, 2013. The $48.6 million loss is reported on our Statement of Operations as a Loss on Settlement of Notes as an Other Expense for the nine months ended September 30, 2013. Associated transaction costs of $41,000 related to the exchange were expensed.

After the exchange of the Notes, the outstanding shares of Preferred Series A – E were exchanged for 1,977,137 shares of Series A-1 convertible preferred stock, 257,409 of which were subsequently converted into 85,717 shares of Series A-2 convertible preferred stock. We determined the fair value of the shares of Series A-1 convertible preferred stock issued to be $3.0 million and we recorded a deemed contribution to equity of $140.6 million (net of original issuance costs of $3.0 million) equal to the difference in the fair value of the shares issued and the carrying value of the existing shares of Preferred Series A – E.

On June 26, 2013 we sold 5,586,510 additional shares of Series A-1 convertible preferred stock to existing stockholders for gross proceeds of $7.6 million at a purchase price of $1.36 per share. We determined that the fair value of the shares sold to be $8.6 million and we recorded a deemed dividend of $1.0 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. The $41,000 of transaction costs related to the sale was recorded against Additional Paid-in Capital and the shares of Series A-1 convertible preferred stock issued were recorded at their fair value on our balance sheet as of September 30, 2013.

We determined that the fair value of the Series A-1 and Series A-2 convertible preferred stock as of June 26, 2013 was $1.54 and $0.58, respectively. We used the probability-weighted expected return method (PWERM) to determine the fair value of the shares of the Series A-1 and Series A-2 convertible preferred stock. PWERM is a scenario-based analysis that estimates the value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.

On September 23, 2013 we sold 1,766,430 additional shares of Series A-1 convertible preferred stock for gross proceeds of $2.4 million at a purchase price of $1.36 per share. We determined the fair value of the shares of Series A-1 convertible preferred stock sold to be $4.7 million, based on a per share fair value of $2.69, and we recorded a deemed dividend of $2.3 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. We determined the fair value of the Series A-1 convertible preferred stock as of September 23, 2013 by estimating the enterprise value of the Company based on a projected offering price in an initial public offering. The Company filed a confidential registration on September 11, 2013 and estimated a per share price as of September 23, 2013 of $2.69 per share. Transaction costs of $34,000 related to the sale were recorded against Additional Paid-in Capital and the shares of Series A-1 convertible preferred stock were recorded at their fair value on our balance sheet as of September 30, 2013.

The outstanding shares of Series A-1 convertible preferred stock and Series A-2 convertible preferred stock have an aggregate liquidation preference of $150.0 million that will increase at 6% per annum and is payable to the holders of Series A-1 convertible preferred stock and Series A-2

convertible preferred stock upon a sale or other liquidation of the Company. The aggregate liquidation preference of our convertible preferred stock at September 30, 2013 was $152.3 million.

The Series A-1 convertible preferred stock and Series A-2 convertible preferred stock are currently convertible into shares of common stock on a one-for-one basis, subject to adjustment if we issue additional equity at a price per share that is less than the per share price of the Series A-1 convertible preferred stock and Series A-2 convertible preferred stock, as applicable. All of the outstanding Series A-1 convertible preferred stock and Series A-2 convertible preferred stock will automatically convert into common stock effective as of the effectiveness of the registration statement of which this prospectus forms a part.

We have not adjusted the original fair values to the current liquidation preferences as of September 30, 2013 of the shares of the Series A-1 convertible preferred stock and Series A-2 convertible preferred stock because it is uncertain whether or not an event would occur that would obligate us to pay the preferred stock liquidation preferences to the holders of the Series A-1 convertible preferred stock and Series A-2 convertible preferred stock.

Because a deemed liquidation event and payment of the preferred stock liquidation preferences could occur outside the control of our management, we have classified all convertible preferred stock outside of stockholders' deficit for all periods presented.

Financial Operations Overview

Revenues

To date, we have not generated any revenues from product sales and do not expect to do so for the foreseeable future. Revenues to date have been generated primarily from our research and product development partnerships and technology licensing agreements. Since our inception through September 30, 2013, we have generated $63.4 million in revenues under our various product development partnership and technology license arrangements. Several of our product development partnership and technology license agreements provide us the opportunity to earn future milestone payments, royalties on product sales and option exercise payments. However, receipt of future milestone payments and royalties from our collaborators and receipt of the Amgen option payment are not wholly within our control, and the parties to our product development partnerships and license agreements have the right to cancel their programs without any future payments to us. Even if we receive future milestones, royalties and option payments, these payments will not be sufficient to fund our operations in the near term and there is no assurance that we will generate any future revenues from our existing product development partnerships and license agreements. We may also not generate any product revenue from our existing clinical development programs or any of our preclinical development programs, as we may never succeed in obtaining regulatory approval or commercializing any of these programs.

Summary of Collaboration and Licensing Revenue by Partner

The following is a comparison of collaboration and licensing revenue for the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013 (unaudited) (in millions):

	Years Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012	2013
Amgen	$ 2.0	$ 1.8	$ 1.4	$ 1.7
MorphoSys	2.2	2.0	1.5	3.0
CSL	1.3	1.8	1.8	2.0
Janssen	1.0	1.4	—	—
BI	—	1.2	1.3	—
Merck	—	—	—	1.0
Other	0.3	1.3	1.1	0.7
Total	$ 6.8	$ 9.5	$ 7.1	$ 8.4

Research and Development Expenses

Research and development expenses consist primarily of salaries, benefits, stock-based compensation and related personnel costs, supplies, facility costs and preclinical testing costs and fees paid to external service providers. External service providers include contract research organizations (CRO) and contract manufacturing organizations (CMO) to conduct clinical trials, manufacturing and process development, IND-enabling toxicology testing and formulation of clinical drug supplies. We expense research and development expenses as incurred. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expense when the service has been performed or when the goods have been received. We estimate preclinical study and clinical trial expenses based on the services performed pursuant to the contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on our behalf based on the actual time and expenses incurred by them. We accrue expenses related to clinical trials based on the level of patient enrollment and activity according to the related agreement. We monitor patient enrollment levels and related activity to the extent reasonably possible and adjust estimates accordingly. Our estimates of clinical trial expense have fluctuated on a period-to-period basis due to changes in the stage of the clinical trials and patient enrollment levels. We expect to experience a continuing pattern of fluctuations in clinical trial expenses as current clinical trials are completed and as we initiate the next stage of clinical trials. To date, we have not experienced significant differences between our periodic estimates of clinical trial expense and the actual costs incurred. We expect changes in future clinical trial expenses to be driven by changes in service provider costs and changes in clinical stage and patient enrollment. We have incurred a total of $188.2 million in research and development expenses from inception through September 30, 2013.

At this time, due to the risks inherent in the clinical development process and the early stage of our development programs, we are unable to estimate with any certainty the costs we will incur in the continued development of XmAb5871, XmAb7195 or any of our preclinical development programs. We expect that our research and development expenses may increase over spending levels in recent years if we are successful in advancing XmAb5871, XmAb7195 or any of our preclinical programs into advanced stages of clinical development. The process of conducting preclinical studies and clinical trials necessary to obtain regulatory approval is costly and time-consuming. We or our partners may never succeed in achieving marketing approval for any of our product candidates. Numerous factors may affect the probability of success for each product candidate, including preclinical data, clinical data, competition, manufacturing capability, approval by regulatory authorities and commercial viability.

Our research and development operations are conducted such that design, management and evaluation of results of all of our research and development is performed internally, while the execution of certain phases of our research and development programs, such as toxicology studies in accordance with Good Laboratory Practices (GLP), and manufacturing in accordance with current Good Manufacturing Practices (cGMP), is accomplished using CROs and CMOs. We account for research and development costs on a program-by-program basis except in the early stages of research and discovery, when costs are often devoted to identifying preclinical candidates and improving our discovery platform and technologies, which are not necessarily allocable to a specific development program. We assign costs for such activities to distinct projects for preclinical pipeline development and new technologies. We allocate research management, overhead, commonly used laboratory supplies and equipment, and facility costs based on the number of full-time research personnel allocated to each program.

The following is a comparison of research and development expenses for the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013 (unaudited) (in millions):

	Years Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012	2013
Product programs:				
XmAb5871	$ 4.3	$ 5.1	$ 3.3	$ 5.7
XmAb7195	1.8	2.6	1.8	4.3
XmAb5574/MOR208	2.2	1.5	1.3	0.4
Other	4.4	3.5	2.3	2.5
Total research and development expenses	$ 12.7	$ 12.7	$ 8.7	$ 12.9

We initiated a Phase 1b/2a clinical trial of XmAb5871 in January 2013 and expect to initiate a Phase 1a clinical trial of XmAb7195 in the first half of 2014. All of our other programs are in preclinical development or are being developed by licensees or collaborators. The successful development of our current and future product candidates is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each product candidate and are difficult to predict for each candidate. Given the uncertainty associated with clinical trial enrollment rates and the risks inherent in the development process, we are unable to determine the duration and completion costs of the current or future clinical trials of our product candidates or if, or to what extent, we will generate revenues from the commercialization and sale of any of our product candidates. We anticipate we will need to raise additional capital or may seek additional partnerships in the future in order to complete the development and commercialization of our product candidates.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation related to our executive, finance, business development and support functions. Other general and administrative expenses include rent and utilities, travel expenses and professional fees for auditing, tax and legal services. We expect that general and administrative expenses may increase in the future as we advance our development programs further. In addition, general and administrative costs are expected to reflect increased costs associated with our becoming a public reporting company. We anticipate incurring one-time costs in 2013 associated with our initial public offering, consisting primarily of legal and accounting fees.

Other Income (Expense), Net

Other income (expense), net, consists primarily of interest expense incurred on our convertible promissory notes issued in 2009 and 2010, interest income and miscellaneous gains and losses on the sale of excess equipment. Other income (expense), net, for the period ended September 30, 2013 also reflects the loss of $48.6 million we recognized on the exchange of the convertible notes for preferred stock as described further in Note 8 to our audited financial statements and Note 3 to our interim unaudited financial statements included in this prospectus.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements which we have prepared in accordance with U.S. generally accepted accounting principles (GAAP). In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 periods. We have identified the following accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results could differ from these estimates and such differences could be material.

While our significant accounting policies are described in more detail in Note 1 of our audited financial statements included elsewhere in this prospectus, we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

We have, to date, earned revenue from research collaborations, which may include research and development services, licenses of our internally-developed technologies, or a combination of both. We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, transfer of or access to technology has been completed or services have been rendered, our price to the customer is fixed or determinable, and collectability is reasonably assured. The terms of our license and research and development agreements include nonrefundable upfront payments and license fees, milestone and other contingent payments to us for the achievement of defined collaboration objectives, and certain clinical, regulatory and sales-based events, as well as royalties on sales of any commercialized products. The terms of our licensing agreements include non-refundable upfront fees, annual licensing fees and contingent payments and milestones for the achievement of pre-defined preclinical, clinical, regulatory and sales-based events by our partners. The licensing agreements also include royalties on sales of any commercialized products by our partners.

Multiple-Element Revenue Arrangements

Certain of our product development partnership and technology license agreements represent multiple-element revenue arrangements. To account for such transactions, we determine the elements, or deliverables, included in the arrangement and determine which deliverables are separate units for accounting purposes. We consider delivered items to be separate units of accounting if the delivered items have stand-alone value to the customer. If the delivered items are separate units we allocate the consideration received or due under the arrangement to the various elements based on each element's relative selling price. The identification of individual elements in a multiple-element arrangement and the estimation of the selling price of each element involve significant judgment, including consideration as to whether each delivered element has standalone value to the customer. We determine the estimated selling price for deliverables within each arrangement using vendor-specific objective evidence

(VSOE) of selling price, if available, or third-party evidence of selling price if VSOE is not available, or our best evidence of selling price if neither VSOE nor third-party evidence is available. Determining the best estimate of selling price for a deliverable requires significant judgment. The basis of our estimate of selling price is the arm's length negotiation with the licensee that occurs in each transaction. The potential value of our technology to a licensee in a transaction depends on a variety of factors unique to each transaction. Factors that impact the negotiation and hence that we consider in our estimates center on the specific product candidate and include: the product candidate's potential market size, the product candidate's stage of development, the existence of competitive technologies that could be substituted for ours by the licensee and the scientific assessment of the product candidate's likelihood of success at various development stages. The most common deliverable is the commercial license for our technology in the product candidate, and frequently a research license with an option for commercial license. The upfront payments, annual license fees, milestones and royalties relate to these licenses and/or options and depend on the product-specific factors described above. The other significant deliverable is research and development services and the price for these depends on estimates for our personnel and supply costs and the costs of third-party contract research organizations necessary to support the services.

We use our best estimate of selling price to estimate the selling price for licenses to our technologies and product candidates and our research and development services, since we do not have VSOE or third-party evidence of selling for these deliverables. We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements generally include the following:

- *License Arrangements:* The deliverables under our product development partnership and technology license agreements generally include exclusive or non-exclusive licenses to one or more of our technologies. The technologies can be applied to a collaborator's product candidates for discovery, development, manufacturing and commercialization. We will also enter into agreements for the exclusive or non-exclusive licenses to our internally developed product candidates. To account for this element of the arrangement, we evaluate whether the exclusive or non-exclusive license has standalone value apart from the undelivered elements to the collaborator, which generally include research and development services or options for commercial licenses, based on the consideration of the facts and circumstances of each arrangement, including the research and development capabilities of the collaborator and other market participants. We recognize arrangement consideration allocated to licenses upon delivery of the license, if the facts and circumstances indicate the license has standalone value apart from the undelivered elements. If facts and circumstances indicate that the delivered license does not have standalone value from the undelivered elements, we recognize the revenue as a combined unit of accounting. In those circumstances we recognize revenue from non-refundable upfront fees in the same manner as the undelivered item(s), which is generally the period over which we provide research and developments services.

- *Research and Development Services:* The deliverables under our product development partnership and technology license arrangements may include deliverables related to research and development services we perform on behalf of the collaborator. As the provision of research and development services is an integral part of our operations and we may be principally responsible for the performance of these services under the agreements, we recognize revenue on a gross basis for research and development services as we perform those services. Additionally, we recognize research related funding under collaboration research and development efforts as revenue as we perform or deliver the related services in accordance with contract terms.

Milestone Revenue: Our product development partnership and technology license agreements generally include contingent payments and milestone payments related to specific research, development and regulatory milestones and sales-based milestones. Research, development and

regulatory contingent payments and milestone payments are typically payable under our collaborations when our collaborator selects a compound, or initiates or advances a covered product candidate in preclinical or clinical development, upon submission for marketing approval of a covered product with regulatory authorities, upon receipt of actual marketing approvals of a covered product or for additional indications, or upon the first commercial sale of a covered product. Sales-based milestones are typically payable when annual sales of a covered product reach specific levels. At the inception of each arrangement that includes milestone payments, we evaluate whether each milestone is substantive and at risk to both parties based on the basis of the contingent nature of the milestone. We evaluate factors such as scientific, regulatory, commercial and other risks that we must overcome to achieve the respective milestone, whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment and whether the milestone payment relates solely to past performance.

We have elected to adopt the Financial Accounting Standards Board (FASB) Accounting Standards Update 2010-17, *Revenue Recognition—Milestone Method*, such that we recognize any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved. A milestone is defined as an event that can only be achieved based in whole or in part on either on our performance, or the performance of our collaborators, or the occurrence of a specific outcome resulting from our past performance for which there is a substantive uncertainty at the date the arrangement is entered into that the event will be achieved.

Capitalized Intellectual Property Costs

We capitalize and amortize third-party intellectual property costs such as amounts paid to outside patent counsel for filing, prosecuting and obtaining patents for our internally developed technologies and product candidates, to the extent such patents are deemed to have probable future economic benefit. We also capitalize amounts paid to third parties for licenses that we acquire for intellectual property or for research and development purposes. The total capitalized patents, licenses and other intangible assets as of December 31, 2011 and 2012 was $7.3 and $8.5 million, respectively. The total capitalized patents, licenses and other intangible assets as of September 30, 2013 was $9.0 million. We believe that these costs should be capitalized as the intellectual property portfolio is the underlying property right to our technologies and product candidates and supports the upfront payments, licensing fees, and milestone payments made by our collaboration partners for licensing our technologies and product candidates.

We begin amortization of capitalized patent costs during the period that we obtain a patent relating to the capitalized cost over the shorter of the patent life or the estimated economic useful life. Capitalized licensing costs are amortized beginning in the period that access to the license or technology is available and is amortized over the shorter of the license term or the estimated economic useful life of the licensed asset. Such amortization is reflected in the General and Administrative section of our Statement of Operations.

On a regular basis we review the capitalized intellectual property portfolio and determine if there have been changes in the scientific or patent landscape that leads us to decide to abandon an in-process patent application or abandon a previously issued patent. While we confer with outside patent counsel, the decision to continue prosecuting certain patent claims or abandon other claims are made by us based on our judgment and existing knowledge of our technology, current U.S. and foreign patent authority rulings and expected rulings, and scientific advances and patent filings by competitors operating in our technology or drug development field. We record an expense for previously capitalized intangible assets in the period that the decision to abandon a claim or license is made. We also review the carrying value of capitalized licensing costs on a regular basis to determine if there have been any changes to the useful life or estimated amortization period over which the costs are being amortized. We recorded a charge for previously abandoned intangible assets of $1.2 million and $0.4 million for

the years ended December 31, 2011 and 2012, respectively, and recorded a charge for previously abandoned intangible assets of $0.2 million for the nine months ended September 30, 2013. Such charges are reflected in the General and Administrative section of our Statement of Operations.

ASC 360 requires us to determine if there has been an impairment of our intangible assets which include the capitalized patent and licensing costs whenever events such as recurring operating losses or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We evaluated the undiscounted cash flows related to the patent portfolio and determined that the future undiscounted cash flows exceeded the carrying value of the assets as of December 31, 2012. We individually evaluated the undiscounted cash flows and the potential for impairment for the three technology categories of our patent assets (IIb, ADCC and Xtend) by modeling the cash flows from our lead internal product development programs, XmAb5871 and XmAb7195, and licensed programs that use each particular category of patent asset. We used multiple published sources of pharmaceutical development-stage product failure rates to estimate failure rates at each stage of clinical development in order to apply a probability weighting to cash flows for each internal and licensed program.

Preferred Stock Financing and Note Conversion Agreement

In June 2013, our Board of Directors and the requisite holders of the Notes and requisite holders of our preferred stock, agreed to exchange the Notes and their shares of Preferred Series A – E for shares of Series A-1 convertible preferred stock. Our Board of Directors and stockholders also authorized a sale of up to $10.0 million in shares of Series A-1 convertible preferred stock to our existing stockholders at a purchase price of $1.36 per share.

This series of transactions, as described further above, was between the company and our existing stockholders. Under ASC 470-50-40, the exchange of Notes for shares of preferred stock was treated as an extinguishment of debt and we recognized a loss on the Note exchange of $48.6 million for the nine months ended September 30, 2013. The exchange of shares of Preferred Series A – E for shares of Series A-1 convertible Preferred stock was treated as a redemption of the shares of Preferred Series A – E and we recognized a deemed contribution to equity of $140.6 million (net of original issuance costs of $3.0 million related to shares of Preferred Series A – E) for the nine months ended September 30, 2013.

Both the loss on the exchange of the Notes and the deemed contribution from the exchange of Preferred Series A – E were based on our estimate of the per share fair value of the shares of Series A-1 convertible preferred stock of $1.54. This estimate was determined in accordance with the guidelines under FASB ASC 718 and ASC 820. We used the valuation in determining our enterprise value for us and the probability weighted expected exit scenarios of the Company as of the date of the exchange. The assumptions for the valuation are based on our judgment and understanding of our business and our probability to have a successful exit in an initial public offering or through a sale of the Company.

On September 23, 2013 we sold 1,766,430 additional shares of Series A-1 convertible preferred stock for gross proceeds of $2.4 million at a purchase price of $1.36 per share. We determined the fair value of the shares of Series A-1 convertible preferred stock to be $4.7 million based on a per share fair value of $2.69 and we recorded a deemed dividend of $2.3 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. We determined the fair value of the Series A-1 convertible preferred stock as of September 23, 2013 taking into account all material facts and circumstances known to us as of the date of the sale of Series A-1 preferred stock on September 23, 2013 including the independent third party valuation of August 15, 2013 and subsequent changes in our operations, prospects and expected operating results.

Cross License with Related Party

In December 2012, we entered into a Cross-License Agreement with MedImmune, LLC (MedImmune), an affiliate of MedImmune Ventures, Inc., one of our 5% or greater stockholders. We provided MedImmune with a research license to one of our technologies and options to a limited number of worldwide, royalty-free exclusive licenses, subject to review and approval by us. In exchange, MedImmune provided us with a worldwide, non-exclusive, royalty-free license to certain patent rights. The transaction is a non-monetary transaction as provided under ASC 845-10.

We could not determine a fair value of the MedImmune patent rights received by us with reasonable certainty and established a fair value for the transaction by estimating the fair value of the license and options provided by us to MedImmune. We estimated the fair value of the license and options transferred to be approximately $0.8 million. This amount was recognized as licensing revenue for the year ended December 31, 2012 and was capitalized and will be amortized over the remaining life of the MedImmune patent rights. Our estimate was based on a risk adjusted discounted cash flow analysis that is associated with the rights and options transferred to MedImmune. In determining this estimate, we compared the license and options rights transferred to MedImmune with comparable arms-length licensing and option transactions we have entered into with third parties in recent years. The calculation of the fair value is based on our experience and judgment with similar transactions. However, as each license and option is unique to the licensee and depends on the target, the potential market and the ability of the licensee to successfully advance a compound into clinical development, the actual value of the licenses and options could differ from the amount we estimated to be the fair value.

Accrued Research and Development Expenses

As a result of contractual and timing differences in payment terms, we are required to make estimates of our accrued expenses as of each balance sheet date in our financial statements based on the facts and circumstances known to us at that time. Our expense accruals for clinical trials are based on estimates of the fees associated with services provided by clinical trial investigational sites and CROs. Payments under some of the contracts we have with such parties depend on factors such as successful enrollment of patients, site initiation and the completion of clinical trial milestones.

Stock-Based Compensation

We account for stock-based compensation expense related to stock options granted to employees and members of our Board of Directors by estimating the fair value of each stock option at the date of the grant using the Black-Scholes option-pricing model. For awards subject to time-based vesting conditions, we recognize stock-based compensation expense ratably over the vesting period of the options.

We recognized insignificant stock-based compensation expense as follows for the period indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012	2013
Research and development	$ (33,600)	$ 10,000	$ 8,000	$ 28,100
General and administrative	(23,500)	19,000	14,200	26,300
Total stock-based compensation	$ (57,100)	$ 29,000	$ 22,200	$ 54,400

Stock-based compensation expense for 2011 was negative because we recorded a reversal in 2011 of a previous stock compensation charge for an award issued to one of our executives prior to 2011.

Key Assumptions

We utilize the Black-Scholes option-pricing model, which requires the input of highly subjective assumptions, including the risk-free interest rate, the expected dividend yield of our common stock, the expected volatility of the price of our common stock and the expected life of the option. These estimates involve inherent risk and uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

The fair value of options granted is estimated at the date of grant using the Black-Scholes option pricing model and the following assumptions:

	Year Ended December 31,		Nine Months Ended September 30,	
	2011	2012	2012	2013
Expected volatility	63.7%	63.7%	63.7%	56.8%
Risk-free interest rate	2.7	2.7	2.7	2.0
Expected term (in years)	6.0	6.0	6.0	6.0
Expected dividend yield	0.0	0.0	0.0	0.0

- *Risk-free interest rate:* The risk-free interest rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected option term of our stock options.

- *Expected Dividend Yield:* The expected dividend yield assumption is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends. Consequently, we used an expected dividend of zero.

- *Expected Volatility:* The expected stock price volatility is estimated by taking the average historic price volatility of industry peers and adjusting for differences in our life cycle and financing leverage. Our industry peers consist of several public companies in the biopharmaceutical industry.

- *Expected life:* We determine the average expected life of stock options based on the simplified method in accordance with SEC Staff Accounting Bulletin Nos. 107 and 110, as our common stock to date has not been publicly traded. We expect to continue to use the simplified method until we have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.

Valuation of Stock-Based Compensation

We record the fair value of stock options issued to employees as of the grant date as compensation expense over the service period. We recognize compensation expense over the requisite service period, which is equal to the vesting period. For non-employees, we also record the fair value of stock options as of the grant date as compensation expense over the service period. We then periodically re-measure the awards to reflect the current fair value at each reporting period until the non-employee completes the performance obligation or the date on which a performance commitment is reached. Expense is recognized over the related service period.

We calculate the fair value of stock-based compensation awards using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the use of subjective assumptions, including volatility of our common stock, the expected term of our stock options, the risk free interest rate for a period that approximates the expected term of our stock options and the fair value of the

underlying common stock on the date of grant. In applying these assumptions, we considered the following factors:

- We do not have sufficient history to estimate the volatility of our common stock price. We calculate expected volatility based on reported data for selected reasonably similar publicly traded companies for which the historical information is available. For the purpose of identifying peer companies, we consider characteristics such as industry, length of trading history, similar vesting terms and in-the-money option status. We plan to continue to use the guideline peer group volatility information until the historical volatility of our common stock is relevant to measure expected volatility for future option grants.

- The assumed dividend yield is based on our expectation of not paying dividends for the foreseeable future.

- We determine the average expected life of stock options based on the simplified method in accordance with SEC Staff Accounting Bulletin Nos. 107 and 110, as our common stock to date has not been publicly traded. We expect to continue to use the simplified method until we have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.

- We determine the risk-free interest rate by reference to implied yields available from U.S. Treasury securities with a remaining term equal to the expected life assumed at the date of grant.

- We estimate forfeitures based on our historical analysis of actual stock option forfeitures.

Common Stock Fair Value

The fair value of our common stock for purposes of determining the exercise price for stock option grants was determined on each grant date by our Board of Directors, with input from management. All options to purchase shares of our common stock were intended to be granted with an exercise price per share not less than the fair value per share of our common stock underlying those options on the date of grant, determined in good faith and based on the information known to us on the date of grant. In the absence of a public trading market for our common stock, on each grant date, our Board of Directors, or a committee of our Board of Directors acting under delegated authority, considered various objective and subjective factors, along with input from management, to determine the fair value of our common stock, including:

- external market conditions affecting the biotechnology industry;

- trends within the biotechnology industry including the state of the initial public offering market for similarly situated privately held biotechnology companies;

- the valuation of publicly traded companies in the life sciences and biotechnology sectors, as well as recently completed mergers and acquisitions of peer companies;

- our stage of development and business strategy and the material risks related to our business and industry;

- the achievement of enterprise milestones, including entering into product development partnerships and license agreements, and the likelihood of entering into such agreements;

- the prices at which we sold shares of preferred stock to third-party investors;

- the superior rights and preferences of the preferred stock relative to our common stock at the time of each grant;

- our results of operations, financial position, status of our research and development efforts, stage of development and business strategy;
- the lack of liquidity of our common stock as a private company; and
- the likelihood of achieving a liquidity event in light of prevailing market conditions, such as an initial public offering or sale of the Company.

Common Stock Valuation Methodologies

We utilized unrelated third-party valuation specialists to assist us in preparing the December 18, 2009, December 31, 2012, June 26, 2013 and August 15, 2013 valuations in accordance with the guidelines in the American Institute of Certified Public Accountants, or AICPA, Audit and Accounting Practice Aid Series: Valuation of Privately Held Company Equity Securities Issued as Compensation, or AICPA Practice Guide (the Practice Aid) which prescribes several valuation methodologies for setting the value of an enterprise, such as the cost, market and income approaches, and various methodologies for allocating the value of an enterprise to its common stock.

Methods Used to Determine Enterprise Value

We used the following methods to determine our enterprise value:

- *December 18, 2009:* In 2007, we determined our enterprise value based upon the sale of shares of our Series E convertible preferred stock primarily to unrelated investors. We determined our 2009 enterprise value by updating the 2007 valuation for interim changes in the marketplace and the Company's performance, the issuance by us of convertible debt and the then-current public market for shares of early clinical-stage biopharmaceutical companies. We viewed this approach as appropriate for estimating the enterprise value as of December 18, 2009 because our operations had not substantially changed since 2007 and were not expected to change in the near future, as well as the fact that alternative options to continue funding our operations were not readily available.

- *December 31, 2012, June 26, 2013 and August 15, 2013:* For these valuations, we determined the enterprise value using two methods. We used an initial public offering exit scenario in which the median total invested capital of comparable publicly traded companies was utilized for estimating our enterprise value. We also used an alternative exit strategy scenario under which the discounted cash flow approach was utilized for estimating the enterprise value. These two approaches to establishing the enterprise value were then weighted as described more fully below.

The significant assumption used in the initial public offering exit scenario was the composition of comparable biotechnology public companies whose technologies and lead clinical candidates were primarily in Phase 1 and Phase 2 clinical development. The significant assumptions used in the discounted cash flow scenario were:

- the likelihood of success or failure of key clinical developments and milestone payments related to those developments;
- a discount rate of 20% which reflects the expected rates of returns for observed comparable public companies adjusted for Company-specific risk; and
- the expected economic life of the Company-developed technologies and related intellectual property.

We viewed these two approaches as appropriate because our results of operations since the 2009 valuation, which included significant new licensing transactions and scientific developments, when

combined with changes in the public markets for comparable companies, indicated that our potential exit strategies had changed.

We then considered the likelihood of the two scenarios at each valuation date, and applied a probability weighting to the applicable enterprise value to determine one enterprise value at each valuation date.

- For the valuation dated December 31, 2012, we determined the probability of an initial public offering to be 10% and an alternative exit to be 90%. During 2012, we discussed the possibility of an initial public offering with underwriters and were advised that, based on the stage of the Company and its development programs, an initial public offering within the next 12-18 months was unlikely given current market conditions. Based on our financial position and financing needs, an alternative exit was considered. We explored alternative exit strategies over the next few months including possible strategic sales or mergers.

- For the valuation dated June 28, 2013, we determined the probability of an initial public offering to be 10% and alternative exit strategies to be 90%. In the first half of 2013 we held discussions with strategic partners to consider alternative exit strategies including a sale or merger. We also continued discussions with investment bankers on the possibility of an initial public offering but the probability of an initial public offering as of the valuation date did not change from the December 31, 2012 valuation. During the first half of 2013, the Company completed a recapitalization of its capital structure and sold additional preferred shares to existing shareholders and our Board of Directors approved a plan to have the Company file a Form 10 Registration Statement to become a public reporting company.

- For the valuation dated August 15, 2013, we determined the probability of an initial public offering to be 50% and the probability of an alternative exit to be 50%. The changes that caused the increase in the probability from June 2013 were the new business development agreements that the Company entered into in the first half of 2013 and the continued progress that a collaborative partner made with its development program. This transaction generated cash proceeds to the Company, expanded the Company's business portfolio by way of advancing the development of a key program and therefore increased the potential value of our technology. This growth in our business corresponded with a change in the public markets' willingness to invest in earlier stage biotechnology development companies, which when combined, provided us with an opportunity to engage investment bankers to explore an initial public offering for 2013.

Methods Used to Allocate Our Enterprise Value to Classes of Securities

In accordance with the Practice Aid, we considered the various methods for allocating the enterprise value across our classes and series of capital stock to determine the fair value of our common stock at each valuation date. The methods we utilized consisted of the following:

- *Option Pricing Method:* Under the option pricing method (OPM), shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The values of the preferred and common stock are inferred by analyzing these options.

- *Probability-Weighted Expected Return Method:* The probability-weighted expected return method (PWERM), is a scenario-based analysis that estimates the value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.

We estimated the per share common stock fair value by allocating the enterprise value using the OPM for the December 18, 2009 valuation and using the PWERM for the December 31, 2012, June 26, 2013 and August 15, 2013 valuations.

December 18, 2009 Valuation

The valuation analysis as of December 18, 2009 identified two primary components of our business: development of our proprietary technologies for developing our therapeutic antibody candidates and the arrangements with our collaborators. The valuation was conducted using the OPM recommended in the Practice Aid. In this method, the fair value of our Company and our equity interests is based on the Capital Option Method, which allocates the fair value of our enterprise between our various sources of capital, including our common stock, the five classes of preferred stock, convertible promissory notes and, options to purchase common stock, using option pricing theory. Financial theory supports the notion that interests in the capital of an enterprise can be viewed as a basket of puts and calls on the firm's capital. In short, the expected payouts on each component of a firm's capital structure can be replicated or synthesized by a basket of options whose payout mimics that of the capital instrument. The key to this method is the creation of a synthetic version of each class of capital instruments issued by us, using a series of call options on the Company's equity value. Based on the OPM calculated as of December 31, 2009, we estimated the value of our common stock to be $0.19 per share.

Following December 18, 2009, our Board of Directors made the grants set forth in the following table, in each case at a price of $0.19 per share, which our Board of Directors determined was equal to or greater than the fair market value of our common stock as of the respective date of grant. In determining the fair market value of our common stock, our Board of Directors took into account all material facts and circumstances known to our Board of Directors as of the date of the grant, including but not limited to (a) our earnings/loss history and financial performance, (b) our current prospects and expected operating results (including but not limited to the present value of our anticipated future cash flows), (c) the value of our tangible and intangible assets, (d) recent material events in our operations, (e) the market value of stock or equity interests in similar corporations and other entities engaged in trades or businesses substantially similar to those engaged in by us and whose stock or equity interests can be valued through nondiscretionary, objective means (such as through trading prices on an established securities market or an amount paid in an arm's length private transaction) and (f) such other items as our Board of Directors deemed material as of the date of its determination.

Grant Date	Number of Common Shares Underlying Options Granted	Option Exercise Price Per Common Share
January 2010 – February 2010	625,231	$ 0.19
July 2010*	2,780,392	$ 0.19
August 2010 – November 2010	639,700	$ 0.19
February 2011 – April 2012	12,400	$ 0.19
September 2012	180,700	$ 0.19

* Our Board of Directors approved an exchange of all then-outstanding options that had exercise prices in excess of $0.19 per share for new options, priced at $0.19 per share on July 28, 2010. Prior to 2010, options had been granted at strike prices ranging from $0.75 per share to $29.62 per share; the total number of options issued in the exchange was 2,780,392 shares.

December 31, 2012 Valuation

We estimated that a share of our common stock had a value of $0.11 per share at December 31, 2012, a decrease of $0.08 per share from the December 18, 2009 valuation. In 2012, we changed our methodology from the OPM to the PWERM to account for different potential exit strategies for the Company. As of December 31, 2012 we estimated the probability of a successful initial public offering to be 10% and alternative exit strategies to be 90%. At that time, our board had not made a decision to explore accessing the public markets and our existing capital structure, including the seniority and liquidation preferences of the 2009 and 2010 convertible promissory notes, restricted our ability to

consider alternative financing options. The issuance of $7.5 million in Notes in December 2010 is the primary difference accounting for the decrease in the per share value of our common stock from December 2009 to December 31, 2012. We estimated fair value of the common stock under the PWERM assumptions at December 31, 2012 to be $0.15 per share. This value was reduced by 30% to account for a lack of marketability for our common stock resulting in the $0.11 value per share for the common stock.

June 26, 2013 Valuation

We estimated that a share of our common stock had a value of $0.22 per share at June 26, 2013, an increase of $0.11 per share from the December 31, 2012 valuation. We used the PWERM to account for different potential exit strategies for the Company and we estimated the probability of a successful initial public offering to be 10% and alternative exit strategies to be 90%. At that time, our board had not made a decision to explore accessing the public markets. The increase in the estimated per share value of our common stock from $0.11 at December 31, 2012 is due to the Series A-1 preferred stock financing transaction and the progress of our clinical development programs. The exchange of Notes and the sale of additional Series A-1 convertible preferred stock made alternative financing options more readily available to us as of June 26, 2013. The estimated fair value of the common stock under the PWERM assumptions at June 26, 2013 was $0.31 per share. We reduced that value by 30% to account for a lack of marketability of our common stock, which resulted in the $0.22 value per share for the common stock.

We did not grant stock options from October 2012 through July 2013 and thus we did not use the December 31, 2012 or June 26, 2013 valuations for purposes of our stock option accounting.

August 15, 2013 Valuation

We estimated that a share of our common stock had a value of $1.37 per share at August 15, 2013, an increase of $1.15 per share from the June 26, 2013 valuation. The increase in the value of our common stock as of such date from our last valuation date related primarily to our reassessment of potential exit strategies available to us in accordance with PWERM. Following June 26, 2013 and prior to August 15, 2013, we had extensive discussions with several investment bankers who advised us that we would be a potential candidate for an initial public offering. Following those discussions, we selected an underwriting syndicate and conducted an organizational meeting in early August 2013. Based primarily on those facts, as well as the overall market environment, we reassessed the assignment of weights for the PWERM to reflect the probability of a successful initial public offering to be 50% and alternative exit strategies to be 50% as of August 15, 2013. The alternative exit strategy considered was a potential sale of the Company or its assets to a strategic investor. We reduced the alternative exit strategy value by 20% to account for a lack of marketability. This discount was determined based on liquidity discounts observed in private investments with one- or two-year illiquidity periods principally through observations of restricted stock discounts. We did not reduce the initial public offering probability-weighted value for lack of marketability. The net impact of applied marketability discounts in the August 15, 2013 valuation was immaterial.

On September 4, 2013, our Board of Directors authorized the issuance of 1,556,440 stock options to employees and consultants at an exercise price of $1.37 per share, which our Board of Directors determined was equal to or greater than the fair market value of our common stock as of the date of grant. In determining the fair market value of our common stock as of September 4, 2013, our Board of Directors took into account all material facts and circumstances known to our Board of Directors as of the date of the grants including: the independent third party valuation of the common stock performed as of August 15, 2013, changes in operations, prospects and expected operating results, recent material events in our operations and such other items that our Board of Directors deemed material as of the date of the grants.

As we progress towards an initial public offering, including completing key offering steps, such as confidential submission and filing of the registration statement of which this prospectus forms a part and launching a road-show with an expected price range for the offering, we expect the valuation of our common stock to increase under a PWERM analysis.

Net Operating Loss Carryforwards and Investment Tax Credits

As of December 31, 2012, we had cumulative net operating loss carryforwards for federal and state income tax purposes of approximately $146.7 million and $131.6 million respectively, and available tax credit carryforwards of approximately $12.9 million for federal income tax purposes and $9.6 million for state income tax purposes, which can be carried forward to offset future taxable income, if any.

Our federal net operating loss carryforwards expire starting in 2018 and state net operating losses expire starting in 2013. Federal tax credit carryforwards expire starting in 2018 and state tax credit carryforwards began expiring in 2013. Utilization of the net operating losses and tax credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986 under Section 382 and similar state provisions. We expect that the limitations under Section 382 will be triggered and our net operating losses and tax credit carryforwards will be limited as a result of the shares sold in this offering. The limitation may result in the expiration of our net operating losses and credits before we can use them, which could potentially result in increased future tax liability to us.

Results of Operations

Comparison of the Nine Months Ended September 30, 2012 and 2013

The following table summarizes our results of operations for the nine months ended September 30, 2012 and 2013 (in millions) (unaudited):

	Nine Months Ended September 30, 2012	2013	Change
Revenues:			
Research collaboration revenues	$ 2.9	$ 1.7	$ (1.2)
Licensing revenues	1.1	2.0	0.9
Milestone revenues	3.1	4.7	1.6
Total revenues	7.1	8.4	1.3
Operating expenses:			
Research and development	8.7	12.9	4.2
General and administrative	2.1	2.4	0.3
Total operating expenses	10.8	15.3	4.5
Other income (expense), net	(1.8)	(49.7)	(47.9)
Net loss	$ (5.5)	$ (56.6)	$ (51.1)

Research Collaboration Revenues

Research collaboration revenues decreased by $1.2 million for the nine months ended September 30, 2013 compared to the same period in 2012. The decrease is primarily due to revenue earned from the research services we provided in connection with our partnership with MorphoSys which was $1.5 million for the nine months ended September 30, 2012 and $0.0 for the same period in 2013. A majority of the services for the clinical trial we were conducting were completed during 2012.

Licensing Revenues

Licensing revenues of $2.0 million for the nine months ended September 30, 2013 increased by $0.9 million in 2012 as a result of additional licensing transactions in 2013.

Milestone Revenues

Milestone and contingent payments received from partners for the nine months ended September 30, 2013 were $5.7 million compared to $3.1 million for the same period in 2012, an increase of $2.6 million, which reflects the receipt of additional milestone payments from our collaborators and licensees, including a $3.0 million payment from MorphoSys in January 2013 for the initiation of Phase 2 clinical trials in NHL and ALL.

Research and Development Expenses

The following table summarizes our research and development expenses for the periods ended September 30, 2013 and 2012, (in millions) (unaudited):

	Nine Months Ended September 30,	
	2012	2013
Product programs:		
XmAb5871	$ 3.3	$ 5.7
XmAb7195	1.8	4.3
XmAb5574/MOR208	1.3	0.4
Other	2.3	2.5
Total research and development expense	$ 8.7	$ 12.9

Research and development expenses were $12.9 million for the nine months ended September 30, 2013 compared to $8.7 million for the same period in 2012, an increase of $4.2 million. The increase is primarily due to a $2.4 million increase in costs associated with the XmAb5871 program, primarily due to increases in clinical trial costs for CROs and site costs and manufacturing of drug product, which reflects the advancing stage of development of the program from Phase 1a to initiation of the Phase 1b portion of a Phase 1b/2a clinical trial in 2013. Approximately $2.5 million of the increased costs are associated with the XmAb7195 program, including manufacturing drug product and IND-enabling toxicology studies, resulting from the advancement of the program as we plan to file an IND and begin clinical trials in the first half of 2014. The costs for the Xmab5574/MOR208 program, which is conducted under our MorphoSys collaboration, declined by $0.9 million as we neared completion of the Phase 1 clinical trial at the end of 2012, which completed our development obligations under the MorphoSys agreement.

General and Administrative Expenses

General and administrative expenses were comparable at $2.1 million and $2.4 million for the nine months ended September 30, 2012 and 2013, respectively; spending in this area was consistent between periods.

Other Income (Expense), Net

Other income (expense), net was $(49.7) million for the nine months ended September 30, 2013 compared to $(1.8) million for the same period in 2012, an increase of $47.9 million. The increase reflects a loss of $48.6 million reported on the exchange of our convertible promissory notes for preferred stock in June 2013.

Comparison of the Years Ended December 31, 2011 and 2012

The following table summarizes the results of our operations for the years ended December 31, 2012 and 2011 (in millions):

	Years Ended December 31,		
	2011	2012	Change
Revenues:			
Research collaboration revenues	$ 4.3	$ 3.8	$ (0.5)
Licensing revenues	1.5	2.1	0.6
Milestone revenues	1.0	3.6	2.6
Total revenues	6.8	9.5	2.7
Operating expenses:			
Research and development	12.7	12.7	—
General and administrative	3.6	3.1	(0.5)
Total operating expenses	16.3	15.8	(0.5)
Other income (expense), net	(1.7)	(2.3)	(0.6)
Net loss	$ (11.2)	$ (8.6)	$ 2.6

Research Collaboration Revenues

Research collaboration revenues were $4.3 million in 2011, compared to $3.8 million in 2012, a decrease of $0.5 million. The decrease in collaboration revenue in 2012 compared to 2011 is due primarily to lower revenue earned under our collaboration agreement with MorphoSys in 2012.

Licensing Revenues

Licensing revenues were $1.5 million in 2011 compared to $2.1 million in 2012, an increase of $0.6 million. The increase in licensing revenue is primarily due to license revenue recognized under the MedImmune transaction which is reported as a non-monetary exchange in 2012.

Milestone and Contingent Payments

Milestone and contingent payments were $1.0 million in 2011 compared to $3.6 million in 2012, an increase of $2.6 million. The increase is primarily due to a milestone payment of $1.2 million received from Boehringer Ingelheim International GmbH and $1.4 million milestone from another licensee during 2012 for advancing a compound that includes our licensed technologies into clinical development.

Research and Development Expenses

Research and development expenses were $12.7 million in 2011 and $12.7 million in 2012. There were changes within the program spending but overall spending was consistent between the two years. Total research spending in 2012 on the XmAb5871 program and the XmAb7195 program increased by $0.8 million and $0.7 million, respectively, from the year ended 2011 due to advancement of both programs into later stages of development including larger clinical trials and additional toxicology studies. This increase in spending was offset by decreased spending on XmAb5574 program and other programs of $1.5 million as we began winding down the XmAb5574 Phase 1 clinical trial in 2012.

General and Administrative Expenses

General and administrative expenses were $3.6 million in 2011 compared to $3.1 million in 2012. The decrease of $0.5 million primarily reflects increased abandonment of intangible costs of $0.8 million in 2011 and lower marketing and business development expenses in 2011 of $0.2 million.

Other Income (Expense), Net

Other income (expense), net, was $(1.7) million in 2011 compared to $(2.3) million in 2012. The increase of $0.6 million primarily reflects additional accrued interest expense on our convertible promissory notes. In connection with amendment of the 2009 and 2010 Notes in August 2011 and December 2011, the interest rate on the notes was increased from 10.0% to 12.5% per annum.

Liquidity and Capital Resources

Since our inception, our operations have been primarily financed through private sales of our equity, convertible notes and payments received under our product development partnerships and licensing arrangements. We have devoted our resources to funding research and development programs, including discovery research, preclinical and clinical development activities.

We have incurred operating losses in each year since our inception and we expect to continue to incur operating losses into the foreseeable future as we advance the ongoing development of our lead product candidates XmAb5871 and XmAb7195, evaluate opportunities for the potential clinical development of our pre-clinical programs, and continue our research efforts.

At September 30, 2013, we had $9.6 million of cash and cash equivalents compared to $2.3 million at December 31, 2012. While we believe that our current cash and cash equivalents are sufficient to carry out our currently planned clinical development and operating plans into the second quarter of 2014, there remains uncertainty.

As of and for the year-ended December 31, 2012, the report on our financial statements included explanatory language describing the substantial doubt about our ability to continue as a going concern. This uncertainty arose from our results of operations and financial condition and the conclusion that we did not have sufficient cash to operate for 12 months from year-end. We had plans to operate as of December 31, 2012 that included projections of cash to be received from licensing and milestone payments and sales of preferred stock. Since December 31, 2012, and through September 30, 2013, we have generated cash from the receipt of licensing and milestone payments and the sale of preferred stock as more fully described below. As of September 30, 2013, there still exists substantial doubt about our ability to continue as a going concern. Such substantial doubt does not give effect to the receipt of any proceeds from this offering.

Plan of Operations and Future Funding Requirements

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party manufacturing services, third-party clinical research and development services, laboratory and related supplies, clinical costs, legal and other regulatory expenses and general overhead costs.

To fund future operations, we will need to raise additional capital. The amount and timing of future funding requirements will depend on many factors, including the timing and results of our ongoing development efforts, the potential expansion of our current development programs, potential new development programs and related general and administrative support. We anticipate that we will seek to fund our operations through equity or debt financings or through research collaborations and licensing agreements with third parties. We cannot assure you that such additional financing will be available to us on favorable terms, or at all. Although we have previously been successful in obtaining

financing through our private securities offerings, there can be no assurance that we will be able to do so in the future. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us.

We expect that the net proceeds from this offering, together with our existing cash and certain potential milestone payments, will fund our operating expenses and capital expenditure requirements through 2016. We have based these estimates on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Additionally, the process of testing product candidates in clinical trials is costly, and the timing of progress in these trials is uncertain. Because our product candidates are in various stages of development and the outcome of these efforts is uncertain, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates or whether, or when, we may achieve profitability.

Cash Flows for the Nine Months Ended September 30, 2013 and 2012 and the Years Ended December 31, 2012 and 2011

Operating Activities

Cash used in operating activities for the nine months ended September 30, 2013 was $1.3 million compared to cash used in operations of $7.1 million for the nine months ended September 30, 2012, a net decrease in cash used of $5.8 million. The decrease in cash used is primarily due to a net increase in the deferred revenue accounts for the period ended September 30, 2013. During the nine months ended September 30, 2013, we received upfront payments on certain licensing agreements in which the revenue will be earned over the expected term of the licensing contract. Accordingly, a significant portion of the upfront payments were recorded into the deferred revenue accounts.

Cash used for operating activities for 2011 was $1.1 million, compared to $11.1 million in 2012, an increase of $10.0 million. This increase relates primarily to upfront collaboration payments received in 2011, which are being recognized over the expected term that services will be provided under the collaboration agreement. This difference is reflected in the deferred revenue accounts for the 2011 and 2012 periods.

Investing Activities

Investing activities consist primarily of purchases of intangible assets, capitalization of patent and licensing costs, purchases of property and equipment and proceeds on the sales of used equipment. Investing activities used cash of $1.3 million for the nine months ended September 30, 2013 and used cash of $0.9 million for the nine months ended September 30, 2012. We acquired $1.1 million of intangible assets in the nine months ended September 30, 2013 compared to $0.9 million in the nine months ended September 30, 2012. This increase reflects higher expenditures for our patent portfolio due to changes in U.S. patent filing procedures which became effective in the first half of 2013. We acquired $136,000 of capital equipment for the nine months ended September 30, 2013 compared to $60,000 for the same period in 2012. This increase is related to additional capital spending on laboratory equipment.

Investing activities used cash of $1.3 million for 2011 and $1.2 million for 2012. We acquired $1.4 million of intangible assets during 2011 compared to $1.2 million for 2012, a decrease of $0.2 million. The decrease relates primarily to the acquisition of certain manufacturing rights from Catalent for the manufacture of our XmAb7195 candidate. We acquired $55,000 of property and

equipment during 2011 compared to $41,000 in 2012. We received cash proceeds on the sale of equipment in 2011 of $133,000 compared to $97,000 in 2012, a decrease of $36,000.

Financing Activities

Financing activities consist primarily of net proceeds from the sale of convertible preferred stock and payments on capital lease obligations. We received proceeds of $10.0 million from the proceeds on the sale of convertible preferred stock in the nine months ended September 30, 2013. There was no comparable sale of stock for the period ended September 30, 2012. We made payments on capital lease obligations of $3,000 for the nine months ended September 30, 2013 compared to capital lease obligation payments of $12,000 for the nine months ended September 30, 2012.

Financing activities used cash flows of $11,000 in 2011 compared to $12,000 in 2012, an increase of $1,000. The increase relates primarily to a second capital lease agreement for certain technology equipment entered into during 2012.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations at December 31, 2012 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1 - 3 Years	3 - 5 Years	More than 5 years
Operating lease obligation relating to facility(1)	$ 1,382	$ 550	$ 832	$ —	$ —
Capital lease obligations	17	8	9	—	—
Purchase obligations(2)	7,806	4,231	825	—	2,750
Convertible promissory notes(3)	20,923	20,923	—	—	—
Total	$ 30,128	$ 25,712	$ 1,666	$ —	$ 2,750

(1) Consists of our corporate headquarters lease encompassing 24,000 square feet of office space that expires in April 2015.

(2) Purchase obligations include the amounts that are expected to become due from existing agreements for current and ongoing services that are related to the conduct of our preclinical and clinical development activities. These amounts are estimated as due by period based upon our expectation for the delivery of service and payment pursuant to contractual payment terms. These amounts could be increased, accelerated, deferred or decreased depending upon the actual level of preclinical and clinical development activities.

(3) In June 2013, 100% of the outstanding principal due on our convertible promissory notes was exchanged for shares of Series A-1 convertible preferred stock and the accrued and unpaid interest thereon was cancelled.

Off-Balance Sheet Arrangements

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

Related Party Transactions

For a description of our related party transactions, see "Certain Relationships and Related Party Transactions" beginning on page 145.

JOBS Act

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging

growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period, and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

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. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10.0% change in interest rates would not have a material effect on the fair market value of our portfolio. Accordingly, we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on our investment portfolio.

We do not believe that our cash, cash equivalents and available-for-sale investments have significant risk of default or illiquidity. While we believe our cash and cash equivalents and certificates of deposit do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits.

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation has had a material effect on our results of operations during the periods presented.

BUSINESS

OVERVIEW

Our Business

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. We use our proprietary XmAb technology platform to create next-generation antibody product candidates designed to treat autoimmune and allergic diseases, cancer and other conditions. In contrast to conventional approaches to antibody design, which focus on the portion of antibodies that interact with target antigens, we focus on the portion of the antibody that interacts with multiple segments of the immune system. This portion, referred to as the Fc domain, is constant and interchangeable among antibodies. Our engineered Fc domains, the XmAb technology, can be readily substituted for natural Fc domains. We believe our Fc domains enhance antibody performance by, for example, increasing immune inhibitory activity, improving cytotoxicity or extending circulating half-life, while maintaining 99.5% identity in structure and sequence to natural antibodies. By improving over natural antibody function, we believe that our XmAb-engineered antibodies offer innovative approaches to treating disease and potential clinical advantages over other treatments.

Our business strategy is based on the plug-and-play nature of the XmAb technology platform to modify features of natural antibodies and create numerous differentiated antibody product candidates. We have internally generated a pipeline that has allowed us to selectively partner certain development programs while maintaining full ownership of other programs. We also have a number of technology licenses under which we have licensed the XmAb technology platform to pharmaceutical and biotechnology companies for use in a limited number of programs, providing multiple revenue streams that require no further resources from Xencor. There are currently five antibody product candidates in clinical trials that have been engineered with XmAb technology, including four candidates being advanced by licensees and development partners.

Our internally-generated pipeline includes the following three lead XmAb-engineered antibodies that are currently in development:

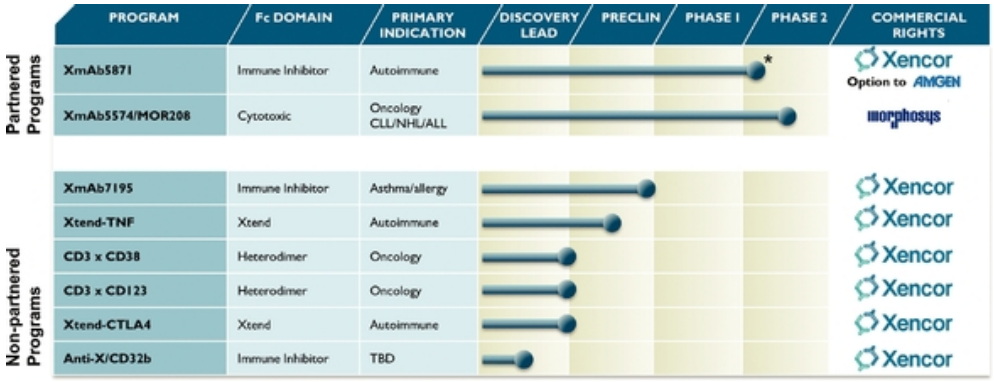
- ***XmAb5871*** is being developed for the treatment of autoimmune diseases, including rheumatoid arthritis and lupus. It uses our Immune Inhibitor Fc Domain and targets B cells, an important component of the immune system. We believe XmAb5871 has the potential to address a key unmet need in autoimmune therapies due to its combination of potent B-cell inhibition without B-cell depletion. We are currently conducting a Phase 1b/2a clinical trial for XmAb5871 in rheumatoid arthritis patients with active disease on stable non-biologic DMARD therapy. We expect to report preliminary data from this trial in the second half of 2014. Our partner, Amgen Inc. (Amgen), has an option to acquire an exclusive worldwide license for XmAb5871, exercisable at any time before completion of a data review period following our planned subsequent Phase 2b proof-of-concept clinical trial. Until the option exercise, we lead research, development and manufacturing activities for XmAb5871 with collaborative input and development support from Amgen. According to the American College of Rheumatology, rheumatoid arthritis and lupus affect approximately 1.3 million and 160,000 adults in the United States, respectively. Humira, the leading antibody therapy for autoimmune diseases, generated sales of approximately $9.3 billion worldwide in 2012.

- ***XmAb7195*** is being developed for the treatment of severe asthma and allergic diseases. It uses our Immune Inhibitor Fc Domain and is designed to reduce blood plasma levels of IgE, which mediates allergic responses and allergic disease. Its three specific mechanisms of action give it potential advantages over current therapies: (i) increased IgE binding, (ii) inhibition of IgE production and (iii) rapid clearance of IgE from circulation. We anticipate filing an

investigational new drug application (IND) with the United States Food and Drug Administration (FDA) and initiating a Phase 1a clinical trial in the first half of 2014. We plan to report preliminary data from this trial at the end of 2014. According to the U.S. Centers for Disease Control and Prevention (CDC), one in 12 Americans has asthma, and there were 1.8 million emergency room visits caused by asthma in 2010. Xolair, the leading antibody therapy for the treatment of severe refractory asthma, generated approximately $1.3 billion in worldwide sales in 2012.

- ***XmAb5574/MOR208*** is being developed for the treatment of blood-based cancers and uses our Cytotoxic Fc Domain. Our partner, MorphoSys AG (MorphoSys), is currently conducting two Phase 2 clinical trials of XmAb5574/MOR208 in patients with B-cell acute lymphoblastic leukemia (B-ALL) and non-Hodgkin lymphomas (NHL). According to the Leukemia and Lymphoma Society, over 60,000 Americans are diagnosed with these cancers each year. Rituxan, the leading antibody therapy for NHL, generated approximately $6.1 billion in worldwide oncology sales in 2012.

A summary of the partnered and non-partnered product development programs that we have generated internally is shown below.



* Currently enrolling Phase 2a portion of Phase 1b/2a clinical trial.

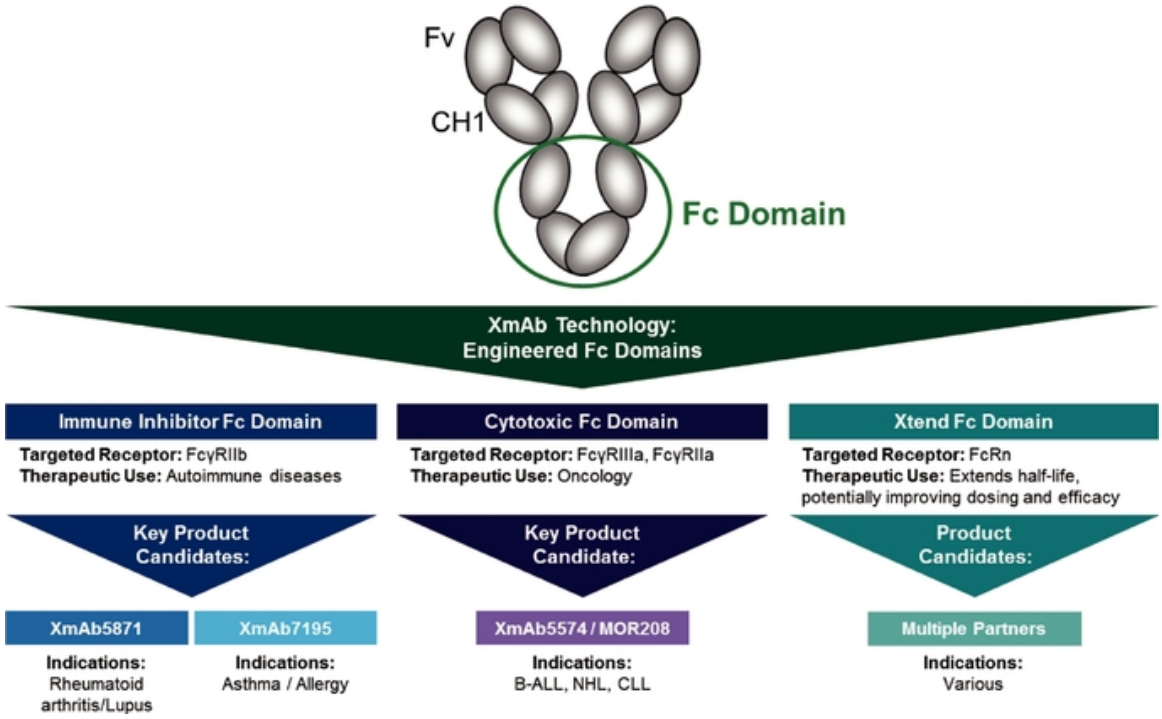
In addition, we have licensed our XmAb technology to pharmaceutical and biotechnology companies for use in a limited number of their programs. These licensees include Boehringer Ingelheim, CSL, Janssen, Merck and Alexion, and collectively these licensees have three Phase 1 clinical development-stage programs and four pre-clinical development-stage programs.

Our XmAb Fc domain technology is a platform of antibody components that enable the creation of therapeutic antibody candidates that have novel interactions with the human immune and antibody regulation systems. We have identified a set of Fc domains, each of which is engineered to have a specific function based on its Fc receptor binding profile, including:

- ***Immune Inhibitor Fc Domain***—selective immune inhibition and rapid target clearance, targeting the receptor FcgRIIb
- ***Cytotoxic Fc Domain***—increased cytotoxicity, targeting the receptors FcgRIIIa on natural killer (NK) cells and FcgRIIa on other immune system cells
- ***Xtend Fc Domain***—extended antibody half-life, targeting the receptor FcRn on endothelial cells

In addition, we have engineered XmAb Fc domains with other properties, including rapid antigen clearance, antibody stability and multiple-antigen specificity (heterodimer). Each XmAb Fc domain consists of a naturally occurring Fc domain with a small number of amino acid changes, usually two,

that we found to be critical for modulating interactions with the desired Fc receptors. With such limited modifications of the natural Fc domain, XmAb-engineered antibodies are typically over 99.5% identical in structure and sequence to natural antibodies, simplifying product development yet enhancing function.



We were founded in 1997 based on protein engineering technology developed by our co-founders Bassil Dahiyat, Ph.D. and Stephen Mayo, Ph.D. at the California Institute of Technology. We began our first therapeutic monoclonal antibody engineering and discovery programs in 2002 and entered into our first XmAb technology license in 2004. Our product development partnerships and technology licenses have provided us with approximately $60 million in cash during the last five years, and we have the potential to receive an aggregate of approximately $1.3 billion in milestone payments, in addition to royalties on sales, upon successful development and commercialization of the programs contemplated by our product development partnership and technology license agreements. These potential milestone payments include $240 million relating to the achievement of clinical development milestones. At present, our XmAb technology platform is protected by 21 U.S. issued patents and 44 U.S. patent applications, in addition to foreign counterparts.

Our Strategy

Our goal is to become a leading biopharmaceutical company focused on developing and commercializing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. Key elements of our strategy are to:

- ***Advance the clinical development of our lead Immune Inhibitor Fc Domain product candidates.*** We are developing XmAb5871, in collaboration with Amgen, for the treatment of autoimmune diseases and are developing XmAb7195 independently for the treatment of asthma and allergic diseases.

- ***Continue to monetize and expand the use of our XmAb technology platform.*** We are seeking additional licensing and partnering opportunities, similar to our collaborations with Amgen and with MorphoSys for XmAb5574/MOR208, with leading pharmaceutical and biotechnology companies.

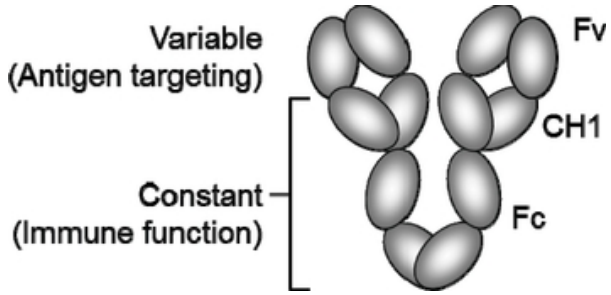
- ***Build a large and diversified portfolio of product candidates.*** We aim to create new XmAb-engineered antibody product candidates that exploit the novel properties of our XmAb technology platform.

- ***Broaden the functionality of our XmAb technology platform.*** We are conducting further research into the function and application of antibody Fc domains in order to expand the scope of our XmAb technology platform.

- ***Continue to expand our patent portfolio protecting our XmAb technology platform.*** We seek to expand and protect our development programs and product candidates by filing and prosecuting patents in the United States and other countries.

Antibodies as Therapeutic Agents

Antibodies are Y-shaped proteins that are produced by B cells and used by the immune system to target and neutralize foreign objects known as antigens. These objects may include tumor cells, bacteria and viruses. Antibodies are composed of two structurally independent parts, the variable domain (the Fv domain) and the constant domain (the Fc domain and the CH1 domain). The Fv domain is responsible for targeting a specific antibody to a specific antigen and is different for every type of antibody. The Fc domain interacts with various receptors on immune cells and other cells and, rather than binding antibodies to target antigens, it endows antibodies with properties beyond simple binding, such as immune response regulation and cytotoxicity. Importantly, Fc domains are the same and interchangeable from antibody to antibody.



Most antibody research to date has been based on the ability to discover and improve antigen-selective antibody Fv domains. Many pharmaceutical and biotechnology companies have efforts to discover, develop and commercialize antibody drugs using such Fv-based tools. A number of successful products have resulted from these efforts and the global market for antibody therapeutics was estimated to be approximately $45 billion in 2011, of which the U.S. market was estimated to be $20 billion.

Intense competition drives companies to develop differentiated antibody drugs, often because of the common pursuit of the same antigen Fv targets across the industry. Industry efforts have focused on engineering Fv domains since the mid-1980s to enhance performance. More recently, many efforts at differentiation have attempted to improve upon antibody performance by drastically changing the antibody structure or substituting new molecules altogether, for example, new antibody-like scaffolds, bi-specific antibodies and antibody-drug conjugates. A challenge to these efforts has been making these new drug molecules replicate the beneficial features of natural antibodies, including ease of production, safety, efficacy and simplicity. These efforts, however, have largely ignored the Fc domain.

In contrast, in the last decade Xencor has focused on Fc engineering. Fc engineering involves additional complexities, particularly consideration of simultaneous interactions with multiple Fc receptors and immune cell types and requires significant expertise in structural biology and immunology. We developed the XmAb technology to create significantly enhanced antibody performance while preserving over 99.5% of the natural antibody structure because we believe that maintaining native antibody structure could retain these beneficial features in our highly differentiated antibody candidates.

Our XmAb Technology Platform

We developed the XmAb technology platform from a systematic effort to engineer the Fc domain of antibodies to manipulate its interactions with a variety of its natural receptors. We used our patented screening technology, consisting of algorithms and computer models of the three-dimensional structure of the Fc domain, to focus on, from the vast number of possibilities, manageable sets of possible amino acid changes that result in small modifications to the Fc domain structure which effect significant changes in antibody function and performance.

From this design and screening effort, we have identified a set of Fc domains, each of which is engineered with particular amino acid changes to augment a specific naturally-occurring antibody function based on its Fc receptor binding profile:

- ***Immune Inhibitor Fc Domain***—rapid target clearance and selective immune inhibition, targeting the receptor FcgRIIb;
- ***Cytotoxic Fc Domain***—increased cytotoxicity, targeting the receptors FcgRIIIa on natural killer (NK) cells and FcgRIIa on other immune system cells; and
- ***Xtend Fc Domain***—extended half-life, targeting the receptor FcRn on endothelial cells.

In addition, we have engineered XmAb Fc domains with other properties, including rapid antigen clearance, antibody stability and multispecificity (heterodimer). Each XmAb Fc domain consists of a naturally occurring Fc domain with a small number of amino acid changes, usually two, that we found to be critical for modulating interactions with the desired Fc receptors. Therefore, XmAb product candidates are usually over 99.5% identical in structure and sequence to natural antibodies but have enhanced function. In contrast to other engineering approaches for next-generation antibodies, we believe that our platform minimizes changes to antibody structure while maximizing functional improvement. We believe this conservative design allows our engineered antibodies to retain the beneficial stability, pharmacokinetics, and ease of discovery of natural antibodies, as well as to use well-validated methods for antibody manufacturing. We believe we can thereby avoid the problems many new antibody platforms have had in production and drug stability.

Our XmAb technologies include modified Fc domains that modulate existing immune receptor interactions to tailor antibodies for improved therapeutic use. In the table below, we detail the properties of the Fc receptors targeted by our XmAb technologies:

XmAb Fc Domain	Receptor	Receptor Type	Function	Cell Types	Disease Area
Immune Inhibitor	FcgRIIb	inhibitory	cell inhibition	B cells, other immune cells	autoimmune
			rapid target clearance	liver sinusoidal endothelial cells	various
Cytotoxic	FcgRIIa	activating	phagocytosis	macrophage	oncology
	FcgRIIIa		cytotoxicity	NK cells	
Xtend	FcRn	salvage, transport	antibody recycling	endothelial cells	various

Immune Inhibitor Fc Domain technology

FcgRIIb is an inhibitory receptor that is expressed on B cells and other cells. FcgRIIb, when engaged by Fc domains, signals inside the cell to block immune response activation pathways, for example the B-cell receptor pathway that activates in response to antigen recognition and ultimately results in the production of antibodies to antigen. We have focused on this role as an important negative feedback regulator of the B-cell response, where its biology is well-validated. Its expression and signaling characteristics have made it a difficult target for monoclonal antibodies, as targeting it by itself does not trigger its inhibitory properties. FcgRIIb must be associated with other specific partner proteins on the cell surface to activate its inhibitory properties. We have circumvented this problem by discovering variants of the Fc domain with enhanced binding to FcgRIIb and designed the Fv domain to target a B-cell protein. This coupling of the two target proteins, in some cases, will trigger the inhibitory properties of FcgRIIb.

We have discovered a series of FcgRIIb immune inhibitor Fc variants with increased binding affinity to FcgRIIb of up to 400-fold. The high affinity variant has two amino acid substitutions in the Fc domain and has been applied to create our first immune inhibitor product development candidate XmAb5871. This antibody, described in greater detail below, targets CD19 on B cells through its variable domain and recruits FcgRIIb to induce its inhibitory properties. We have shown in several preclinical studies that XmAb5871 inhibits B-cell responses to a variety of stimuli, and we have begun clinical development (in partnership with Amgen) on this product candidate.

We have also applied this high affinity Immune Inhibitor Fc Domain to our anti-IgE antibody XmAb7195, which as a result inhibits activation of only IgE-positive B cells and hence prevents production of IgE, a key mediator of allergic response. Also, we have discovered an exciting new mechanism of action mediated by the Immune Inhibitor Fc Domains. High FcgRIIb binding causes very rapid clearance from the circulation of the complexes formed between XmAb7195 and IgE, a property that we believe is unique among IgE inhibitor antibodies. This provides another mechanism to lower the amount of circulating IgE.

The rapid clearance mechanism of Immune Inhibitor Fc Domains offers a highly differentiating function for antibodies targeting soluble antigens, such as IgE, and opens opportunities for the technology beyond B-cell modulation. For example, we are generating discovery candidates using Immune Inhibitor Fc Domains to clear pathologic targets from circulation.

Cytotoxic Fc Domain technology

Our Cytotoxic Fc Domain technology consists of a series of variant Fc domains that improve binding to the activating Fcg receptors. This binding improvement drives increased antibody-dependent cell cytotoxicity (ADCC), a primary mechanism of antibody cytotoxicity. The lead Fc variant used in nearly all of our Cytotoxic Fc Domain antibody candidates is an Fc domain with two amino acid substitutions that increase affinity for FcgRIIIa, the activating receptor expressed on natural killer (NK) cells, by approximately 40-fold. NK cells are cytotoxic lymphocytes of the innate immune system and play a major role in elimination of tumor cells and virally infected cells. Our Cytotoxic Fc Domain also increases affinity for FcgRIIa by approximately five-fold, with potential for recruitment of other important effector cells such as macrophages, which play a role in both innate and adaptive immunity by engulfing and digesting foreign material. FcgRIIIa is considered an important mediator of the antitumor efficacy of antibodies such as Genentech's Herceptin (trastuzumab) and BiogenIdec/Genentech's Rituxan (rituximab).

Numerous publications have demonstrated the importance of Fcg receptors for anti-tumor efficacy in mouse models and also in clinical studies of Rituxan and Herceptin. We have applied our Cytotoxic Fc Domain to a large number of validated (e.g. Rituxan, Herceptin, Bristol-Myers Squibb and Eli Lilly and Company's Erbitux (cetuximab)) and unvalidated antibodies, and in all cases we have seen a marked increase of ADCC measured in vitro. We have established that the Cytotoxic Fc Domain technology increases the anti-tumor efficacy of antibodies in a number of mouse models. In primate studies, we have shown that our anti-CD19 antibody XmAb5574/MOR208, which incorporates our Cytotoxic Fc Domain, depletes monkey B cells whereas a similar anti-CD19 antibody with an unmodified Fc domain did not successfully kill B cells.

In Phase 1 clinical studies, antibodies incorporating our Cytotoxic Fc Domain, for example our XmAb2513 against CD30 in Hodkgin's lymphoma, have shown tumor reduction response rates comparable or superior to response rates in published reports of non-Fc engineered antibodies against the same target cells. Several partners and licensees are using our Cytotoxic Fc Domain in their oncology antibodies, including four programs currently in clinical trials.

Xtend Fc Domain technology

Our Xtend Fc Domain technology consists of Fc domains designed to increase binding affinity to the receptor FcRn. FcRn is present inside lysosomes in endothelial cells lining the blood vessels and functions to rescue antibodies from the degradation that makes most proteins short-lived in circulation. As a result of interactions with FcRn, all antibodies have half-lives ranging from a few days to a few weeks, allowing less frequent dosing for antibody drugs than most other biologics. We have engineered a series of Fc variants that increase binding of the Fc domain to FcRn to enhance FcRn-mediated rescue and thereby increase circulating half-life. Our lead Xtend Fc Domain has two amino acid substitutions and has shown up to three-fold increases of *in vivo* half-life for a number of different antibodies in monkey models.

We believe extension of half-life can be exploited to improve therapeutic antibody performance in several ways:

- Increased dosing interval, providing superior patient convenience and likely compliance. Such a reduced frequency of dosing also results in lower drug use in aggregate, reducing cost of goods.

- Lower drug quantities at the same dosing interval as the parent antibody. This can simplify dosage formulation and sometimes enable subcutaneous formulation. Cost of goods is reduced as well.

- Higher drug levels using the same dose and dosing interval as the parent antibody, resulting in longer drug exposure and potentially translating to better efficacy.

We have licensed Xtend Fc Domain technology to several biopharmaceutical companies who are using Xtend Fc Domains to both improve existing antibody drugs and to create new drugs with long half-lives.

Additional XmAb Fc domains

We continue to design Fc domain variants and have identified improved functions in addition to those described above. Our goal is to remain at the forefront of antibody engineering by using our expertise in Fc domain engineering to create new functions for use in antibody therapeutics. We have Fc variants that improve complement-dependent cytotoxicity. Other Fc variants have been engineered to eliminate binding to all Fcg receptors, thereby creating Fc domains that have no cytotoxic effector function at all. Such domains have important use in therapeutics where no effector function is desired.

We have created Fc variants that form heterodimeric Fc domains that enable the creation of bispecific antibodies that have different Fv domains on each side of the Fc domain in order to bind to a different antigen with each of their Fv domains. For example, we can readily create bispecific antibodies that bind both CD3 and a tumor antigen in order to recruit cytotoxic T cells to the tumor cell. Because of the Fc domain, these bispecific antibodies retain the long half-life and ease of production typical of standard antibodies. We have generated a number of bispecific antibody discovery programs using our XmAb heterodimer Fc domains and have demonstrated that a bispecific antibody built on these Fc domains is active in primate models.

Antibody Fv domain engineering capabilities

We have developed tools to engineer humanized and fully human, high-affinity antibody Fv domains. Usually starting from a mouse antibody Fv domain, we analyze its amino acid sequence computationally to find the best matches with human antibody sequences, which we then substitute into the murine Fv domain to create antibodies with very high human sequence content. Our approach preserves the structural integrity of the antibody and maintains binding to antigen. We also perform antigen affinity enhancement by computationally filtering sequence changes and generating small, focused libraries of Fv variants that we screen for tighter binding. All of our internally discovered candidates, including XmAb5871, XmAb7195 and XmAb5574/MOR208, were generated using these tools.

Lead XmAb Product Candidates

Candidate	Indication	Fc Domain	Worldwide Commercial Rights	Stage of Development	Next Steps
XmAb5871	lupus and rheumatoid arthritis	Immune Inhibitor	Xencor (Amgen option upon Phase 2b POC data)	Phase 1b/2a ongoing	Preliminary data expected 2H 2014; Phase 2b POC trial planned first half of 2015
XmAb7195	asthma and allergic diseases	Immune Inhibitor	Xencor	preclinical	IND filing planned 1H 2014 Phase 1a trial planned 1H 2014
XmAb5574/MOR208	B-cell cancers	Cytotoxic	MorphoSys	Phase 2 trials ongoing	Phase 2 trials for other indications* Phase 3 clinical trials*

* Timing and trial design for future clinical trials to be determined by MorphoSys.

XmAb5871, a B-cell Inhibitor for the Treatment of Autoimmune Diseases

Background and Market Opportunity

XmAb5871 is a monoclonal antibody that inhibits B cells, without depleting them, for the treatment of autoimmune diseases. B cells have an important natural role in the immune response, recognizing pathogens and ultimately producing anti-pathogen antibodies. The B-cell response is naturally regulated by a variety of mechanisms, including the use of the B-cell inhibitory receptor, FcgRIIb. FcgRIIb is triggered by an excess of anti-pathogen antibodies, preventing over-activation of B cells to a particular pathogen and over-production of antibodies. In autoimmune diseases, the immune system aberrantly attacks proteins and/or cells in the body (auto-antigens) through both B-cell- and T-cell-mediated pathways. In many autoimmune diseases, including rheumatoid arthritis and systemic lupus erythematosus (lupus), B cells play a significant role in pathogenesis, acting as antigen-presenting cells and as precursors to autoantibody-producing plasma cells.

The autoimmune disease therapeutic market presents a large opportunity with currently marketed antibody-based products, such as Rituxan (marketed under the trade name MabThera outside the United States), with 2012 worldwide sales for the treatment of autoimmune indications of approximately $1.1 billion, and GlaxoSmithKline's Benlysta (belimumab), with 2012 worldwide sales of over $200.0 million for the treatment of lupus. Management of rheumatoid arthritis frequently requires multiple therapies as patients cycle through various treatment options. Anti-TNF agents, such as Humira, are currently the first-line therapy for patients that fail disease modifying anti-rheumatic drug (DMARD) therapy. Management of lupus depends on disease severity and disease manifestations. Milder disease is often controlled with nonsteroidal anti-inflammatory drugs (NSAIDs) to treat inflammation and pain. The immunosuppressive antimalarial drug hydroxychloroquine and low-dose corticosteroids are used to treat skin and arthritis symptoms. Patients with disease manifestations in vital organs are often subject to prolonged use of systemic corticosteroids, which have significant short and long term side effects. Life-threatening manifestations of lupus, such as those involving the kidneys or central nervous system are treated more aggressively with drugs such as high dose corticosteroids and additional immunosuppressive agents. In aggregate, existing drugs for lupus are mostly old, have significant side effects, and lack sufficient efficacy to control the disease. Thus, the unmet need remains high in lupus, encouraging the development of biologic therapies. Because of the central role of B cells in lupus, therapies targeting B cells have been explored and showed detectable but modest signs of efficacy.

Rituxan, which causes outright depletion of B cells, has been approved for treatment of moderate-to-severe rheumatoid arthritis, with promising efficacy. In addition, while Rituxan has not been approved as a lupus therapy, we believe it is prescribed off-label as a treatment for lupus. A number of investigator-sponsored lupus clinical trials and case studies have suggested it may be efficacious. The nearly-complete B-cell depletion caused by Rituxan, however, comes with an increased risk of infection. For example, Rituxan has been associated with a low risk of the often fatal progressive multifocal leukoencephalopathy, which is inflammation of the brain that has been attributed to reactivation of a latent virus. Moreover, a second generation B-cell depleting product candidate being developed by Genentech and Biogen Idec, ocrelizumab, was suspended from development in rheumatoid arthritis and lupus due to serious and opportunistic infections, some of which were fatal. B-cell recovery after depletion can take weeks to months, exacerbating the situation if an infection arises.

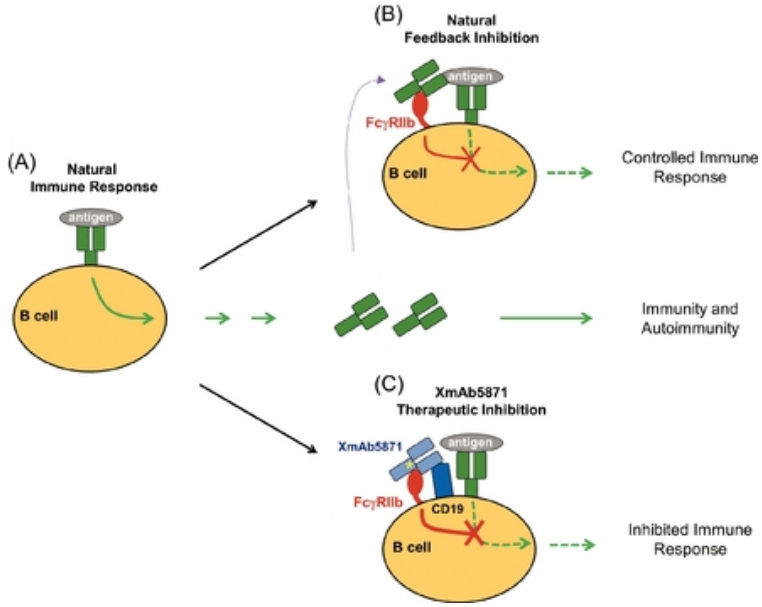
A second notable B-cell inhibitor is the anti-BLyS antibody Benlysta. BLyS (B-lymphocyte stimulator) is a B-cell survival factor, and Benlysta's inhibition of this factor leads to an attenuation of B cells and their responses. Despite FDA concern raised in advisory committee briefing documents over the "somewhat marginal efficacy" of Benlysta and lack of demonstrated efficacy in the African

American population, the high unmet need resulted in approval of Benlysta as the first FDA-approved lupus therapy in over 50 years. We believe Benlysta's sales reflect its modest efficacy.

Despite some promise from the two therapies mentioned above, because of their side effect risk and limited efficacy, the unmet need in lupus remains high for the over 160,000 Americans with a definite lupus diagnosis. Additionally, over 150,000 Americans have a probable lupus diagnosis and could potentially benefit from new therapies with improved efficacy and acceptable safety profiles.

Overview of XmAb5871

XmAb5871 is a monoclonal antibody for the treatment of autoimmune diseases that uses our Immune Inhibitor Fc Domain to target FcgRIIb, an inhibitory receptor expressed on B cells and other immune cells, and through its Fv domain targets CD19, which is expressed on all B cells. By simultaneously targeting the B-cell proteins, CD19 and FcgRIIb, XmAb5871 has an ability to engage the natural inhibitory pathway provided by FcgRIIb, preventing further activation of B cells by autoantigens and potentially also suppressing the ability of B cells to further provoke downstream autoimmune responses from T cells. CD19 and FcgRIIb are expressed broadly throughout B-cell development, so we expect that XmAb5871 will confer broad suppression of B-cell activation and downstream events such as antibody production. We have demonstrated that XmAb5871 inhibits B-cell function in multiple animal models and in initial human clinical trials without destroying these important immune cells, in contrast to other B-cell targeting therapies, such as Rituxan, that attack and destroy B cells. We believe the combination of potent inhibition without B-cell depletion, which can lead to opportunistic infections, has the potential to address a key unmet need in autoimmune therapies. The coupling between CD19 and FcgRIIb, mediated by XmAb5871, promotes a strong negative signal in the B cell, preventing its activation and potentially blocking disease pathology in a variety of autoimmune and inflammatory conditions by broadly blocking all B-cell populations. XmAb5871 is the first potential therapy that we are aware of that targets FcgRIIb inhibition.



Therapeutic Inhibition by XmAb5871 Mimics Natural Pathways. (A) B-cell responses against antigen lead to antibody secretion, resulting in immunity and in some cases autoimmunity. (B) Excess antibodies produced in the B-cell response can engage both the antigen and the inhibitory receptor FcgRIIb on the B-cell surface, acting to

control the immune response. (C) XmAb5871 mimics the natural feedback inhibition by targeting CD19, rather than the antigen, on the B-cell surface and recruiting FcgRIIb to inhibit activation of the targeted B cell.

In December 2010, we entered into a collaboration and option agreement with Amgen for XmAb5871. During the option period, which expires upon completion of a data review period following our planned Phase 2b proof-of-concept (POC) clinical trial, we lead research, development and manufacturing activities for XmAb5871 with collaborative input and development support from Amgen. Under the agreement, Amgen paid us an upfront payment and early development milestones and is obligated to pay additional milestones, both before and after payment of an option exercise fee, and royalties on sales following an exercise of the option by Amgen. If Amgen exercises its option and pays the option exercise fee, it will be solely responsible for the costs associated with the further development, commercialization, manufacture, distribution, marketing and promotion of XmAb5871.

Clinical Development Summary

In December 2012, we completed a Phase 1a clinical trial in healthy volunteers and XmAb5871 was observed to be well tolerated and to have promising immunosuppressive activity based on several biomarkers observed during the trial. Currently, we are conducting a Phase 1b/2a clinical trial in rheumatoid arthritis patients with active disease on stable non-biologic DMARD therapy to study safety, pharmacokinetics and XmAb5871's effect on rheumatoid arthritis disease response.

Phase 1b/2a Clinical Trial

We initiated a Phase 1b/2a clinical trial of XmAb5871 in January 2013. This clinical trial is a multi-center, randomized, placebo-controlled, double-blinded, ascending multiple dose study of the safety, tolerability, pharmacokinetics and pharmacodynamics of XmAb5871 in rheumatoid arthritis patients with active disease on stable non-biologic DMARD therapy. The primary objectives of this clinical trial are (1) to determine the safety and tolerability profile of biweekly, multiple dose, intravenous administration at a single dose level of XmAb5871 in patients with rheumatoid arthritis and (2) to characterize the pharmacokinetics and immunogenicity of intravenously administered XmAb5871 in patients with rheumatoid arthritis at multiple doses. The secondary objectives of this clinical trial include evaluating the effect of XmAb5871 on rheumatoid arthritis disease response as measured by changes in Disease Activity Score 28 using C-reactive protein (DAS28 CRP) at Week 13 for the Phase 2a portion of this clinical trial.

This clinical trial is being conducted in two parts. In the first part, 29 rheumatoid arthritis patients with active disease on stable non-biologic DMARD therapy have been enrolled into four consecutive dose cohorts (0.3 to 10.0 mg/kg) randomized approximately 6:2 (six XmAb5871 patients to two placebo patients), other than for the lowest dose, where it was 3:1. Each patient will be administered XmAb5871 or placebo every 14 days for a total of six doses. We have enrolled the fourth and highest dose cohort.

Through September 30, 2013, XmAb5871 has been reported to be well-tolerated. Only one patient has experienced a serious adverse event (infusion-related reaction with hypotension), and this patient is the only one to have discontinued the study prematurely. Other adverse events that have been reported by investigators as related to treatment (whether a patient's treatment was placebo or XmAb5871 remains double-blinded) and have occurred in more than one patient include: nausea, vomiting, fever-increased temperature, headache and bronchitis. Further, preliminary immunogenicity testing data for the first 2 cohorts through the treatment phase of the study have been negative.

In the second part of this clinical trial, approximately 30 additional rheumatoid arthritis patients with active disease on stable non-biologic DMARD therapy will be enrolled in an expansion cohort, randomized 2:1 (two XmAb5871 patients to one placebo patient), at the highest dose studied in the

first part of the trial, 10.0 mg/kg. Each patient will be administered XmAb5871 or placebo every 14 days for a total of six doses. The expansion cohort will enable collection of more comprehensive multiple dose safety and PK data at the selected dose and potentially enable detection of early clinical activity in a rheumatoid arthritis patient population with moderate to high disease activity. We expect to report data from this trial in the second half of 2014.

Phase 1a Clinical Trial

We have completed a Phase 1a clinical trial of XmAb5871. This clinical trial was initiated in October 2011 and completed in December 2012 and was a randomized, blinded, placebo-controlled, single ascending dose clinical trial to investigate the safety, tolerability and pharmacokinetics of XmAb5871 in healthy male adult volunteers. Subjects received a single intravenous infusion of XmAb5871 or placebo in one of seven dose cohorts ranging from 0.03 mg/kg to 10.0 mg/kg. A total of 48 subjects were enrolled, with 36 subjects receiving XmAb5871 and 12 receiving placebo.

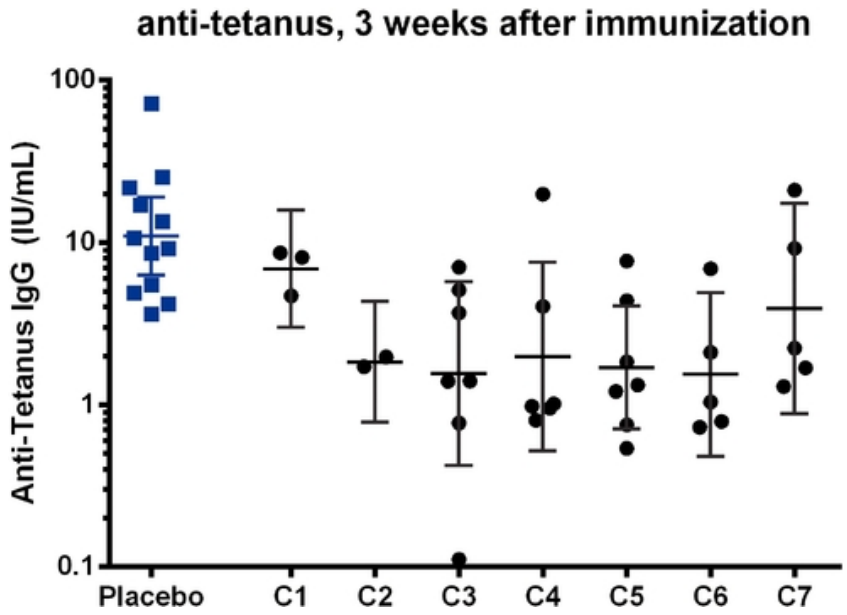
The primary objectives of this clinical trial were (1) to determine the safety and tolerability profile of single-dose intravenous administration of XmAb5871 and (2) to characterize the single-dose pharmacokinetics and immunogenicity of XmAb5871. We also included several biomarkers to evaluate the ability of XmAb5871 to suppress B-cell responses in treated subjects. XmAb5871 was well tolerated at all doses investigated. No subjects experienced a serious adverse event or a dose-limiting toxicity. The most frequently reported adverse events associated with XmAb5871 were gastrointestinal symptoms including nausea, vomiting, abdominal pain, abdominal discomfort, epigastric discomfort (upper stomach pain) and diarrhea. All but one were mild to moderate, with one subject experiencing severe nausea. All 48 subjects completed the clinical trial protocol. Samples positive for anti-drug antibodies (immunogenicity) were detected in 44% of subjects, with only half of these subjects having an immunogenicity signal greater than two-fold above baseline. Immunogenicity is a common occurrence for antibody therapies. These antibody responses did not appear to impact drug activity or disposition.

Biomarker analysis from this clinical trial suggests that XmAb5871 can achieve target saturation and B-cell immunosuppression at relatively low doses (0.03 mg/kg) and that biweekly dosing is feasible. CD19 was fully occupied on B-cell surfaces by XmAb5871 at all doses, and the time to recovery of free CD19 increased as the dose level increased. As discussed above, our ability to suppress B-cell responses without complete B-cell eradication may be an important safety differentiator relative to other therapies such as Rituxan. Hallmarks of B-cell depletion are sustained reduction of detectable B cells for weeks or months following cessation of therapy. In the Phase 1a clinical trial, B cells were reduced by approximately 50% from baseline at all doses. The extent of the B-cell reduction did not increase as dose level increased, and B-cell counts recovered to pre-treatment values nearly simultaneous with the clearance of XmAb5871.

To assess B-cell function in the treated subjects, we examined CD86 levels, a marker of B-cell activation and a precursor to T-cell activation. XmAb5871 suppressed this B-cell activation marker at all doses, and once again, the recovery of B-cell activation was concurrent with the clearance of XmAb5871 from the subjects' serum.

Our goal in the design of XmAb5871 was to create a potent and reversible inhibitor of autoimmune B-cell responses, including the ability to inhibit the pathogenic auto-antibody responses in autoimmune diseases. Because the healthy volunteers are not expected to have auto-antibodies, we immunized them with tetanus and keyhole limpet hemocyanin (KLH) to elicit antibody responses to those antigens. XmAb5871 suppressed anti-tetanus antibody responses for all doses, with the exception of our lowest starting dose (0.03 mg/kg) (figure below). Placebo treated subjects showed an increase in anti-tetanus antibody levels of over 12-fold compared to a 4-fold increase for XmAb5871 treated subjects. We observed similar immunosuppression of anti-KLH responses. The immunization

biomarkers show that XmAb5871 can effectively suppress an immune response at well-tolerated doses feasible for biweekly dosing.



XmAb5871 reduced responses to tetanus toxoid vaccination in subjects in a Phase 1a study. C1-7 were subjects treated with 0.03, 0.1, 0.2, 0.6, 2, 5 and 10 mg/kg of XmAb5871, respectively. Anti-tetanus antibody was measured three weeks after subjects were immunized with tetanus.

Further Clinical Development

Our planned clinical trials include an intravenous to subcutaneous bridging study in humans to prepare for subcutaneous administration in our future clinical trials. We believe that a subcutaneous formulation will be more commercially attractive and convenient for patients. Several subcutaneous formulations are being developed in collaboration with Amgen and should be compatible with auto-injector devices for doses in the 1-3 mg/kg range. We expect to initiate our Phase 2b POC clinical trial in the first half of 2015 and expect to enroll 150-200 moderate-to-severe rheumatoid arthritis patients on stable DMARD therapy. This clinical trial is designed to assess efficacy at 24 weeks. We expect that data from this trial, if positive, will support pivotal Phase 3 clinical trials in rheumatoid arthritis and lupus.

Additionally, we may explore the utility of XmAb5871 in other diseases where B cells are implicated, including multiple sclerosis, myasthenia gravis, Sjogren's syndrome and a variety of orphan diseases.

Preclinical Development Summary

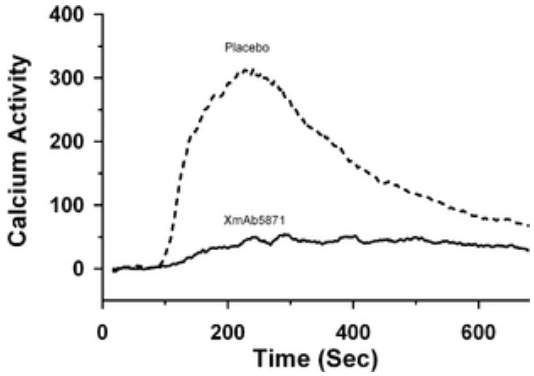
We have examined the ability of XmAb5871 to inhibit B cells in preclinical studies, including *in vitro* and *in vivo* studies. The observation in our preclinical studies include:

- No depletion of human B cells in culture;
- Inhibition of human B cells, including B cells donated by lupus and arthritis patients, stimulated by a variety of agents;

- Suppression of antibody responses in humanized mouse models;
- Suppression of disease in mouse models of arthritis and multiple sclerosis without B-cell depletion; and
- Well tolerated at high doses in monkeys.

As discussed above, the lack of B-cell depletion is an important property of XmAb5871, giving it a potential safety advantage relative to B-cell depleting therapies like Rituxan. We have shown that XmAb5871 did not kill B cells in a culture of human blood cells over a wide concentration range. In contrast, Rituxan and XmAb5574, depleting antibodies for treating B-cell cancers, both significantly depleted B cells.

The hallmark of B-cell activation is intracellular calcium mobilization. B cells taken from human donors can be stimulated in vitro resulting in a readily observable mobilization of calcium. In contrast, in the presence of XmAb5871, stimulation of the B cells leads to very slight calcium mobilization, barely detectable with our assays (figure below).



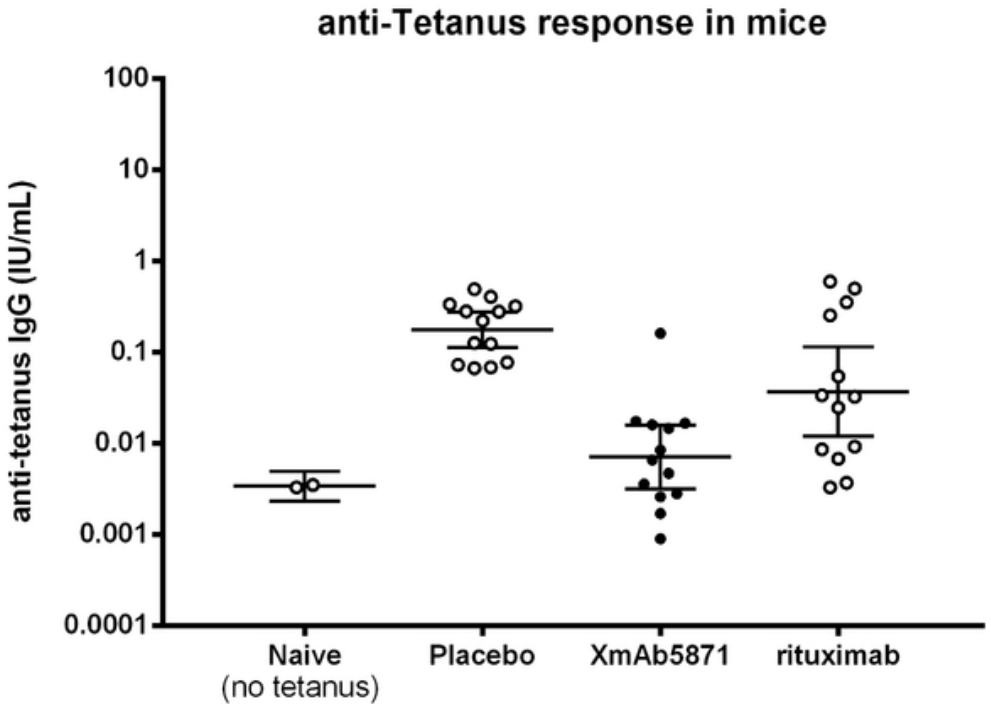
XmAb5871 suppresses calcium mobilization, a hallmark of B-cell activation. Upon stimulation, B cells treated with placebo showed an increase in calcium flux. In contrast, B cells treated with XmAb5871 showed a low calcium signal.

A second common measure of B-cell activation is their proliferation in response to various stimuli. In preclinical studies, we demonstrated XmAb5871 inhibits B-cell proliferation stimulated by anti-CD79b, IL-4, BLyS or lipopolysaccharide (LPS), a range of stimulants that signal through different pathways. The inhibition of the BLyS-mediated propagation is particularly notable given the recent approval of the anti-BLyS antibody Benlysta for treatment of lupus, suggesting that XmAb5871 inhibition includes the pathways blocked by Benlysta.

Because most autoimmune diseases involve contributions from T cells in addition to B cells, we examined the ability of XmAb5871 to reduce the propensity of the B cell to activate T cells. CD86 is the ligand for CD28 on T cells and their interaction is a major stimulant of T cells. For example, the blockade of CD86 by Bristol-Myers Squibb's Orencia (abatacept) is used as a treatment for rheumatoid arthritis and is also being investigated for the treatment of lupus. Upon B-cell stimulation, CD86 is increased on the B-cell surface, promoting the ability of the B cell to engage and activate the T-cell response. In the presence of XmAb5871, however, we observed that CD86 was significantly diminished. This observation led subsequently to the use of a similar assay as an activity biomarker for our Phase 1a clinical trial.

XmAb5871 was consistently immunosuppressive in mouse models of the human B-cell response. Because the antibody does not recognize mouse CD19 or mouse FcgRIIb, we used humanized mouse models (huSCID), in which human peripheral-blood cells, including B cells and T cells, are engrafted

into an immune compromised mouse. These are well-established models and the human immune cells will normally react to immunization with antigen. Assuming that most of our human donors would have been vaccinated with tetanus toxoid, we set up humanized mouse models with a tetanus booster vaccination to see if XmAb5871 could suppress the anti-tetanus response (figure below). We ran the model numerous times and observed a robust anti-tetanus antibody response in untreated mice (the placebo control group), which we did not observe in mice treated with XmAb5871, indicating effective B-cell inhibition. Rituximab was included as a control, showing only intermediate suppression of the anti-tetanus antibody response. XmAb5871's ability to prevent antibody responses in these humanized mouse models suggests it might be capable of inhibiting antibody responses in general and thus autoantibody responses in humans with autoimmune diseases.



XmAb5871 inhibited anti-tetanus antibody responses in mice engrafted with human B cells and immunized with tetanus.

We could not test XmAb5871 for activity in mouse disease models because of the lack of reactivity with the mouse CD19 and FcgRIIb. Accordingly, we created an XmAb5871 surrogate antibody called XENP8206, which has an Fv domain that recognizes mouse CD19 and an Fc domain identical to XmAb5871. We then used mice transgenic for human FcgRIIb as a background system for disease models. In these mice, the mouse FcgRIIb gene has been replaced with the human FcgRIIb gene so their FcgRIIb receptor can be recognized by the XENP8206 Immune Inhibitor Fc Domain. In vitro experiments with B cells taken from the transgenic mice showed us that XENP8206 was capable of mimicking XmAb5871's B-cell inhibition activity, and that the activity was dependent on engagement of human FcgRIIb. In a collagen-induced arthritis model, XENP8206-treated mice had little to no evidence of inflammation, whereas untreated mice had a 40% incidence of disease. XENP8206's ability to decrease symptoms in a mouse model of multiple sclerosis was at least as good as a Rituxan surrogate antibody, which caused complete depletion of the mouse B cells. XmAb5871's surrogate antibody XENP8206 did not cause significant B-cell depletion in our mouse studies.

We completed both 12-week and 24-week, multiple dose, preclinical monkey toxicology studies of XmAb5871 and found no adverse events in doses up to 200 mg/kg. Additional preclinical work has also shown that XmAb5871 is capable of suppressing B cells donated by lupus and rheumatoid arthritis patients in both *in vitro* and *in vivo* models.

XmAb7195, an IgE Inhibitor for the Treatment of Asthma and Allergic Diseases

Background and Market Opportunity

XmAb7195 is an anti-IgE antibody engineered to reduce even very high IgE levels for the treatment of asthma and other atopic diseases. Its three specific mechanisms of action give it potential advantages over current therapies: increased IgE affinity, inhibition of the B-cell transition to IgE-secreting cells and rapid clearance of IgE from circulation. According to the CDC, asthma affects approximately one in 12 Americans, more than half of asthma sufferers have at least one attack each year and thousands of people die from asthma attacks each year. Disease severities cover a wide range, and the treatment landscape is multi-tiered for asthma patients. Patients with mild and moderate asthma are generally well controlled with inhaled corticosteroids and long-acting beta agonists. However, a small percentage of the estimated 25 million asthma patients in the United States have severe asthma and are refractory to high-dose combination therapy. This severe population is commonly treated with oral corticosteroids, which are associated with a host of undesirable side effects and are often insufficient to control the disease.

IgE, the target of Genentech and Novartis AG's Xolair (omalizumab), is the direct mediator of allergies and the allergic asthma response. When IgE binds to allergens, it triggers an allergic response, which can ultimately result in the debilitating bronchoconstriction of asthma, and other systemic pathologies such as atopic dermatitis and chronic urticaria, also known as hives. Xolair's efficacy in severe asthma through the suppression of IgE has validated IgE as a therapeutic target.

Xolair has been used to treat the severe asthma population, generating worldwide sales in 2012 of approximately $1.3 billion. While Xolair has demonstrated efficacy in severe asthma, its modest potency has led to two key limitations:

- Because Xolair's modest potency would require an impractically large dose to control high IgE levels, it is approved for use only in a limited number of asthma patients, leaving approximately 20% of asthma patients that have high body weight and high IgE levels ineligible; and

- Of those patients treated with Xolair, approximately half do not reach target IgE reductions.

Overview

XmAb7195 is an anti-IgE antibody engineered to reduce IgE levels for the treatment of asthma and other atopic diseases. Its three specific mechanisms of action give it potential advantages over current therapies: increased IgE affinity, inhibition of the transition of B cells to IgE-secreting cells and rapid clearance of IgE from circulation.

- XmAb7195 is a humanized anti-IgE antibody with an Fv domain that targets the same IgE epitope as Xolair, which is validated to block IgE. XmAb7195's affinity for IgE is approximately three times higher than that of Xolair. We believe that this contributes to the increased suppression of IgE observed in our preclinical studies.

- XmAb7195, in contrast to Xolair, has our Immune Inhibitor Fc Domain that has a 400-fold higher affinity than natural antibodies for FcgRIIb. XmAb7195 and XmAb5871 have the same Fc domain, but XmAb7195, unlike XmAb5871, inhibits only IgE-positive B cells. By binding to FcgRIIb on IgE-positive B cells, XmAb7195 suppresses their activation and differentiation into IgE-secreting plasma cells. This binding reduces IgE production, a mechanism not seen with Xolair, and ultimately lowers IgE levels in the blood.

- In our preclinical primate and other animal studies, we observed rapid reductions in IgE levels, even from the highly-elevated levels found in chimpanzees, and rapid clearance of IgE from circulation. We did not observe any clearance or such magnitude of reduction with Xolair. This suggests a new mechanism of action in which high FcgRIIb binding causes very rapid clearance of the complexes formed between XmAb7195 and IgE in the liver. We believe XmAb7195 binds to FcgRIIb expressed in cells lining the blood vessels in the liver which take up and degrade the XmAb7195 IgE complex.

These three mechanisms lead to levels of serum IgE below quantifiable levels in preclinical chimpanzee studies and offer the potential for superior IgE control and superior clinical efficacy. We believe the limitations of current treatment with Xolair can be overcome with XmAb7195, and that superior IgE control means our product candidate can potentially treat a larger population with superior efficacy.

Preclinical Development Summary

We have performed a variety of *in vitro* and *in vivo* studies to explore the ability of XmAb7195 to sequester IgE and inhibit its production. These preclinical studies have shown that XmAb7195 inhibits the production of IgE in a variety of settings, with greater and/or prolonged reductions of IgE compared to Xolair. We also have observed evidence of three different mechanisms of action. The observations from our preclinical studies include:

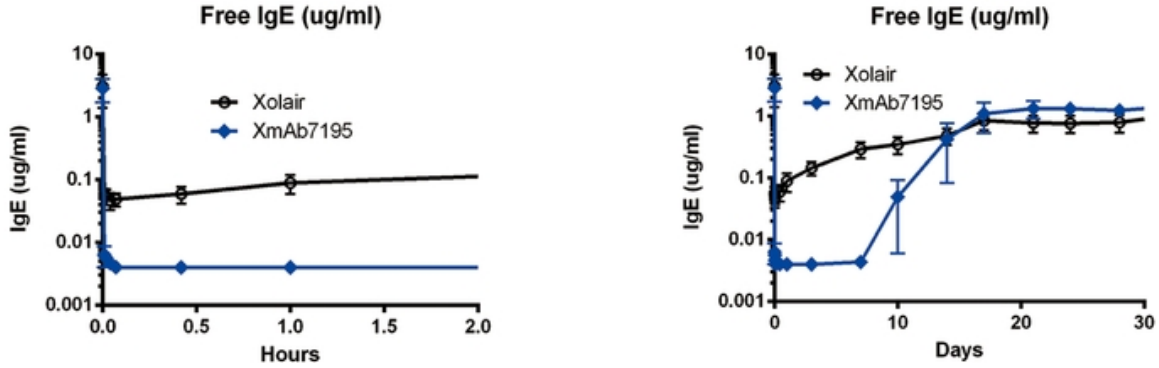
- Selective inhibition of IgE production in human B-cell assays;
- Prolonged reduction of free and total IgE in humanized mice compared to Xolair;
- Greater reduction of free and total IgE in chimpanzees compared to Xolair;
- Well tolerated at high doses in monkeys; and
- Well tolerated in chimpanzees.

Important for XmAb7195's mechanisms of action is the binding of circulating IgE and our *in vitro* and *in vivo* studies reflect this activity and its three-fold tighter binding to IgE than Xolair. In a preclinical study, we treated B cells to induce their transition into IgE-secreting plasma cells and observed that XmAb7195 reduced the total amount of IgE produced. This is consistent with our prediction that the incorporation of our Immune Inhibitor Fc Domain causes the inhibition of IgE B cells. In this respect, XmAb7195 behaves similarly to XmAb5871, which we have shown to have broad capacity to inhibit the production of all classes of antibodies by B cells. In the case of XmAb7195, however, the B-cell inhibition is restricted to B cells expressing IgE on their surface, and our preclinical studies confirm this selectivity.

As with XmAb5871, XmAb7195's enhanced Fc domain does not bind well to mouse FcgRIIb, so we used models of mice engrafted with human blood cells and examined IgE levels in response to XmAb7195. Compared to Xolair, XmAb7195 prolonged the reduction of free IgE levels, indicating an additional biological effect beyond that of simple IgE binding. Total IgE levels (which is the sum of IgE complexed with anti-IgE antibody plus any free IgE) were significantly reduced in XmAb7195-treated mice, but not reduced in the Xolair-treated mice. We interpret these data as further evidence that XmAb7195, through its Immune Inhibitor Fc Domain, engages FcgRIIb on IgE B cells and prevents their transition into IgE-secreting plasma cells. In further studies in the humanized mice, we compared the activity of XmAb5871 to XmAb7195 and saw that the XmAb7195 suppression was restricted to IgE versus other immunoglobulins such as IgG and IgM.

We have also tested the activity of XmAb7195 in chimpanzees, which we believe is the most predictive animal model of the effects of XmAb7195 in humans. Chimpanzees, including those in our study, normally have very high levels of IgE compared to humans, and humans with these levels would be considered ineligible for Xolair because their IgE levels exceed Xolair's effective range. We treated

six chimpanzees, three with XmAb7195 and three with Xolair, and observed that both antibodies caused a reduction in circulating free IgE, as shown in the figures below.



XmAb7195 reduces free IgE levels in chimpanzees to below the limits of quantification of our IgE assay, 0.004 mg/ml. Chimpanzees treated with Xolair had transient impact, briefly reducing free IgE to approximately 0.050 mg/ml. The plots show data from the same study at different time intervals.

Xolair only transiently reduced the free IgE, however, and never achieved the low IgE levels generally believed necessary for efficacy (0.02 mg/ml or lower). Xolair, consistent with human clinical studies, increased total IgE three to five fold. XmAb7195, on the other hand, reduced free IgE levels to below our limit of quantification (0.004 mg/ml), amounting to at least 10-fold lower IgE than with Xolair. XmAb7195-treated chimpanzees had marked and rapid reductions in total IgE as well, once again consistent with the added mechanisms of action contributed by the Immune Inhibitor Fc Domain. We believe that the very rapid reduction in total IgE implicates a third mechanism of action, namely the ability to rapidly clear IgE bound to XmAb7195. A second chimpanzee study confirmed these findings, and additional preclinical studies with surrogate antibodies in FcgRIIb transgenic mice closely resemble our observations in chimpanzees, indicating that the rapid clearance mechanism is a general phenomenon and a potential new application of the Immune Inhibitor Fc Domain platform.

We have performed 12-week, multiple dose toxicology studies in cynomolgus monkeys up to 100 mg/kg and XmAb7195 is well tolerated with no adverse effects observed. Furthermore, although the chimpanzee studies were not designed as toxicology studies, XmAb7195 was well tolerated at the 5 mg/kg dose we tested at both single and multiple doses.

Clinical Development Plans

We plan to file an IND for XmAb7195 for asthma with the FDA and to initiate a Phase 1a clinical trial in the first half of 2014 and to report preliminary data at the end of 2014. The Phase 1a single ascending dose clinical trial in healthy volunteers will include parallel cohorts in allergen-sensitive subjects with high IgE levels. This clinical trial will be designed to study safety and pharmacokinetics in humans and validate XmAb7195's ability to suppress both free and total IgE levels. If the Phase 1a clinical trial is successful, we anticipate starting a Phase 1b multiple ascending dose clinical trial of XmAb7195 in healthy adult volunteers and in patients with mild-to-moderate asthma in early 2015 to study safety, pharmacokinetics, and IgE reduction. We have received correspondence from the FDA in response to a pre-IND meeting request that concurred with our Phase 1 clinical trial plan, pending review of a full IND submission. Following the Phase la and 1b clinical trials, we anticipate initiating a Phase 2 POC clinical trial of XmAb7195 for intermediate-term treatment of patients with poorly-controlled asthma, which we expect will include patients with high IgE levels and/or high body mass. We expect the dosing for this clinical trial to be based on data from the Phase 1 clinical trials.

XmAb5574/MOR208, a Cytotoxic B-cell Depleting Product Candidate for the Treatment of B-cell Cancers

Background and Market Opportunity

XmAb5574/MOR208 is a monoclonal antibody that targets CD19 and incorporates our Cytotoxic Fc Domain technology to kill malignant B cells. In contrast to XmAb5871, which uses our Immune Inhibitor Fc Domain, XmAb5574/MOR208 targets cancer cells where depletion is the goal in treating the disease.

B-cell cancers include lymphomas such as the non-Hodgkin Lymphomas (NHL) and leukemias such as chronic lymphocytic leukemia (CLL) and acute lymphoblastic leukemia (ALL). Collectively, lymphomas represent about five percent of all cancers diagnosed in the United States. NHL is the most prevalent of all lymphoproliferative diseases, with the National Cancer Institute estimating that over 69,000 new cases will be reported in the United States in 2013, and 85% of NHLs are classified as B-cell disorders. The Leukemia and Lymphoma Society estimates that over 16,000 new cases of CLL and over 6,000 new cases of ALL will be reported in 2013. CD19, the target of XmAb5871's Fv domain, is a B-cell surface protein that is highly expressed on the tumor cells in NHL and many leukemias, including ALL and CLL. We believe that targeting CD19 with XmAb5574/MOR208 offers potential advantages over the current standard of care for B-cell malignancies, which is treatment with Rituxan plus chemotherapy. Rituxan, an anti-CD20 antibody, plus chemotherapy has successfully treated many B-cell NHLs and some B-cell leukemias, demonstrating the utility of antibodies targeting B-cell diseases. Although the Rituxan-chemotherapy regimen has led to major improvements in response rates and progression-free survival, the majority of patients relapse and many lose responsiveness to Rituxan treatment.

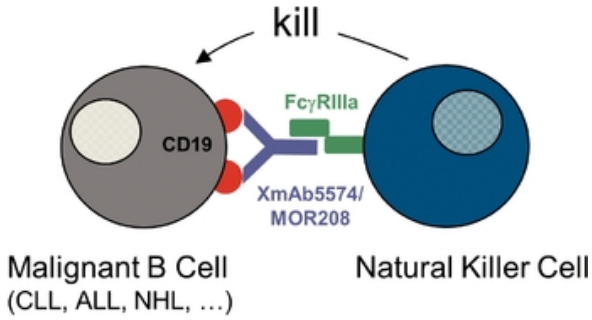
Overview

XmAb5574/MOR208 is a monoclonal antibody that targets CD19 and incorporates our Cytotoxic Fc Domain technology for killing of malignant B cells. XmAb5574/MOR208 was discovered by us and is now being developed by MorphoSys, pursuant to a collaboration and license agreement that we entered into in June 2010. Under this agreement, we granted MorphoSys an exclusive worldwide license to XmAb5574/MOR208 for all indications. We were responsible for completing a Phase 1 clinical trial of XmAb5574/MOR208 in CLL, which was completed in January 2013. MorphoSys is solely responsible, at its own cost, for all other development and commercialization activities. MorphoSys commenced Phase 2 clinical trials in patients with B-ALL and NHL, in April and May 2013, respectively.

We humanized XmAb5574/MOR208 with our proprietary technology and applied our Cytotoxic Fc Domain to enhance binding to the human Fc receptors FcgRIIIa and FcgRIIa, thereby enhancing recruitment of natural killer (NK) cells and other FcgR-bearing effector cells. We applied further engineering to the CD19-binding Fv domain of XmAb5574/MOR208 to enhance its affinity over 10-fold for human CD19, and also increased its affinity for monkey CD19, enabling monkey toxicology and efficacy studies.

CD19 is an alternative target to CD20 that can be used in salvage regimens for patients failing Rituxan. Further, CD19 is expressed on the B cell surface earlier in development and persists longer through B-cell maturation. Therefore, XmAb5574/MOR208 may be able to target a broader spectrum of lymphoid malignancies, such as ALL or CLL, where Rituxan's efficacy may be limited. Finally, we believe that combination therapy of XmAb5574/MOR208 with immunomodulatory agents, such as

lenalidomide, and/or new chemotherapy agents, offers the potential for superior efficacy to existing therapies.



XmAb5574 recruits Natural Killer cells to malignant B cells to promote their destruction.

Clinical Development Summary

In preclinical studies, we demonstrated that XmAb5574/MOR208 had FcgR-dependent anti-tumor activity against multiple human B-cell lymphomas in vitro and strong anti-tumor effects in mouse lymphoma models. We also demonstrated favorable half-life and potent B-cell depletion in monkey models. Our completed Phase 1 multiple ascending dose clinical trial in patients with CLL demonstrated an acceptable safety profile and encouraging signs of anti-tumor activity.

Phase 1 Clinical Trial

In January 2013, we completed a Phase 1 clinical trial of XmAb5574/MOR208 in patients with high-risk, heavily-pretreated CLL, in which the antibody showed encouraging signs of preliminary anti-tumor activity and an acceptable safety profile and was well tolerated. Dose levels from 0.3 to 12 mg/kg were tested. The trial protocol was amended to include a period of extended dosing for a total of eight patients at the 12 mg/kg dose to study the effect of longer duration of exposure on safety and response rate. The primary endpoints for this clinical trial were safety, pharmacokinetics and immunogenicity. The secondary endpoints for this clinical trial included clinical responses assessed according to International Working Group on CLL (IWCLL) 2008 and 1996 Guidelines. Overall response rate by IWCLL 2008 criteria was 29.6% (eight partial responses in 27 evaluable patients). Using IWCLL 1996, response criteria resulted in a response rate of 66.7% (18 partial responses). We expect regulatory approval of oncology therapies to require progression-free survival data or overall survival data.

During the Phase 1 clinical trial, the most common adverse events were mild to moderate infusion reactions which were experienced only with the first dose. Clinically-significant, treatment-related adverse events classified as Grade 3 or higher occurred in 5 out of 27 patients. One patient treated at the 1 mg/kg dose level experienced neutropenia (low white blood cells). Four patients at the 12 mg/kg dose level experienced one or more of neutropenia, febrile neutropenia (neutropenia with fever), thrombocytopenia (low platelets), elevated aspartate aminotransferase (liver enzyme level) or tumor lysis syndrome (metabolic toxicity linked to rapid destruction of tumor cells). Only one dose-limiting toxicity, neutropenia, was observed and this was in one of the 16 patients treated at the 12 mg/kg dose level. No maximum tolerated dose was reached in this clinical trial.

Further Clinical Development

Based on the Phase 1 clinical trial results, MorphoSys decided to continue the development of XmAb5574/MOR208 and has initiated two Phase 2 clinical trials of XmAb5574/MOR208 in patients with ALL and NHL, respectively. The Phase 2 clinical trial in ALL began in April 2013 and is an

open-label, multicenter, single-arm clinical trial designed to assess efficacy in patients suffering from relapsed or refractory B-ALL. Secondary outcome measures include response duration, safety and pharmacokinetics of XmAb5574/MOR208. In total, 30 patients are planned to be enrolled. The Phase 2 clinical trial in NHL began in May 2013 and is an open-label, multicenter, single-arm clinical trial designed to assess the efficacy of XmAb5574/MOR208 in patients with relapsed or refractory NHL. Secondary outcome measures include response duration, safety and pharmacokinetics of XmAb5574/MOR208. A total of up to 120 patients are planned to be enrolled in four separate sub-indications (follicular lymphoma, MCL, diffuse large B-cell lymphoma, and other forms of NHL). Additional clinical trials in other B-cell malignancies and in combination with chemotherapy are possible and will be conducted at the discretion of and under the control of MorphoSys.

Preclinical Development Summary

Our preclinical observations include:

- Cytotoxicity against multiple lymphoma cell lines;
- Cytotoxicity against malignant cells from ALL and MCL patients;
- Inhibition of tumor growth in mouse xenograft models;
- Rapid and sustained depletion of peripheral and tissue B cells in monkeys; and
- Well tolerated at high doses in monkeys.

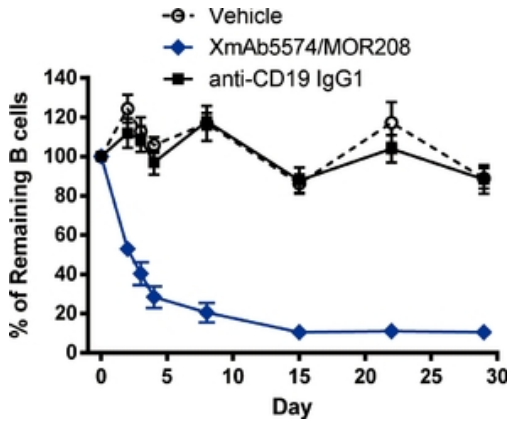
In preclinical *in vitro* studies, we tested XmAb5574/MOR208 for ADCC activity against a large number of lymphoma-derived tumor cell lines. In these studies, XmAb5574/MOR208 was shown to mediate strong NK-mediated killing against the CD19-positive tumor cell lines tested. Similar tests were performed with tumor cells taken directly from patients with either ALL or mantle cell lymphoma (MCL). In these studies, XmAb5574/MOR208 demonstrated substantial ADCC activity against both types of lymphomas. In all contexts examined, the control antibody, which is identical to XmAb5574/MOR208 except its Fc domain is an unmodified Fc domain (anti-CD19 IgG1), showed greatly reduced ADCC, in some cases with no detectable killing of tumor cells. This comparison highlights the impact of our Cytotoxic Fc Domain technology on the ability of anti-CD19 antibodies to recruit NK cells and attack tumor cells. In addition to NK-mediated killing, the presumed dominant mechanism of action, we also observed macrophage-mediated phagocytosis of tumor cells in vitro, and a direct anti-tumor effect (requiring no effector cells such as NK or macrophage) in which the antibody appears to slow the growth of some tumor lines.

We used mouse xenograft models to examine the *in vivo* activity of XmAb5574/MOR208 against subcutaneously implanted lymphoma cells. The antibody inhibits lymphoma growth in both prophylactic (tumor-prevention) models and established tumor models. Notably, anti-CD19 antibodies with unmodified Fc domains had diminished anti-tumor activity compared to XmAb5574/MOR208.

Although the precursor antibody does not react strongly with monkey CD19 or B cells, our affinity-enhanced Fv domain does react well with monkey B cells, and this enabled further POC and toxicology studies in cynomolgus monkeys. We performed an initial high-dose (10 mg/kg) study in monkeys and observed rapid depletion of peripheral B cells after a single dose of the antibody, ultimately reducing the B cells to less than five percent of their starting numbers. Significant B-cell reductions were also observed in the bone marrow, spleen and lymph nodes, notable because of Rituxan's relatively poor ability to impact tissue-resident B cells. The 10 mg/kg dose was well-tolerated by the monkeys, with no adverse effects.

In additional monkey studies, we compared the ability of different doses of XmAb5574/MOR208 to deplete monkey B cells and observed significant B-cell reductions at lower doses, 1 and 3 mg/kg. In a final study to demonstrate the impact of our Cytotoxic Fc Domain technology on *in vivo* tumor cell killing, we compared the ability of XmAb5574/MOR208 to an unmodified IgG1 control antibody (anti-CD19 IgG1) to deplete monkey B cells at a 3 mg/kg dose (figure below). The XmAb5574/MOR208-treated animals displayed a marked drop in peripheral B-cell counts. The

unmodified control antibody anti-CD19 IgG1, on the other hand, did not noticeably affect B-cell counts and was indistinguishable from the effects of treatment with vehicle alone.



A single dose of XmAb5574/MOR208 depletes peripheral B cells in cynomolgus monkeys. A control anti-CD19 antibody containing an unmodified IgG1 Fc domain and placebo, consisting of the buffer vehicle, have no effect on B cells.

Our Research and Development Pipeline

We have used our various Fc platforms and antibody optimization capabilities to produce a growing pipeline of development candidates. These include new Immune Inhibitor Fc Domain candidates designed to remove target antigens from circulation and multiple oncology candidates using our CD3 bispecifics platform. We will continue to progress these candidates as additional options for clinical development by us or as out-licensing opportunities to generate additional revenue. From these efforts, we believe that we will have at least one additional product candidate identified for which we can submit an IND by mid-2015.

Applying the rapid clearance property of the Immune Inhibitor Fc Domain

We are exploring multiple new candidate concepts for application of our Immune Inhibitor Fc Domain, in particular capitalizing on the newly discovered rapid clearance property, which builds off the natural scavenging role of FcgRIIb on liver sinusoidal endothelial cells. For example, building on our lead anti-IgE product candidate, XmAb7195, we are now characterizing a second-generation antibody with a modified version of the IIb immune inhibitor domain. The new Fc domain has intermediate affinity enhancement for FcgRIIb, which we have discovered promotes IgE control in mouse models with a longer dosing interval than XmAb7195. We plan to commence primate studies with this development candidate and begin development of a manufacturing cell line during 2013. We are also exploring approaches to clear pathologic immune complexes from circulation. Immune complexes are central to the kidney pathology in lupus nephritis and a variety of other conditions and form when antigens present in the circulation are recognized by antibodies of the immune system.

CD3 bispecifics for oncology

Using our XmAb heterodimeric Fc domains, we are generating several tumor-targeted bispecific antibodies that contain a tumor antigen binding domain and a CD3 binding domain. Our platform enables the creation of Fc-containing bispecifics that recruit T-cells via CD3 binding to kill tumor cells targeted by the antigen binding domain. The inclusion of an Fc domain provides a potential improvement in half-life over first-generation bispecifics such as the Micromet (Amgen) BiTE technology, which require continuous infusion due to their extremely short half-life. We have produced a CD3 binding bispecific antibody that targets CD19, which demonstrates in primate models good tolerability, a multi-day half-life and sustained target cell depletion from a single dose. We have

produced a first development candidate targeting CD38 and confirmed the multi-day half-life in mouse models that is typical of standard antibodies, and have produced a second development candidate targeting CD123. We are creating a stable cell line for production and plan to perform activity studies in monkeys in the near future. Additional development candidates against additional tumor targets are in discovery.

Second Generation Biologics

Our Xtend Fc Domain technology can potentially improve the performance of commercially successful therapeutic antibodies by enhancing their half-life and improving dosing convenience. We have produced several enhanced versions of antibodies, in some cases simply applying the Xtend Fc Domain mutations, and in other cases also modifying other features. AbbVie's Humira (adalimumab) is the industry-leading anti-TNF antibody for the treatment of rheumatoid arthritis, reaching global sales above $5 billion. We have produced and characterized a half-life enhanced version of Humira that we call Xtend-TNF (also known as XmAb6755). It has approximately twice the *in vivo* half-life of Humira, which is dosed on a biweekly schedule, and we believe Xtend-TNF has the potential to achieve monthly dosing in rheumatoid arthritis patients without loss of efficacy. A stable cell line has been created and we have a business relationship with Boehringer Ingelheim to manufacture Xtend-TNF drug supply for preclinical toxicology and clinical studies.

A second enhanced rheumatoid arthritis drug is our Xtend-CTLA4, a CTLA-4-Fc fusion that we believe improves on the performance of Orencia. Orencia had initially inconvenient monthly intravenous dosing, but after approval of weekly subcutaneous dosing, global sales are now approaching $1 billion annually. We applied the Xtend Fc Domain to our proprietary CTLA-4 fusion, achieving a 40% improvement in half-life in monkeys, and applying our engineering capabilities we enhanced affinity for its target CD86 by at least 20-fold. Monkey studies comparing Xtend-CTLA4 to abatacept showed that Xtend-CTLA4 had significantly superior immunosuppression and the potential for monthly subcutaneous dosing in humans.

Product Development Partnerships, Other Commercial Agreements and Technology Licenses

We use product development partnerships with pharmaceutical and biotechnology companies to complement our internal drug discovery and development capabilities, to assist the efficient global commercialization of our products and technology and to generate near and long-term funding. To date, the revenue generated from upfront fees, license fees, option fees and milestone payments associated with these arrangements, combined with the development expenses assumed by our partners, have allowed us to better manage our operating expenses and continue to invest in building new opportunities. Under these partnership agreements and our technology license agreements, we are eligible to receive up to an aggregate of approximately $1.3 billion in potential milestone payments upon successful commercialization of the programs contemplated by our product development partnership and technology license agreements. These payments include up to approximately $240.0 million relating to the achievement of clinical development milestone events; up to approximately $541.0 million relating to the filing and completion of regulatory approvals and up to approximately $526.5 million relating to the achievement of certain product sale goals.

Below is a table summarizing our material product development agreements and exclusive technology license:

Partner	Year	Licensed Antibody/Technology	Indication	Milestones	Royalties	Current Development Stage
Product Development Partnerships:						
Amgen	2010	XmAb5871	Autoimmune disease	Yes	Yes	Phase 1 clinical
MorphoSys	2010	XmAb5574/MOR208	Oncology	Yes	Yes	Phase 2 clinical
Technology License:						
Alexion	2013	Xtend technology	Various	Yes	Yes	Preclinical

Collaboration and Option Agreement with Amgen

In December 2010, we entered into a collaboration and option agreement with Amgen Inc. (Amgen) pursuant to which we agreed to collaborate with Amgen to research, develop and commercialize XmAb5871, an Fc-engineered monoclonal antibody that targets CD19 via its Fv domains and FcgRIIb via its XmAb Fc domain, and products based thereon. Under the terms of the agreement, we granted to Amgen an exclusive license to research, develop, manufacture and commercialize XmAb5871 and certain related products worldwide, which license is exercisable by Amgen only after Amgen's (1) notification to us that it is electing to exercise the license and (2) payment of a $50.0 million option exercise fee to us during the option period. The option period began when we received the upfront payment from Amgen and ends on the earliest to occur of (a) the 90th day after delivery by us of a clinical trial report package from the Phase 2 POC clinical trial, (b) the termination of the agreement, and (c) March 23, 2017 (or March 23, 2021, if Amgen exercises an option to take over certain aspects of development due to our failure to perform certain development obligations). During the option period and prior to Amgen exercising its option under the agreement, we are required to use reasonably diligent efforts to conduct development activities through completion of a POC trial. We are currently leading research, development and manufacturing activities for XmAb5871 with collaborative input and development support from Amgen and have established a joint development committee to govern the development activities of XmAb5871 which meets quarterly regarding the ongoing development program we are leading. If Amgen exercises its option and pays the option exercise fee under the agreement, the exclusive worldwide license to research, develop and commercialize XmAb5871 granted to Amgen under the agreement will become effective, and Amgen will thereafter have the right to control, and will be solely responsible for the costs associated with, the development, commercialization, manufacture, distribution, marketing, promotion and other exploitation of XmAb5871 and products based thereon.

Under the terms of the agreement, we received an initial upfront payment of $11.0 million. In addition, if Amgen exercises its option, and if specified clinical, regulatory and sales milestones are achieved, we are entitled to milestone payments of up to $439.0 million in the aggregate, $2.0 million of which we received from Amgen upon the initiation of our Phase 1b/2a clinical trial of XmAb5871 in January 2013 in patients with moderate to severe rheumatoid arthritis. The additional $437.0 million of milestone payments is comprised as follows: a total of $62.0 million relates to clinical development milestone events; a total of $150.0 million relates to the filing and completion of regulatory approvals and a total of $225.0 million relates to the achievement of certain product sale goals. If licensed products are successfully commercialized, we are also entitled to receive tiered royalties in the high single-digit to the high-teen percent range based upon net sales of products by Amgen, its affiliates and its sublicensees in a calendar year, subject to minimum annual royalty payments and other adjustments in certain circumstances. The royalties payable by Amgen under the agreement may be increased if we elect to contribute to Amgen's development costs under the agreement. Amgen's royalty obligations continue on a product-by-product and country-by-country basis until the later to occur of the expiration of the last-to-expire valid claim in a licensed patent covering the applicable product in such country, or 10 years after the first commercial sale of such product in such country.

The term of this agreement will continue until all of Amgen's royalty payment obligations have expired or upon expiration of the option period if Amgen has not exercised the option. The agreement provides that it may be terminated by either party upon the other party's insolvency or the other party's material breach of the agreement if such breach remains uncured for 90 days, or 30 days in the case of a non-payment breach. Amgen may terminate the agreement without cause upon 90 days' advance written notice to us. If Amgen challenges the validity of a patent relating to XmAb5871, then we may terminate this agreement immediately. In the event that Amgen terminates this agreement for convenience or we terminate due to Amgen's material breach, worldwide rights to develop, manufacture and commercialize XmAb5871 will revert back to us completely. Along with these rights, Amgen is obligated to transfer all regulatory documents, clinical data and know-how, and we are

granted a license from Amgen to allow us to develop, manufacture and commercialize XmAb5871 worldwide without any financial obligations to Amgen.

Collaboration and License Agreement with MorphoSys

In June 2010, we entered into a collaboration and license agreement with MorphoSys AG (MorphoSys) which we subsequently amended in March 2012. We granted to MorphoSys an exclusive worldwide license under certain of our patents and know-how to research, develop and commercialize XmAb5574/MOR208, as well as other anti-CD19 antibodies that incorporate our cytotoxic Fc domain technology, with the right to sublicense under certain conditions. Under the terms of the agreement, we agreed to collaborate with MorphoSys to develop and commercialize XmAb5574/MOR208, a high potency cytotoxic monoclonal antibody developed by us for the treatment of B-cell malignancies and other diseases. Under the terms of the agreement, we initiated and sponsored a Phase 1 clinical trial for XmAb5574/MOR208 in patients with chronic lymphocytic leukemia in December 2010 which was completed in January 2013. Following such completion, MorphoSys is responsible for all further clinical development and commercialization of licensed antibodies and licensed products under the agreement and is required to use commercially reasonable efforts to achieve certain developmental and regulatory milestones and other diligence obligations under the agreement. In addition, MorphoSys is responsible for all costs relating to the development and commercialization of XmAb5574/MOR208, or other antibodies covered by the agreement, including manufacturing, regulatory, clinical and registration costs.

Under the terms of the agreement, we received an upfront payment of $13.0 million and received $3.0 million for development milestones in 2013. If certain developmental, regulatory and sales milestones are achieved, we are also eligible to receive up to an additional $299.0 million in milestone payments. The $299.0 million of milestone payments is comprised as follows: $62.0 million relates to clinical development milestone events, $187.0 million relates to the filing and completion of regulatory approvals and an additional $50.0 million of aggregate milestone payments relate to the achievement of certain product sale goals. If licensed products are commercialized, we are also entitled to receive tiered royalties in the high single-digit to low-teen percent range based upon net sales of products sold by MorphoSys, its affiliates and its sublicensees in a calendar year. MorphoSys' royalty obligations continue on a licensed product-by-licensed product and country-by-country basis until the later to occur of the expiration of the last valid claim in the licensed patent covering a licensed product in such country, or 11 years after the first sale of a licensed product following marketing authorization in such country.

The term of this agreement will continue until all of MorphoSys' royalty payment obligations have expired unless terminated earlier. The agreement provides that it may be terminated by either party upon written notice to the other party in the event of the other party's insolvency or the other party's material breach of the agreement if such breach remains uncured for 120 days, or 30 days in the case of a non-payment breach. MorphoSys may terminate the agreement without cause upon 90 days' advance written notice to us. In the event that MorphoSys terminates this agreement for convenience or we terminate due to MorphoSys' material breach, worldwide rights to develop, manufacture and commercialize XmAb5574/MOR208, as well as any other antibodies covered by the agreement, revert back to us completely. Along with these rights, MorphoSys is obligated to transfer all regulatory documents, clinical data and know how, and we are granted a license from MorphoSys to allow us to develop, manufacture and commercialize XmAb5574/MOR208, or other antibodies covered by the agreement, worldwide, subject to reimbursing MorphoSys a portion of their development costs out of future revenue generated from the development and commercialization of XmAb5574/MOR208.

Option and License Agreement with Alexion

In January 2013, we entered into an option and license agreement with Alexion Pharmaceuticals, Inc. (Alexion). Under the terms of the agreement, we granted to Alexion an exclusive research license, with limited sublicensing rights, to make and use our Xtend technology to evaluate and advance compounds against six different target programs during a five-year research term under the agreement, up to completion of the first multi-dose human clinical trial for each target compound. Alexion may extend the research term for an additional three years upon written notice to us and payment of an extension fee of $2.0 million. Alexion is responsible for conducting all research and development activities under the agreement at its own expense.

In addition, we granted to Alexion an exclusive option, on a target-by-target basis, to obtain an exclusive commercial, worldwide, royalty-bearing license, with sublicensing rights, under our Xtend technology to develop and commercialize products that contain the target for which the option is exercised. In order to exercise this option, Alexion must pay a $4.0 million option fee with respect to each target for which the option is exercised. Alexion may exercise this option at any time during the research term.

Under the agreement, we received an upfront payment of $3.0 million. Alexion is also required to pay an annual maintenance fee of $0.5 million during the research term of the agreement and $1.0 million during any extension of the research term. In addition, if certain development, regulatory and commercial milestones are achieved, we are eligible to receive up to $66.5 million for the first product to achieve such milestones on a target-by-target basis. If licensed products are successfully commercialized, we are also entitled to receive royalties based on a percentage of net sales of such products sold by Alexion, its affiliates or its sublicensees, which percentage is in the low single digits. Alexion's royalty obligations continue on a product-by-product and country-by-country basis until the expiration of the last-to-expire valid claim in a licensed patent covering the applicable product in such country.

Absent early termination, the term of the agreement will continue until the expiration of Alexion's royalty payment obligations or until the expiration of the research term if Alexion has not exercised its option for a product license under the agreement. Either party may terminate the agreement for a material breach of the agreement by the other party if such breach remains uncured for 60 days, or 30 days in the case of a non-payment breach. Alexion may terminate the agreement without cause on a target-by-target basis upon 90 days' advance written notice to us.

Collaboration Agreement with Boehringer Ingelheim

In February 2012, we entered into a collaboration agreement with Boehringer Ingelheim International GmbH (BI) for the establishment of certain manufacturing processes and the production of our next generation monoclonal anti-TNF antibody for use in our preclinical and Phase 1 clinical development. Under the terms of the agreement, we are required to use commercially reasonable efforts to complete Phase 1 clinical testing of the product and to find a licensing partner for the further development and commercialization of the antibody into a therapeutic product.

We will be required to pay for services performed and products provided by BI under the agreement pursuant to project plans entered into from time to time. In addition, we are required to reimburse BI for all out-of-pocket expenses, including the cost of raw materials, incurred in connection with the project plan. BI has agreed to delay all payments due to them under the agreement, including an annual interest rate which is a low double digit percentage, until (A) in the case where we have entered into a license agreement with a third party, the later of (1) the effective date of such license agreement or (2) the earlier of (i) completion of the clinical summary report for a Phase 1 clinical trial of the product or (ii) February 10, 2017 or (B) in the case where we decide to continue to develop the product on our own, on or before five years from the earlier of (i) completion of the clinical summary

report for a Phase 1 clinical trial of the product or (ii) February 10, 2017. Any payments due by us in the situation described in clause (A) of the preceeding sentence will be made in installments each of which will be limited to a maximum percentage of any licensing revenue that we receive under the applicable third-party license. We are not obligated to pay BI any or all of the amounts owed under the agreement, including interest payments if we: (a) are not able to further develop the product for technical or scientific reasons or (b) do not decide to proceed with the further development of the product without a business partner and are unable to enter into a partnership agreement within an agreed upon period of time after Phase 1 clinical development.

Pursuant to the agreement, we have granted BI a first right to negotiate to manufacture and supply the products for use in any future Phase 2 and Phase 3 clinical trials, and should BI exercise such right, BI has a first right to negotiate to manufacture and supply commercial product as our principal supplier for an agreed upon period following the first commercial launch of the products. In the event that we desire to produce the products using the process developed and performed by BI outside the agreement or any manufacturing agreement which we may enter into with BI, we will be required to pay BI a one time technology access fee of $3.5 million in exchange for a worldwide, irrevocable, exclusive and royalty free license, with sublicensing rights, to use the process developed by BI under the agreement to produce the products.

Absent early termination, the agreement will terminate upon completion of all projects set forth in the agreement. Either party may terminate the agreement upon 180 days prior written notice to the other party if such party will not be able to carry out the project contemplated by the agreement for scientific, technical or business reasons. Either party may also terminate by written notice to the other party if the other party breaches the agreement in any material manner if such breach remains uncured for 30 days following written notice from the terminating party.

Clinical Supply Agreement with Cook Pharmica

In October 2012, we entered into a clinical supply agreement with Cook Pharmica, LLC (Cook). Under the terms of the agreement, Cook agreed to produce and supply drug substance and drug product for use in our clinical studies and perform related services, and we granted to Cook, its affiliates and subcontractors a non-exclusive license to use certain of our intellectual property and confidential information for the purpose of performing obligations under the agreement. Cook is currently performing services related to the manufacture under current good manufacturing practices (cGMP) of drug substance of XmAb7195 under the agreement.

We pay for services performed and drug substance provided by Cook under the agreement pursuant to project plans entered into from time to time. In addition, we are required to reimburse Cook for all pass-through and out-of-pocket costs specified in each project plan, plus an additional percentage mark-up on certain of such costs, which percentage is in the low double digits.

Absent early termination, the agreement will terminate five years after the effective date, provided that the agreement will automatically renew for an additional two-year term. Cook has the unilateral right to terminate the agreement upon 180 days prior written notice to us. Either party may terminate the agreement upon written notice to the other party in the event of the other party's insolvency or the other party's material breach of the agreement if such breach remains uncured for 15 days in the case of a payment related breach or 30 days in the case of a non-payment related breach.

Development and Manufacturing Services Agreement with Catalent

In September 2005, we entered into a development and manufacturing services agreement (the Catalent Manufacturing Agreement) with Catalent Pharma Solutions LLC (formerly Cardinal Health PTS, LLC) (Catalent). Under the terms of the agreement, Catalent may, from time to time, provide development and manufacturing services for us related to our XmAb technology. Catalent is currently

performing services related to the manufacture under cGMP of drug substance of XmAb5871 under the agreement. We pay for services performed by Catalent under the agreement pursuant to statements of work entered into from time to time.

Under the terms of the agreement, if Catalent develops one or more cell lines using its proprietary GPExgene product expression technology (GPEx Technology) in the course of performing services under the agreement, we have the option to license any such cell line for non-cGMP research for a license fee of $30,000 per year for a period of up to 10 years and on other terms to be agreed upon by Catalent and us. In addition, we have the option to license any cell line developed by Catalent in the course of performing services under the agreement that incorporates the GPEx Technology for use in the production of clinical and commercial supplies of gene expression products by us or any of our manufacturers for 10 years for an upfront fee that ranges between $0 and $0.3 million per cell line, an annual license fee of $30,000, and development and regulatory milestones up to as much as an aggregate of $3.1 million per cell line licensed, and on other terms to be agreed upon by Catalent and us.

This agreement will remain in effect unless either party terminates it in accordance with its terms. We may unilaterally terminate the agreement or activities under any statement of work entered into pursuant to the agreement upon 90 days written notice to Catalent. Catalent may unilaterally terminate the agreement upon 24 months written notice to us. Either party may terminate the agreement upon written notice to the other party upon the other party's insolvency or the other party's material breach of the agreement if such breach remains uncured for 30 days following notice thereof.

Cell Line Sale Agreement with Catalent

In December 2011, we entered into a GPEx-derived cell line sale agreement with Catalent pursuant to which we purchased a cell line (the GPEx Cell Line) developed by Catalent under the Catalent Manufacturing Agreement for use in the manufacture of XmAb7195.

As consideration for the purchase and sale of the GPEx Cell Line under the agreement, we paid an initial upfront fee of $125,000. In addition, we are required to pay an annual fee to Catalent and royalties based on a percentage of net sales for products that are derived from or utilize the GPEx Cell Line. Such percentage is less than 1.0%. We are also required to make payments to Catalent based upon the achievement of certain developmental and regulatory milestones totaling up to approximately $2.9 million.

We have the unilateral right to terminate the agreement upon 30 days written notice to Catalent. In addition, either party may terminate the agreement upon written notice to the other party in the event of the other party's insolvency or the other party's material breach of the agreement if such breach remains uncured for 60 days following notice thereof. Absent early termination, the agreement will remain in effect. If we terminate the agreement without cause or if Catalent terminates the agreement for our material breach of the agreement, our ownership rights in the GPEx® Cell Line will automatically terminate, and title thereto will revert to Catalent.

Other Technology Licenses

In addition to the product development partnerships and technology license agreement described above, we also enter into non-exclusive relationships whereby we license our intellectual property around a specific XmAb technology to a pharmaceutical or biotechnology company to use in one or more of their own products. By accessing our technology, our partners hope to improve the pharmacology of their antibodies and create potential commercial differentiation for their product candidates. Under these technology licenses, we generally grant rights to our licensees that are limited to the specific XmAb Fc domains that are required and also limited to a specific program or set of programs of the partner that are outside of our core strategic areas. This approach allows us to

maintain control over the vast majority of the rights to our platform while still disseminating our technology for broad use. The plug-and-play nature of XmAb technology allows us to structure nearly all of these licenses without any work commitment on our part; hence, these licenses allow us to generate revenue to support our own internal programs with no additional obligations on our part. The revenue we generate from these licenses comes in the form of license fees, annual maintenance fees, milestone payments and royalties. Typically, per antibody, the license fees are in the range of $0.5 million to $2.0 million depending on the size of the maintenance fees and early milestone payments. We may receive aggregate potential milestones payments under our technology license agreements of approximately $166.5 million, and we may receive royalties under each agreement as a percentage of net sales, which percentage is in the low single digit range. The aggregate potential milestone payments payable to us include up to approximately $65.0 million relating to the achievement of clinical development milestone events; up to approximately $83.5 million relating to the filing and completion of regulatory approvals and up to approximately $18.0 million relating to the achievement of certain product sale goals. Below is a table summarizing these technology licenses:

Licensee	Year	Xencor Technology	Indication	Milestones	Royalties	Current Development Stage
BI	2007	Cytotoxic	Oncology	Yes	Yes	Phase 1 trials (two candidates)
Janssen R&D, LLC	2009	Xtend	Autoimmune disease	Yes	Yes	preclinical
CSL Limited	2009	Cytotoxic	Oncology	Yes	Yes	Phase 1
CSL Limited	2013	Xtend	Hematological diseases	Yes	Yes	Preclinical
Merck	2013	Fc optimization	Autoimmune disease	Yes	Yes	Preclinical

Intellectual Property

The foundation for XmAb technology and our product candidates and partnering is the generation and protection of intellectual property for novel antibody therapeutics. We combine proprietary computational methods for amino acid sequence design with laboratory generation and testing of new antibody compositions. Our design and engineering team prospectively assesses, with patent counsel, the competitive landscape with the goal of building broad patent positions and avoiding third-party intellectual property.

As a pioneer in Fc domain engineering, we systematically scanned the structure of the Fc domain to discover Fc variants. We have filed patent applications relating to thousands of specific Fc domain variants with experimental data on specific improvements of immune function, pharmacokinetics, structural stability and novel structural constructs. We have filed additional patent applications derived from these applications as we discover new properties of the Fc variants and as new business opportunities arise. We continually seek to expand the intellectual property coverage of our technology and candidates, and invest in discovering new Fc domain technologies and antibody product candidates.

As of September 30, 2013, our patent estate, on a worldwide basis, includes 164 issued patents (48 of which are in the United States) and over 180 pending patent applications (72 of which are in the United States) which we own or for which we have a fully-paid exclusive license, with claims directed to XmAb Fc domains, all of our clinical and preclinical stage antibodies and our computational protein design methods, called the PDA protein design platform. Of these patents and patent applications, 73 issued patents (21 of which are in the United States) and 106 pending patent applications (44 of which are in the United States) relate to our XmAb Fc domains, with claims directed to their incorporation into antibodies, Fc domain engineering and compositions of matter. These patents are expected to expire in the United States between 2023 and 2031. Our three lead product candidates are covered by issued U.S. composition of matter patents relating to both the XmAb Fc domains and the individual product candidates. The composition of matter patents relating to our lead product

candidates are expected to expire in the United States between 2027 and 2030, one of which relates to XmAb5574/MOR208, two relate to XmAb5871 and two relate to XmAb7195.

In addition to patent protection, we rely on trade secret protection and know-how to expand our proprietary position around our technology and other discoveries and inventions that we consider important to our business. We seek to protect this intellectual property in part by entering into confidentiality agreements with our employees, consultants, scientific advisors, clinical investigators and other contractors and also by requiring our employees, commercial contractors and certain consultants and investigators, to enter into invention assignment agreements that grant us ownership of certain discoveries or inventions made by them.

Further, we seek trademark protection in the United States and in certain other jurisdictions where available and when we deem appropriate. We have obtained registrations for the Xencor trademark, as well as certain other trademarks, which we use in connection with our pharmaceutical research and development services and our clinical-stage products, including XmAb, PDA and Protein Design Automation. We currently have registrations for Xencor and PDA in the United States, Australia, Canada, the European Community and Japan, for Protein Design Automation in the United States, Australia, Canada and the European Community, and for XmAb in the United States, Australia and the European Community.

Manufacturing

We have adopted a manufacturing strategy of contracting with third parties in accordance with cGMP for the manufacture of drug substance and product. Additional contract manufacturers are used to fill, label, package and distribute investigational drug products. This allows us to maintain a more flexible infrastructure while focusing our expertise on developing our products. XmAb5871 and XmAb7195 are produced by mammalian cell culture of a Chinese hamster ovary (CHO) cell line that expresses the antibody, followed by multiple purification and filtration steps typical of those used for monoclonal antibodies. We will ultimately depend on contract manufacturers for the manufacture of our products for commercial sale, as well as for process development. Contract manufacturers are subject to extensive governmental regulation. We have multiple potential sources for the manufacturing of XmAb5871 and XmAb7195.

We are able to internally manufacture the quantities of our product candidates required for relatively short preclinical animal studies. We believe that this allows us to accelerate the drug development process by not having to rely on third parties for all of our manufacturing needs. However, we do rely and expect to rely on a number of contract manufacturers to produce sufficient quantities of our product candidates for use in more lengthy preclinical research.

Competition

We compete in an industry that is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Our competitors include pharmaceutical companies, biotechnology companies, academic institutions and other research organizations. We compete with these parties for promising targets for antibody-based therapeutics, new technology for optimizing antibodies and in recruiting highly qualified personnel. Many competitors and potential competitors have substantially greater scientific, research and product development capabilities as well as greater financial, marketing and sales and human resources than we do. In addition, many specialized biotechnology firms have formed collaborations with large, established companies to support the research, development and commercialization of products that may be competitive with ours. Accordingly, our competitors may be more successful than we may be in developing, commercializing and achieving widespread market acceptance. In addition, our competitors' products may be more effective or more effectively marketed and sold than any treatment we or our development partners

may commercialize and may render our product candidates obsolete or noncompetitive before we can recover the expenses related to developing and commercializing any of our product candidates.

Competition in autoimmune disease drug development is intense and includes multiple monoclonal antibodies, other biologics and small molecules approved for the treatment of rheumatoid arthritis and autoimmune diseases, many of which are being developed or marketed by large multinational pharmaceutical companies such as GlaxoSmithKline plc, AbbVie Inc., Janssen Pharmaceuticals, Inc., Genentech Inc. and Amgen Inc. Benlysta is currently the only monoclonal antibody that we are aware of that is approved for the treatment of lupus, although we believe that Rituxan is prescribed, off label, for this indication. Humira, Amgen's Enbrel (etanercept), Janssen Pharmaceuticals, Inc.'s Remicade (infliximab) and Simponi (golimumab), Orencia and Rituxan, among others, are approved for the treatment of rheumatoid arthritis. In addition, these and other pharmaceutical companies have monoclonal antibodies or other biologics in clinical development for the treatment of autoimmune diseases.

Many companies have approved therapies or are developing drugs for the treatment of asthma including multinational pharmaceutical companies such as GlaxoSmithKline, Novartis AG and AstraZeneca plc. Monoclonal antibody drug development has primarily focused on allergic asthma. Xolair is currently the only monoclonal antibody that we are aware of that is approved for the treatment of severe asthma. In addition, we are aware that Novartis, AstraZeneca/MedImmune and Genentech each have an antibody targeting IgE in Phase 1 or 2 clinical development for asthma. Other monoclonal antibodies in development target cytokines such as IL-13, IL-4, IL-5, IL-9, GM-CSF or their receptors. Although these drugs function differently from our products, if successfully developed, these drugs will compete in the asthma market. We are not aware of any companies developing drugs that target FcgRIIb for the treatment of asthma.

Competition in blood cancer drug development is intense, with more than 250 compounds in clinical trials by large multinational pharmaceutical companies and Rituxan is just one of many monoclonal antibodies approved for the treatment of NHL or other blood cancers. In addition, we are aware of a number of other companies with development stage programs that may compete with XmAb5574/MOR208 in the future. We anticipate that we will face intense and increasing competition as new treatments enter the market and advanced technologies become available.

Regulatory Overview

Our business and operations are subject to a variety of U.S. federal, state and local and foreign supranational, national, provincial and municipal laws, regulations and trade practices. The FDA and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial and burdensome requirements upon companies involved in the clinical development, manufacture, marketing and distribution of drugs and biologics. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, labeling, storage, recordkeeping, approval, advertising and promotion and export and import of our product candidate.

U.S. Government Regulation

U.S. Drug Development Process

In the United States, the FDA regulates drugs and biologic products under the Federal Food, Drug and Cosmetic Act (FDCA) (21 U.S.C. §301, et seq), its implementing regulations and other laws, including, in the case of biologics, the Public Health Service Act. Our antibody product candidates are subject to regulation by the FDA as a biologic. Biologics require the submission of a Biologics License Application (BLA), to the FDA and approval of the BLA by the FDA before marketing in the United States. The process of obtaining regulatory approvals for commercial sale and distribution and the

subsequent compliance with applicable federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U. S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial civil or criminal sanctions. These sanctions could include the FDA's refusal to approve pending applications, license suspension or revocation, withdrawal of an approval, imposition of a clinical hold on clinical trials, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil and/or criminal penalties. The process required by the FDA before a biologic may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests, animal studies and formulation studies performed in accordance with the FDA's current Good Laboratory Practices (GLP) regulations;
- submission to the FDA of an investigational new drug application (IND) which must become effective before human clinical trials in the United States may begin;
- performance of adequate and well-controlled human clinical trials in accordance with the FDA's current good clinical practices (GCP) regulations to establish the safety and efficacy of the product candidate for its intended use;
- submission to the FDA of a BLA;
- satisfactory completion of an FDA inspection (if the FDA deems it as a requirement) of the manufacturing facility or facilities where the product is produced to assess compliance with the FDA's cGMP regulations to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;
- potential audits by the FDA of the nonclinical and clinical trial sites that generated the data in support of the BLA;
- review of the BLA by an external Advisory Committee to the FDA, whose recommendations are not binding on the FDA; and
- FDA review and approval of the BLA prior to any commercial marketing or sale.

Before testing any compounds with potential therapeutic value in humans, the product candidate enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry, stability and formulation, as well as animal studies to assess the potential toxicity and activity of the product candidate. The conduct of the preclinical tests must comply with federal regulations and requirements including GLPs. The sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions about the conduct of the clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a product candidate at any time before or during clinical trials due to safety concerns or non-compliance, or for other reasons.

Clinical trials involve the administration of the product candidate to human patients under the supervision of qualified investigators, generally physicians not employed by or under the clinical trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria and the parameters to be used to monitor subject safety and effectiveness. Each protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted in accordance with GCPs. Further, each clinical trial must be reviewed and approved by an IRB at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of clinical trial

participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- *Phase 1.* The product candidate is initially introduced into a limited population of healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. In the case of some products for some diseases, or when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients with the disease or condition for which the product candidate is intended to gain an early indication of its effectiveness.

- *Phase 2.* The product candidate is evaluated in a limited patient population (but larger than in Phase 1) to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted indications and to assess dosage tolerance, optimal dosage and dosing schedule.

- *Phase 3.* Clinical trials are undertaken to further evaluate dosage and provide substantial evidence of clinical efficacy and safety in an expanded patient population (such as several hundred to several thousand) at geographically dispersed clinical trial sites. Phase 3 clinical trials are typically conducted when Phase 2 clinical trials demonstrate that a dose range of the product candidate is effective and has an acceptable safety profile. These trials typically have at least 2 groups of patients who, in a blinded fashion, receive either the product or a placebo. Phase 3 clinical trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labeling. Generally, two adequate and well-controlled Phase 3 clinical trials are required by the FDA for approval of a BLA.

Post-approval studies, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication to further assess the biologic's safety and effectiveness after BLA approval. Phase 4 clinical trials can be initiated by the drug sponsor or as a condition of BLA approval by the FDA.

Annual progress reports detailing the results of the clinical trials must be submitted to the FDA and written IND safety reports must be promptly submitted to the FDA and the investigators for serious and unexpected adverse events or any finding from tests in laboratory animals that suggests a significant risk for human subjects.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the biologic and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final biologic product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

U.S. Review and Approval Processes

The results of product development, preclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests, proposed labeling and other relevant information are submitted to the FDA in the form of a BLA requesting approval to market the product for one or more specified indications. The submission of a BLA is subject to the payment of substantial user fees.

Once the FDA receives a BLA, it has 60 days to review the BLA to determine if it is substantially complete and the data is readable, before it accepts the BLA for filing. Once the submission is accepted for filing, the FDA begins an in-depth review of the BLA. Under the goals and policies agreed to by the FDA under the Prescription Drug User Fee Act (PDUFA), the FDA has 12 months from submission in which to complete its initial review of a standard BLA and make a decision on the application and eight months from submission for a priority BLA, and such deadline is referred to as the PDUFA date. The FDA does not always meet its PDUFA dates for either standard or priority BLAs. The review process and the PDUFA date may be extended by three months if the FDA requests or the BLA sponsor otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA date.

After the BLA submission is accepted for filing, the FDA reviews the BLA to determine, among other things, whether the proposed product is safe and effective for its intended use, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, strength, quality and purity. The FDA may refer applications for novel drug or biological products or drug or biological products which present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. During the approval process, the FDA also will determine whether a risk evaluation and mitigation strategy (REMS) is necessary to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS; the FDA will not approve the BLA without an approved REMS, if required. A REMS can substantially increase the costs of obtaining approval.

Before approving a BLA, the FDA can inspect the facilities at which the product is manufactured. The FDA will not approve the BLA unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure that the clinical studies were conducted in compliance with GCP requirements. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional clinical testing or information before a BLA can be approved.

The FDA will issue a complete response letter if the agency decides not to approve the BLA. The complete response letter describes all of the specific deficiencies in the BLA identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. In addition, the FDA may require post marketing studies, sometimes referred to as Phase 4 testing, which involves clinical trials designed to further assess drug safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized. After approval, certain changes to the approved biologic, such as adding new indications, manufacturing changes or additional labeling claims, are subject to further FDA review and approval. Depending on the nature of the change proposed, a BLA supplement must be filed and approved before the change may be implemented. For many proposed post-approval changes to a BLA, the FDA has up to 180 days to

review the application. As with new BLAs, the review process is often significantly extended by the FDA requests for additional information or clarification.

Post-Approval Requirements

Any biologic products for which we or our collaborators receive FDA approvals are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with FDA promotion and advertising requirements, which include, among others, restrictions on direct-to-consumer advertising, promoting biologics for uses or in patient populations that are not described in the product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities and promotional activities involving the internet. The FDA closely regulates the post-approval marketing and promotion of biologics, and although physicians may prescribe legally available drugs for off-label uses, manufacturers may not market or promote such off-label uses. Failure to comply with these or other FDA requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action, mandated corrective advertising or communications with healthcare professionals, possible civil or criminal penalties or other negative consequences, including adverse publicity.

We will rely, and expect to continue to rely, on third-parties for the production of clinical and commercial quantities of our products. Our collaborators may also utilize third-parties for some or all of a product we are developing with such collaborator. Manufacturers are required to comply with applicable FDA manufacturing requirements contained in the FDA's cGMP regulations. cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation. Drug manufacturers and other entities involved in the manufacture and distribution of approved biologics are required to register their establishments with the FDA and certain state agencies and are subject to periodic inspections by the FDA and certain state agencies for compliance with cGMP and other laws. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of the FDA approval of our biologic product candidate, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of a BLA plus the time between the submission date of a BLA and the approval of that application. Only one patent applicable to an approved product is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we may intend to apply for restoration of patent term for one of our currently owned or licensed patents to add patent life beyond its current expiration date, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant BLA.

Market exclusivity provisions under the FDCA can also delay the submission or the approval of certain applications of other companies seeking to reference another company's BLA. Specifically, the

Biologics Price Competition and Innovation Act (BPCIA) established an abbreviated pathway for the approval of biosimilar and interchangeable biological products. The new abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as "interchangeable" based on their similarity to existing brand product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the original branded product was approved under a BLA. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator BLA holder. The BPCIA is complex and is only beginning to be interpreted and implemented by the FDA. As a result, its ultimate impact, implementation and meaning is subject to uncertainty.

U.S. Foreign Corrupt Practices Act

The U.S. Foreign Corrupt Practices Act, to which we are subject, prohibits corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity. It is illegal to pay, offer to pay or authorize the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

Pharmaceutical Coverage, Pricing and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidate for which we obtain regulatory approval. In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend in part on the availability of coverage and adequate reimbursement from third-party payors. Third-party payors include government payor programs at the federal and state levels, including Medicare and Medicaid, managed care providers, private health insurers and other organizations. The process for determining whether a payor will provide coverage for a drug product may be separate from the process for setting the price or reimbursement rate that the payor will pay for the drug product. Third-party payors may limit coverage to specific drug products on an approved list or formulary, which might not include all of the FDA-approved drug products for a particular indication. Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain the FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. A payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

The cost of pharmaceuticals continues to generate substantial governmental and third-party payor interest. We expect that the pharmaceutical industry will experience pricing pressures due to the trend toward managed healthcare, the increasing influence of managed care organizations and additional legislative proposals. Third-party payors are increasingly challenging the prices charged for medical products and services and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. If these third-party payors do not consider our products to be cost-effective compared to other available therapies, they may not cover our products after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our products at a profit. The U.S. government, state legislatures and foreign governments have shown significant interest in implementing cost containment programs to limit the growth of government-paid healthcare costs, including price controls, restrictions on reimbursement and

requirements for substitution of generic products for branded prescription drugs. Adoption of such controls and measures, and tightening of restrictive policies in jurisdictions with existing controls and measures, could limit payments for pharmaceuticals such as the product candidates that we are developing and could adversely affect our net revenue and results.

Different pricing and reimbursement schemes exist in other countries. In the European Community, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national healthcare systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on healthcare costs in general, and particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country. There can be no assurance that any country that has price controls or reimbursement limitations for drug products will allow favorable reimbursement and pricing arrangements for any of our products.

Healthcare Reform

In the United States and foreign jurisdictions, there have been and continue to be a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our product candidates profitably, once they are approved for sale. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

In March 2010, the Patient Protection and Affordable Health Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, PPACA) was enacted, which includes measures to significantly change the way healthcare is financed by both governmental and private insurers. Among the provisions of PPACA of importance to the pharmaceutical and biotechnology industries are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, that began in 2011;
- an increase in the rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13% of the average manufacturer price for branded and generic drugs, respectively;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts to negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility

categories for certain individuals with income at or below 133% of the Federal Poverty Level beginning in 2014, thereby potentially increasing manufacturers' Medicaid rebate liability;

- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements under the federal Open Payments program, created under Section 6002 of PPACA and its implementing regulations, that manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) report annually to the U.S. Department of Health and Human Services (HHS) information related to "payments or other transfers of value" made or distributed to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals and that applicable manufacturers and applicable group purchasing organizations report annually to HHS ownership and investment interests held by physicians (as defined above) and their immediate family members, with data collection required beginning August 1, 2013, reporting to the Centers for Medicare & Medicaid Services (CMS) required by March 31, 2014 and by the 90th day of each subsequent calendar year, and disclosure of such information to be made by CMS on a publicly available website beginning in September 2014;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians, effective April 1, 2012;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board which, beginning in 2014, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law even if Congress does not act on the recommendations; and
- establishment of a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending that began on January 1, 2011.

In addition, other legislative changes have been proposed and adopted since PPACA was enacted. In August 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend proposals in spending reductions to Congress. The Joint Select Committee on Deficit Reduction did not achieve its targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reductions to several government programs. These reductions include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. Under the Budget Control Act of 2011, as amended, federal budget "sequestration" became effective in March 2013 and automatically reduced payments under various government programs, including for example certain Medicare provider and supplier reimbursement payments. Sequestration may have a material adverse effect on our customers and accordingly, our financial operations. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several types of providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result

in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on our customers and accordingly, our financial operations.

Other Healthcare Laws and Compliance Requirements

In the United States, the research, manufacturing, distribution, sale and promotion of drug products and medical devices are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including CMS, other divisions of HHS (e.g., the Office of Inspector General), the U.S. Department of Justice, state Attorneys General, and other state and local government agencies. For example, sales, marketing and scientific/educational grant programs must comply with fraud and abuse laws such as the federal Anti-Kickback Statute, as amended, the federal False Claims Act, as amended, and similar state laws. Pricing and rebate programs must comply with the Medicaid Drug Rebate Program requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The federal Anti-Kickback Statute prohibits any person, including a prescription drug manufacturer (or a party acting on its behalf), from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce or reward either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers and formulary managers on the other. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangmement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. The term "remuneration" is not defined in the federal Anti-Kickback Statute and has been broadly interpreted to include anything of value, including for example, gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payments, ownership interests and providing anything at less than its fair market value. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain business arrangements from prosecution, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from federal Anti-Kickback Statute liability. The reach of the Anti-Kickback Statute was broadened by the recently enacted PPACA, which, among other things, amends the intent requirement of the federal Anti-Kickback Statute such that a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act (discussed below) or the civil monetary penalties statute, which imposes fines against any person who is determined to have presented or caused to be presented claims to a federal healthcare program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. Additionally, many states have adopted laws similar to the federal Anti-Kickback Statute, and some of these state prohibitions apply to referral of patients for healthcare items or services reimbursed by any third-party payor, not only the Medicare and Medicaid programs in at least some cases, and do not contain safe harbors.

The federal False Claims Act imposes liability on any person or entity that, among other things, knowingly presents or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The qui tam provisions of the False Claims Act allow a private individual to bring

civil actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In recent years, the number of suits brought by private individuals has increased dramatically. In addition, various states have enacted false claims laws analogous to the False Claims Act. Many of these state laws apply where a claim is submitted to any third-party payor and not merely a federal healthcare program. There are many potential bases for liability under the False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. The False Claims Act has been used to assert liability on the basis of inadequate care, kickbacks and other improper referrals, improperly reported government pricing metrics such as Best Price or Average Manufacturer Price, improper use of Medicare numbers when detailing the provider of services, improper promotion of off-label uses (i.e., uses not expressly approved by FDA in a drug's label) and allegations as to misrepresentations with respect to the services rendered. Our future activities relating to the reporting of discount and rebate information and other information affecting federal, state and third-party reimbursement of our products, and the sale and marketing of our products and our service arrangements or data purchases, among other activities, may be subject to scrutiny under these laws. We are unable to predict whether we would be subject to actions under the False Claims Act or a similar state law, or the impact of such actions. However, the cost of defending such claims, as well as any sanctions imposed, could adversely affect our financial performance. Also, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) created several new federal crimes, including healthcare fraud, and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third-party payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

In addition, we may be subject to, or our marketing activities may be limited by, data privacy and security regulation by both the federal government and the states in which we conduct our business. For example, HIPAA and its implementing regulations established uniform federal standards for certain "covered entities" (healthcare providers, health plans and healthcare clearinghouses) governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of protected health information. The American Recovery and Reinvestment Act of 2009, commonly referred to as the economic stimulus package, included expansion of HIPAA's privacy and security standards called the Health Information Technology for Economic and Clinical Health Act (HITECH) which became effective on February 17, 2010. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates"—independent contractors or agents of covered entities that create, receive, maintain, or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions.

There are also an increasing number of state "sunshine" laws that require manufacturers to make reports to states on pricing and marketing information. Several states have enacted legislation requiring pharmaceutical companies to, among other things, establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities and/or register their sales representatives and prohibiting or limiting certain other sales and marketing practices. In addition, beginning in 2013, a similar federal requirement will require manufacturers to track and report to the federal government certain payments and other transfers of value made to physicians and other healthcare professionals and teaching hospitals and ownership or investment interests held by physicians and their immediate family members. The

government, in turn, will make reported information available to the public. These laws may adversely affect our sales, marketing and other activities by imposing administrative and compliance burdens on us. If we fail to track and report as required by these laws or otherwise comply with these laws, we could be subject to the penalty provisions of the pertinent state and federal authorities.

Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. If our operations are found to be in violation of any of the federal and state laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including criminal and significant civil monetary penalties, damages, fines, imprisonment, exclusion from participation in government healthcare programs, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, private "qui tam" actions brought by individual whistleblowers in the name of the government or refusal to allow us to enter into supply contracts, including government contracts, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. To the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

Europe / Rest of World Government Regulation

In addition to regulations in the United States, we, and our collaborators, will be subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales, marketing and distribution of our products.

Whether or not we, or our collaborators, obtain FDA approval for a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of the product in those countries. The requirements and process governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In addition, we and our collaborators may be subject to foreign laws and regulations and other compliance requirements, including, without limitation, anti-kickback laws, false claims laws and other fraud and abuse laws, as well as laws and regulations requiring transparency of pricing and marketing information and governing the privacy and security of health information, such as the European Union's Directive $^{95}/_{46}$ on the Protection of Individuals with regard to the Processing of Personal Data.

If we, or our collaborators, fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Employees

As of September 30, 2013, we had 31 employees, 28 of whom were full-time, 14 of whom hold Ph.D. or M.D. degrees, 21 of whom were engaged in research and development activities and 10 of whom were engaged in business development, finance, information systems, facilities, human resources or administrative support. None of our employees are represented by any collective bargaining unit. We believe that we maintain good relations with our employees.

Facilities

Our principal laboratory and administrative facilities are located in Monrovia, California, which is located in the greater Los Angeles region. We currently lease approximatley 24,000 square feet of laboratory and office space in Monrovia, California under a lease that expires April 30, 2015. We believe that our existing facilities are adequate to meet our current needs, and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

Legal Proceedings

We are not currently subject to any material legal proceedings.

MANAGEMENT

The following table sets forth information about our executive officers and directors as of September 30, 2013.

Name	Age	Position
Bassil I. Dahiyat, Ph.D.	43	President and Chief Executive Officer, Director
Edgardo Baracchini, Jr., Ph.D.	54	Chief Business Officer
Paul Foster, M.D.	59	Chief Medical Officer
John R. Desjarlais, Ph.D.	49	Vice President, Research
John J. Kuch	54	Vice President, Finance
Bruce L.A. Carter, Ph.D.(2)(3)	70	Chairman of the Board and Director
Jonathan Fleming(1)(2)	56	Director
Atul Saran(1)(3)	40	Director
John S. Stafford III	43	Director
Harold R. Werner(1)(2)(3)	65	Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

Executive Officers

Bassil I. Dahiyat, Ph.D. has served as our President and Chief Executive Officer since February 2005 and as a member of our Board of Directors since August 1997. Dr. Dahiyat co-founded Xencor in 1997 and, from 1997 to 2003, served as our Chief Executive Officer and, from 2003 to 2005, served as our Chief Scientific Officer. In 2005, Dr. Dahiyat was recognized as a technology pioneer by the World Economic Forum. Additionally, Dr. Dahiyat was named one of 2003's Top 100 Young Innovators by MIT's Technology Review magazine for his work on protein design and its development for therapeutic applications and has received awards from the American Chemical Society, the Controlled Release Society and Caltech. Dr. Dahiyat holds a Ph.D. in chemistry from the California Institute of Technology and B.S. and M.S.E. degrees in biomedical engineering from Johns Hopkins University. We believe Dr. Dahiyat's experience in the pharmaceutical industry and as one of our founders qualifies him to serve on our Board of Directors.

Edgardo Baracchini, Jr., Ph.D. joined us as Chief Business Officer in January 2010. From March 2002 through June 2009, he served as Senior Vice President of Business Development at Metabasis Therapeutics, Inc., a biopharmaceutical company, until its merger with Ligand Pharmaceuticals Inc. From June 1999 through February 2002, Dr. Baracchini was Vice President of Business Development at Elitra Pharmaceuticals Inc., and the Director of Business Development at Agouron Pharmaceuticals, Inc. until its acquisition by Warner-Lambert Co. Dr. Baracchini holds a Ph.D. in molecular and cell biology from the University of Texas at Dallas and conducted his postdoctoral research at the University of California, San Diego and The Scripps Research Institute. He also earned an M.B.A. from the University of California, Irvine, and a B.S. in microbiology from the University of Notre Dame.

Paul Foster, M.D. joined us as Chief Medical Officer in August 2012, after serving in a substantially similar capacity as an outside consultant from January 2010 until August 2012. Dr. Foster has 27 years of experience in a career spanning academic basic research, academic medical practice, research & development, product development, clinical development, drug safety, medical affairs, regulatory affairs, and product commercialization. From June 2008 through May 2009 he served as Chief Medical Officer for Cardium Therapeutics, a health sciences and regenerative medicine company, and prior to that

provided Medical/Clinical consulting services as SVP Development and Chief Medical Officer of Development at Strategic Consulting Associates, LLC. He has held senior leadership positions in both large and small biopharmaceutical companies including Biogen Idec, IDEC Pharmaceuticals, Abbott Laboratories, Alpha Therapeutics, Reata Pharmaceuticals, Cardium Therapeutics and Dade Behring. He has experience with the development of biologics, small molecules, and in-vitro diagnostics in therapeutic areas including oncology, hematology, inflammation and autoimmune diseases. Dr. Foster received his M.D. from Duke University School of Medicine and trained in Internal Medicine and Hematology/Oncology, and received a B.S. in chemistry from the University of Michigan.

John R. Desjarlais, Ph.D. has served as our Vice President, Research since October 2006, and joined the Company in July 2001, initially serving as our director of protein engineering. Dr. Desjarlais oversees all aspects of discovery and research at the company including technology development, protein and antibody engineering and generation of product candidates. Prior to joining us, Dr. Desjarlais was an Assistant Professor of Chemistry at Penn State University from 1997 to 2001. Dr. Desjarlais received a B.S. in Physics from the University of Massachusetts and a Ph.D. in Biophysics from Johns Hopkins University. He then conducted postdoctoral research at the University of California, Berkeley. Dr. Desjarlais has driven the company's technology development and engineering efforts for over five years and participated in the development of the Company's business and intellectual property strategies.

John J. Kuch has served as our Vice President, Finance since October 2010, and joined the Company in October 2000, serving as our Senior Director of Finance. Mr. Kuch has primary responsibility for financial reporting, budgeting, cash-flow management, investments, and facility issues for the company. Prior to joining us, he worked for over 15 years in public accounting. From August 1997 through December 1998 he served as a Director at Price Waterhouse. Mr. Kuch is a certified public accountant and received his B.S. and M.S. in Accounting from the University of Illinois.

Non-Employee Directors

Bruce L.A. Carter, Ph.D. has served as a member of our Board of Directors since September 2009, and was appointed Chairman of the Board in December 2009. Since June 2012, Dr. Carter has served as a director of Regulus Therapeutics Inc., a publicly-held biopharmaceutical company. From November 2009 until May 2011, Dr. Carter served as Executive Chairman of the Board of Immune Design Corp., a privately-held biotechnology company, and as Chairman of its Board of Directors until February 2012, and continues to serve as an independent director. Since June 2008, he has served as a director of Dr. Reddy's Laboratories Limited, a publicly-held pharmaceutical company. From April 1998 to January 2009, Dr. Carter served as Chief Executive Officer with ZymoGenetics, Inc., a publicly-held biotechnology company (acquired by Bristol-Myers Squibb in October 2010). Dr. Carter holds a Ph.D. in Microbiology from Queen Elizabeth College, University of London and a B.Sc. with Honors in Botany from the University of Nottingham, England. We believe that Dr. Carter's experience as an executive and his breadth of knowledge and valuable understanding of the pharmaceutical industry qualify him to serve on our Board of Directors.

Jonathan Fleming has served as a member of our Board of Directors since January 2013. Mr. Fleming is the Managing General Partner of Oxford Bioscience Partners, an international venture capital firm specializing in life science technology-based investments, a position which he has held since June 1999. He joined Oxford Bioscience Partners in August 1996 as a General Partner. Prior to joining Oxford Bioscience Partners, Mr. Fleming was a Founding General Partner of MVP Ventures in Boston from 1988 to 1996. He began his investment career with TVM Techno Venture Management in Munich, Germany in 1985. Mr. Fleming is also a co-founder of Medica Venture Partners, a venture capital investment firm specializing in early-stage healthcare and biotechnology companies in Israel. Mr. Fleming was on the board of directors of Asterand plc from September 2008 to September 2011, the board of directors of Memory Pharmaceuticals from January 1998 to May 2005 and from October

2006 to November 2008, the board of directors of IMCOR Pharmaceuticals from June 2003 to March 2009, and is a director of several private companies including Leerink Swann LLC, a Boston-based investment bank specializing in healthcare companies, since June 1998, Laboratory Partners, a clinical diagnostic testing company, since June 2006, and Railrunner, a rail products and services company, since June 1999. Mr. Fleming is a Trustee of the Museum of Science in Boston, a member of the Board of the New England Healthcare Institute, and a Senior Lecturer at the MIT Sloan School of Business. He holds an M.P.A from Princeton University and a B.A., from the University of California, Berkeley. We believe that Mr. Fleming's experience and his success as a venture capitalist specializing in healthcare and biotech companies qualify him to serve on our Board of Directors.

Atul Saran has served as a member of our Board of Directors since August 2011. Since May 2013, Mr. Saran has been the Vice President, Corporate Development & Ventures for AstraZeneca PLC, a multinational pharmaceutical and biologics company, and Chair of the MedImmune Ventures, Inc. investment committee. From February 2003 through May 2013, Mr. Saran held various positions at MedImmune, LLC (formerly MedImmune, Inc.), a biotechnology company, and its various corporate affiliates, both before and after its acquisition by AstraZeneca in 2007. In particular, from January 2011 to May 2013, Mr. Saran was Senior Vice President, Corporate Development & Ventures of MedImmune and a member of the MedImmune Ventures investment committee, and from September 2008 to January 2011, he served as the Vice President, Deputy General Counsel and Assistant Secretary of MedImmune. From April 1998 to January 2003, Mr. Saran was an associate attorney in the private equity/emerging business practice group at Hogan & Hartson LLP. Mr. Saran currently serves on the board of directors of VentiRX Pharmaceuticals, Inc. and previously served on the boards of directors of Arriva Pharmaceuticals, Inc. and Inotek Pharmaceuticals Corporation. Mr. Saran graduated summa cum laude from the University of Illinois College of Law, and received his B.S. in Biological Sciences from Stanford University. He also successfully completed two years of medical school at the University of Illinois College of Medicine and Step 1 of the United States Medical Licensing Examination. We believe that Mr. Saran's experience as an executive in the biopharmaceutical industry and legal training qualify him to serve on our Board of Directors.

John S. Stafford III has served as a member of our Board of Directors since October 1997. Since January 2001, Mr. Stafford has served as Chief Executive Officer of Ronin Capital, LLC, a registered broker-dealer with proprietary trading operations encompassing equity, fixed income and derivative securities. Ronin Capital, LLC is a Member of the Chicago Board Options Exchange, the Chicago Board of Trade, the Chicago Mercantile Exchange and other U.S. principal exchanges. Prior to joining Ronin Capital, LLC, Mr. Stafford was a Managing Director of Stafford Trading, Inc., a business primarily involved in proprietary trading operations and venture capital investments, from 1996 to 2001. The company, headquartered in Chicago, operated a successful specialist and market-making business and conducted proprietary trading in equities, futures and fixed income products. Mr. Stafford's venture capital activities consisted of investments in over 40 companies, and he is a board member on several of these companies, including Aware, Inc., Clinical Micro Sensors, Inc. and All Optical Networks, Inc. We believe that Mr. Stafford's capital markets and venture capital experience qualifies him to serve on our Board of Directors.

Harold R. Werner has served as a member of our Board of Directors since October 2006. Mr. Werner is a co-founder and since 1985 is a general partner of HealthCare Ventures, a venture capital fund specializing in the health-care industry. Mr. Werner has served as a director of over 30 public and private companies. Prior to the formation of HealthCare Ventures in 1985, Mr. Werner was Director of New Ventures for Johnson & Johnson Development Corporation. Mr. Werner currently serves on the board of directors of Aciex, Inc., Stemgent, Inc., and InfaCare Pharmaceutical Corp. He also serves as advisor to Ophthalmic Research Associates, Inc. and SinoLogic Pharmaceuticals Limited. Mr. Werner received his B.S. and M.S. degrees in engineering from Princeton University and an M.B.A. from the Harvard Graduate School of Business Administration. We believe that Mr. Werner's

experience as a venture capitalist specializing in the healthcare industry qualifies him to serve on our Board of Directors.

Board Composition

Our business and affairs are organized under the direction of our Board of Directors, which currently consists of six members. The primary responsibilities of our Board of Directors are to provide oversight, strategic guidance, counseling and direction to our management. Our Board of Directors meets on a regular basis and on an ad hoc basis as required.

Our Board of Directors has determined that all of our directors other than Dr. Dahiyat and Mr. Stafford are independent directors, as defined by Rule 5605(a)(2) of the NASDAQ Listing Rules.

In accordance with the terms of our certificate of incorporation and bylaws that will become effective upon the closing of this offering, our board of directors will be elected annually to a one-year term. The authorized size of our Board of Directors is currently six members. The authorized number of directors may be changed only by resolution of the board of directors. Our directors may be removed with or without cause by the affirmative vote of the holders of a majority of our voting stock.

Board Leadership Structure

The Board of Directors has a Chairman of the Board, Bruce L.A. Carter, Ph.D., who has authority, among other things, to call and preside over Board of Directors meetings, to set meeting agendas, and to determine materials to be distributed to the Board of Directors. Accordingly, the Chairman has substantial ability to shape the work of the Board of Directors. We believe that separation of the positions of Chairman and Chief Executive Officer reinforces the independence of the Board of Directors in its oversight of our business and affairs. In addition, we have a separate chair for each committee of the Board of Directors. The chairs of each committee are expected to report annually to the Board of Directors on the activities of their committee in fulfilling their responsibilities as detailed in their respective charters or specify any shortcomings should that be the case. In addition, we believe that having a separate Chairman creates an environment that is more conducive to objective evaluation and oversight of management's performance, increasing management accountability and improving the ability of the Board of Directors to monitor whether management's actions are in the best interests of us and our stockholders. As a result, we believe that having a separate Chairman can enhance the effectiveness of the Board of Directors as a whole.

Role of the Board in Risk Oversight

The Audit Committee of the Board of Directors is primarily responsible for overseeing our risk management processes on behalf of the Board of Directors. Going forward, we expect that the Audit Committee will receive reports from management at least quarterly regarding our assessment of risks. In addition, the Audit Committee reports regularly to the Board of Directors, which also considers our risk profile. The Audit Committee and the Board of Directors focus on the most significant risks we face and our general risk management strategies. While the Board of Directors oversees our risk management, management is responsible for day-to-day risk management processes. Our Board of Directors expects management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the Audit Committee and the Board of Directors. We believe this division of responsibilities is the most effective approach for addressing the risks we face and that our Board of Directors leadership structure, which also emphasizes the independence of the Board of Directors in its oversight of its business and affairs, supports this approach.

Board Committees

Our Board of Directors has established an audit committee, a compensation committee and a nominating and corporate governance committee.

Audit Committee

Our audit committee consists of Messrs. Fleming, Saran and Werner. Our Board of Directors has determined that each of the members of our audit committee satisfies the NASDAQ Stock Market and SEC independence requirements. Mr. Fleming serves as the chair of our audit committee. The functions of this committee include, among other things:

- evaluating the performance, independence and qualifications of our independent auditors and determining whether to retain our existing independent auditors or engage new independent auditors;
- reviewing and approving the engagement of our independent auditors to perform audit services and any permissible non-audit services;
- monitoring the rotation of partners of our independent auditors on our engagement team as required by law;
- prior to engagement of any independent auditor, and at least annually thereafter, reviewing relationships that may reasonably be thought to bear on their independence, and assessing and otherwise taking the appropriate action to oversee the independence of our independent auditor;
- reviewing our annual and quarterly financial statements and reports, including the disclosures contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and discussing the statements and reports with our independent auditors and management;
- reviewing with our independent auditors and management significant issues that arise regarding accounting principles and financial statement presentation and matters concerning the scope, adequacy and effectiveness of our financial controls;
- reviewing with management and our auditors any earnings announcements and other public announcements regarding material developments;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting or auditing matters and other matters;
- preparing the report that the SEC requires in our annual proxy statement;
- reviewing and providing oversight of any related-person transactions in accordance with our related person transaction policy and reviewing and monitoring compliance with legal and regulatory responsibilities, including our code of business conduct and ethics;
- reviewing our major financial risk exposures, including the guidelines and policies to govern the process by which risk assessment and risk management is implemented;
- reviewing on a periodic basis our investment policy; and
- reviewing and evaluating on an annual basis its own performance, including its compliance with its charter.

Our Board of Directors has determined that Mr. Fleming qualifies as an audit committee financial expert within the meaning of SEC regulations and that each member of the audit committee meets the financial literacy requirements of the NASDAQ Listing Rules. Both our independent registered public accounting firm and management periodically meet privately with our audit committee.

Compensation Committee

Our compensation committee consists of Dr. Carter and Messrs. Fleming and Werner. Mr. Werner serves as the chair of our compensation committee. Our Board of Directors has determined that each of the members of our compensation committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act) is an outside director, as defined pursuant to Section 162(m) of the Code and satisfies the NASDAQ Stock Market independence requirements. The functions of this committee include, among other things:

- reviewing, evaluating and making recommendations to the full Board of Directors for approval of, our overall compensation strategy and policies;
- reviewing, evaluating and making recommendations to the full Board of Directors for approval of, the compensation and other terms of employment of our executive officers;
- reviewing, evaluating and making recommendations to the full Board of Directors for approval of, performance goals and objectives relevant to the compensation of our executive officers and assessing their performance against these goals and objectives;
- reviewing, evaluating and making recommendations to the full Board of Directors for approval of, equity incentive plans, compensation plans and similar programs advisable for us, as well as modifying, amending or terminating existing plans and programs;
- evaluating risks associated with our compensation policies and practices and assessing whether risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on us;
- reviewing, evaluating and making recommendations to the full Board of Directors for approval of, the type and amount of compensation to be paid or awarded to our non-employee board members;
- evaluating policies with respect to votes by our stockholders to approve executive compensation as required by Section 14A of the Exchange Act and determining our recommendations regarding the frequency of advisory votes on executive compensation;
- reviewing and assessing the independence of compensation consultants, legal counsel and other advisors as required by Section 10C of the Exchange Act;
- administering our equity incentive plans;
- establishing policies with respect to equity compensation arrangements;
- reviewing the competitiveness of our executive compensation programs and evaluating the effectiveness of our compensation policy and strategy in achieving expected benefits to us;
- reviewing, and making recommendations to the full Board of Directors for approval of, the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements for our executive officers;
- reviewing the adequacy of its charter on a periodic basis;
- reviewing with management and approving our disclosures under the caption "Compensation Discussion and Analysis" and related tables in our periodic reports or proxy statements to be filed with the SEC;
- preparing the report that the SEC requires in our annual proxy statement; and
- reviewing and assessing on an annual basis its own performance.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Dr. Carter and Messrs. Saran and Werner. Our Board of Directors has determined that each of the members of this committee satisfies the NASDAQ Stock Market independence requirements. Dr. Carter serves as the chair of our nominating and corporate governance committee. The functions of this committee include, among other things:

- identifying, reviewing and evaluating candidates to serve on our Board of Directors consistent with criteria approved by our Board of Directors;
- determining the minimum qualifications for service on our Board of Directors;
- evaluating director performance on the board and applicable committees of the board and determining whether continued service on our board is appropriate;
- evaluating, nominating and recommending individuals for membership on our Board of Directors;
- evaluating nominations by stockholders of candidates for election to our Board of Directors;
- considering and assessing the independence of members of our Board of Directors;
- developing a set of corporate governance policies and principles, including a code of business conduct and ethics, periodically reviewing and assessing these policies and principles and their application and recommending to our Board of Directors any changes to such policies and principles;
- considering questions of possible conflicts of interest of directors as such questions arise;
- reviewing the adequacy of its charter on an annual basis; and
- annually evaluating the performance of the nominating and corporate governance committee.

Compensation Committee Interlocks and Insider Participation

None of our current or former executive officers serves as a member of the compensation committee. None of our officers serves, or has served during the last completed fiscal year on the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our Board of Directors or our compensation committee. Prior to establishing the compensation committee, our full board of directors made decisions relating to compensation of our officers. For a description of transactions between us and members of our compensation committee and affiliates of such members, please see "Certain Relationships and Related Party Transactions."

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions. Following this offering, a current copy of the code will be available on the Corporate Governance section of our website, www.xencor.com.

Limitation of Liability and Indemnification

Our amended and restated certificate of incorporation, which will become effective upon the closing of this offering, limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law allows a corporation to eliminate the personal liability of directors of a corporation

to the corporation and its stockholders for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

- breach of their duty of loyalty to the corporation or its stockholders;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- transaction from which the directors derived an improper personal benefit.

Our amended and restated certificate of incorporation, which will become effective upon the closing of this offering, does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, will remain available under Delaware law. These limitations also do not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Our amended and restated bylaws, which will become effective upon the closing of this offering, provide that we will indemnify our directors and executive officers and may indemnify other officers, employees and other agents, to the fullest extent permitted by law. Our amended and restated bylaws, which will become effective upon the closing of this offering, also provide that we are obligated to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding and also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our amended and restated bylaws permit such indemnification. We have obtained a policy of directors' and officers' liability insurance.

We intend to enter into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our amended and restated bylaws. These agreements, among other things, will require us to indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of their services as one of our directors or executive officers or any other company or enterprise to which the person provides services at our request. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Except as otherwise disclosed under the heading "Legal Proceedings" in the "Business" section of this prospectus, at present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

EXECUTIVE AND DIRECTOR COMPENSATION

Our named executive officers for the year ended December 31, 2012, which consist of our principal executive officer and our two other most highly compensated executive officers, are:

- Bassil I. Dahiyat, Ph.D., our President and Chief Executive Officer;
- Edgardo Baracchini, Jr., Ph.D., our Chief Business Officer; and
- Paul Foster, M.D., our Chief Medical Officer.

Summary Compensation Table

Name and principal position	Year	Salary ($)	Option awards ($)(1)	Non-equity incentive plan compensation ($)(2)	All other compensation ($)(3)	Total ($)
Bassil I. Dahiyat, Ph.D. *President and Chief Executive Officer*	2012	358,750	—	87,894	175	446,819
Edgardo Baracchini, Jr., Ph.D. *Chief Business Officer*	2012	286,103	—	66,877	175	353,155
Paul Foster, M.D.(4) *Chief Medical Officer*	2012	402,000	10,940	32,344	73	445,357

(1) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the option awards granted during 2012 computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718 for stock-based compensation transactions (ASC 718). Assumptions used in the calculation of these amounts are included in Note 5 to our financial statements appearing elsewhere in this prospectus. These amounts do not reflect the actual economic value that will be realized by the named executive officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options.

(2) This column reflects the annual performance-based cash bonuses earned for 2012 which were paid in a lump sum cash payment in the first quarter of 2013. For more information, see below under "—Annual Performance-Based Bonus Opportunity."

(3) This column reflects term life and disability insurance premiums paid by us on behalf of the named executive officers. All of these benefits are provided to the named executive officers on the same terms as provided to all of our regular full-time employees. For more information regarding these benefits, see below under "—Perquisites, Health, Welfare and Retirement Benefits."

(4) Dr. Foster became our Chief Medical Officer on August 1, 2012 and prior to this time served as a consultant to us. The amount in the "Salary" column includes $277,000 paid during 2012 for his consulting services prior to his commencement of employment with us and $125,000 paid to Dr. Foster as base salary.

Annual Base Salary

The compensation of our named executive officers is generally determined and approved by our Board of Directors at the beginning of each year or, if later, in connection with the commencement of employment of the executive, based on the recommendation of the Compensation Committee. Our Board of Directors approved the following 2012 base salaries for our named executive officers, which

became effective after such approval in February 2012, except with respect to Dr. Foster, whose base salary became effective upon his commencement of employment with us on August 1, 2012.

Name	2012 Base Salary ($)
Bassil I. Dahiyat, Ph.D.	358,750
Edgardo Baracchini, Jr., Ph.D.	286,103
Paul Foster, M.D.(1)	300,000

(1) Prior to his commencement of employment on August 1, 2012, Dr. Foster performed consulting services to us pursuant to an Amended Consulting Agreement between Development and Strategic Consulting Associates, LLC and us described below under "—Agreements with our Named Executive Officers." We paid Development and Strategic Consulting Associates, LLC a total of $277,000 in fees for Dr. Foster's consulting services during 2012.

In January 2013, based on the recommendation of the Compensation Committee, the Board of Directors approved an increase to Dr. Dahiyat's and Dr. Baracchini's annual base salaries to $364,131 and $290,395, respectively.

Annual Performance-Based Bonus Opportunity

In addition to base salaries, our named executive officers are eligible to receive annual performance-based cash bonuses, which are designed to provide appropriate incentives to our executives to achieve defined annual corporate goals and to reward our executives for individual achievement towards these goals.

The annual performance-based bonus each named executive officer is eligible to receive is based on (1) the individual's target bonus, as a percentage of base salary, (2) the percentage attainment of the corporate goals established by the Board of Directors, after recommendation by the Compensation Committee for such year, and, with respect to our named executive officers other than Dr. Dahiyat, (3) the percentage attainment of the individual goals established by the Board of Directors, upon recommendation by the Compensation Committee and the Chief Executive Officer, for each named executive officer for such year. The actual performance-based bonus paid, if any, is calculated by multiplying the executive's annual base salary, target bonus percentage, percentage attainment of the corporate goals and percentage attainment of the individual goals, as applicable.

At the end of the year, the Board of Directors approves the extent to which we achieved our corporate goals, after recommendation by the Compensation Committee. The extent to which each executive achieves his individual goals is determined by our Board of Directors, based on the Compensation Committee's and our Chief Executive Officer's review and recommendation.

Corporate and individual goals are communicated to the named executive officers each year, prior to or shortly following the beginning of the year to which they relate or if later, in connection with the named executive officer's commencement of employment with us. The corporate goals are composed of several goals that relate to our annual corporate objectives and various business accomplishments which vary from time to time depending on our overall strategic objectives, but relate generally to business development, financial and research and development objectives. The individual goals are composed of factors that relate to each named executive officer's ability to drive his own performance and the performance of his direct employee reports towards reaching our corporate goals. The proportional emphasis placed on each goal within the corporate and individual goals may vary from time to time depending on our overall strategic objectives and the Board of Directors' subjective determination of which goals have more impact on our performance.

For 2012, the Board of Directors determined that each named executive officer's target bonus was 35% of base salary. Additionally, each named executive officer was eligible to receive up to an additional 35% of the named executive officer's target bonus in the event that we attained certain stretch corporate goals, resulting in a maximum overall potential bonus of up to 135% of each named

executive officer's target bonus if we achieved all of our corporate goals and stretch corporate goals in full. Dr. Dahiyat's 2012 bonus was entirely dependent upon corporate goals, whereas Drs. Baracchini's and Foster's bonuses were weighted 75% based on corporate goals and 25% based on individual goals. Dr. Foster's bonus was pro rated for the period of time during which he served as our employee in 2012.

The corporate goals and relative overall weighting towards corporate goal achievement for 2012 were (1) research and development progress (50%) (consisting of commencement of various clinical and pre-clinical development activities for our XmAb5871 and XmAb7195 antibodies and completion of research tasks for our Immune Inhibitor Fc Domain technology); (2) business development achievements (40%) (consisting of cash targets for revenue in new deals and in total for new and existing deals); and (3) financial objectives (10%) (consisting of maintaining our expenditures within budget and matching our year-end cash target). The stretch goals and the additional potential percentage of target bonus that could be earned with respect to such goals were licensing particular antibody-related intellectual property (15%) and exceeding a particular target in revenue in new deals (20%).

The individual goals for 2012 related to our corporate goals and varied by individual. Dr. Baracchini's individual goals related to his efforts towards our business development goal relating to cash revenue and Dr. Foster's individual goals related to his efforts towards our research and development goals, particularly enrollment of Phase 1b trial for our XmAb5871 antibody.

In early 2013, the Board of Directors considered each corporate goal in detail and upon recommendation by the Compensation Committee, determined that we had achieved 70% of the 2012 corporate goals (including corporate stretch goals). Specifically, we achieved the majority of our research and development goals for our XmAb5871 and XmAb7195 antibodies. We met our financial goal of maintaining expenditures within budget, but we did not meet our goal of matching our year-end cash target and we partially achieved our business development revenue goal. We achieved our stretch goal of licensing particular antibody-related intellectual property and we did not achieve our stretch goal relating to revenue.

As a result, in early 2013, the Board of Directors after recommendation by the Compensation Committee approved an overall corporate goal achievement of 70%. Accordingly, Dr. Dahiyat received a bonus of $87,894. Based on Dr. Dahiyat's review and recommendation with respect to Dr. Baracchini and Dr. Foster, and the Compensation Committee's deliberations with respect to each named executive officer's individual performance against his individual goals, the Board of Directors approved performance-based bonus amounts of $66,877 for Dr. Baracchini, in recognition of his efforts towards our revenue goal and $32,344 for Dr. Foster, due to his efforts in the clinical development of our XmAb5871 antibody, which represented a pro-rated bonus for the period of time he provided services to us as an employee in 2012.

Equity-Based Incentive Awards

Our equity-based incentive awards are designed to align our interests with those of our employees and consultants, including our named executive officers. The Board of Directors or the Compensation Committee is responsible for approving equity grants.

We use stock options as the primary incentive for long-term compensation to our named executive officers because they are able to profit from stock options only if our stock price increases relative to the stock option's exercise price. Although we may grant equity awards to our employees and consultants from time to time, we do not have a current practice of making annual equity grants to our executives. However, our executives generally are awarded an initial grant upon commencement of employment. Additional grants may occur periodically in order to specifically incentivize executives with respect to achieving certain corporate goals or to reward executives for exceptional performance.

Prior to this offering, we have granted all stock options pursuant to our 2010 Equity Incentive Plan (the 2010 plan) and our Amended and Restated 2000 Stock Incentive Plan (the 2000 plan). In 2010, we instituted an option exchange program under which each holder of an option under our 2000 plan elected to exchange that option for options under our 2010 plan covering the same number of shares with the same vesting schedule and exercise price per share equal to the fair market value of our common stock on the date of exchange. We may no longer grant stock options under our 2000 plan and there are no outstanding stock options outstanding under this plan. Following this offering, we will grant equity incentive awards under the terms of our 2013 Equity Incentive Plan. The terms of our equity plans are described below under "—Equity Benefit Plans."

All options are granted with an exercise price per share that is no less than the fair market value of our common stock on the date of grant of each award. Our stock option awards generally vest over a four-year period and may be subject to acceleration of vesting and exercisability under certain termination and change of control events.

On September 26, 2012, the Board of Directors granted an option to purchase 180,000 shares of common stock to Dr. Foster in connection with his commencement of employment with us, with an exercise price of $0.19 per share. We did not grant stock options or other equity awards to any of our other named executive officers in 2012. In September 2013, we granted stock options to purchase 627,297, 193,420 and 61,313 shares to Drs. Dahiyat, Baracchini and Foster, respectively, each with an exercise price of $1.37 per share. These options vest over a four-year period subject to each of the named executive officer's continued service with us.

Agreements with our Named Executive Officers

Below are written descriptions of our employment agreements, consulting agreements and offer letters with our named executive officers.

Dr. Dahiyat. We entered into a Second Amended and Restated Executive Employment Agreement with Dr. Dahiyat in January 2007 setting forth the terms of his employment. Pursuant to the agreement, Dr. Dahiyat is entitled to an initial annual base salary of $350,000, subject to increase by the Board of Directors and subject to decrease by the Board of Directors upon certain circumstances. Dr. Dahiyat is eligible to receive an annual cash performance bonus up to 25% of his base salary based upon achievement of performance metrics. Pursuant to the agreement, Dr. Dahiyat was granted an option to purchase 875,600 shares of our common stock in January 2007 that vested over a four-year period subject to Dr. Dahiyat's continued service and an option to purchase 300,000 shares of our common stock in January 2007 that vested upon achievement of our annual performance bonus metrics over the following four years, of which 191,250 shares vested upon achievement of such metrics and 108,750 shares failed to vest and were forfeited. The agreement also forgave any unpaid interest due under promissory notes between Dr. Dahiyat and us. In September 2013, we entered into a Third Amended and Restated Executive Employment Agreement with Dr. Dahiyat that amends and restates his 2007 agreement described above. This agreement makes certain clarifications and updates in the law, including the tax code, and reflects Dr. Dahiyat's 2013 annual base salary of $364,131 and annual target performance bonus of 35% of his base salary. Dr. Dahiyat is additionally entitled to certain severance and change of control benefits pursuant to his agreements, the terms of which are described below under "—Potential Payments Upon Termination or Change of Control." In September 2013, we agreed to forgive all outstanding promissory notes between Dr. Dahiyat and us, contingent and effective upon the filing of the registration statement for this offering.

Dr. Baracchini. In January 2010, we entered into an offer letter agreement with Dr. Baracchini setting forth the terms of his employment. Pursuant to the agreement, Dr. Baracchini is entitled to an initial annual base salary of $275,000 and is eligible to receive an annual cash performance bonus up to 25% of his annual base salary based upon achievement of corporate and individual performance goals.

In addition, the offer letter agreement provides for an option to purchase 567,831 shares of our common stock that was granted in January 2010 and vests over a four-year period subject to Dr. Baracchini's continued service. Until July 2011, Dr. Baracchini also received $2,000 per month for housing and transportation expenses. In September 2013, we entered into a letter agreement with Dr. Baracchini that amends and restates his 2010 letter agreement described above. This agreement makes certain clarifications and updates in the law, including the tax code, and reflects Dr. Baracchini's 2013 annual base salary of $290,395 and annual target performance bonus of 35% of his base salary. Dr. Baracchini is entitled to certain severance and change of control benefits pursuant to his agreements, the terms of which are described below under "—Potential Payments Upon Termination or Change of Control."

Dr. Foster. In August 2012, we entered into an offer letter agreement with Dr. Foster setting forth the terms of his employment. Pursuant to the agreement, Dr. Foster provides services to us at a 75% of full-time basis, is entitled to an initial annual base salary of $300,000 and is eligible to receive an annual performance bonus based upon achievement of corporate and individual performance goals. In addition, the offer letter agreement provides for an option to purchase 180,000 shares of our common stock that was granted in September 2012 and vests over a four-year period subject to Dr. Foster's continued service. In August 2013, we entered into a new letter agreement with Dr. Foster which provides that he provides services to us at a 90% of full-time basis at an annual base salary of $360,000.

Prior to commencing employment with us, Dr. Foster performed consulting services pursuant to a consulting agreement between us and Development and Strategic Consulting Associates, LLC which became effective in January 2010 and was amended in January 2011. Under the amended consulting agreement, Development and Strategic Consulting Associates, LLC was paid a monthly rate of $24,000 for Dr. Foster's services for approximately 60 hours of work relating to clinical trial management and clinical strategy commensurate with the level of a part-time Chief Medical Officer, in addition to reimbursement of out-of-pocket expenses related to these services.

Potential Payments Upon Termination or Change of Control

Regardless of the manner in which a named executive officer's service terminates, the named executive officer is entitled to receive amounts earned during his or her term of service, including salary and unused vacation pay.

Dr. Dahiyat. Pursuant to his Second Amended and Restated Executive Employment Agreement, if we terminate Dr. Dahiyat's employment without cause or if Dr. Dahiyat resigns for good reason at any time, he will be entitled to a pro rated annual performance bonus for the year of termination. In addition, if Dr. Dahiyat's termination without cause or resignation for good reason occurs within 13 months following a "change of control," subject to his execution of an effective release and waiver of claims in favor of us, Dr. Dahiyat will receive a lump sum severance payment equal to 12 months of his base salary in effect at the time of termination (calculated with respect to no less than a $350,000 annual base salary rate) and payment for continued health benefits under COBRA for 12 months.

For purposes of Dr. Dahiyat's employment agreement:

- "cause" generally means his (i) indictment or conviction of any felony or crime involving moral turpitude or dishonesty; (ii) participation in any fraud against us; (iii) material breach of his duties to us, including persistent unsatisfactory performance or habitual neglect of job duties; (iv) refusal to follow our lawful written directions or material failure to perform his duties other than due to his physical or mental disability; or (v) material breach of our written policies or his Proprietary Information and Inventions Agreement with us.

- "change of control" generally means (i) any sale, merger, consolidation, tender offer or similar acquisition of shares or other transaction or series of related transaction which results in a

change in the majority of our voting power; (ii) a sale or other disposition of all or a substantial part of our assets; or (iii) a change in the majority of our incumbent board.

- "good reason" generally means Dr. Dahiyat's resignation within three months of any of the following actions taken with respect to Dr. Dahiyat without his express written consent (i) assignment of any duties or responsibilities which result in any material diminution of or material change that is adverse to his position, status or circumstances of employment; (ii) a reduction in his base salary; (iii) any action which would adversely affect his participation in, or reduce his benefits under our benefit plans; (iv) a relocation to a location more than 200 miles from our Monrovia, California location; (v) any breach by us of any material provision of his employment agreement; or (vi) any failure by us to obtain the assumption of his employment agreement by any successor or assign of us.

Pursuant to his Third Amended and Restated Executive Employment Agreement that became effective in September 2013, if we terminate Dr. Dahiyat's employment without cause or if Dr. Dahiyat resigns for good reason at any time, subject to his execution of an effective release and waiver of claims in favor of us, Dr. Dahiyat will receive (1) a lump sum severance payment equal to 12 months of his base salary in effect at the time of termination (calculated with respect to no less than a $364,131 annual base salary rate), (2) payment for continued health benefits under COBRA for 12 months, (3) a pro rated target bonus and (4) accelerated vesting of all of his outstanding stock options and other equity awards subject to time-based vesting as if Dr. Dahiyat had completed an additional 12 months of service. If Dr. Dahiyat's termination without cause or resignation for good reason occurs within one month before or 13 months following a change of control, subject to his execution of an effective release and waiver of claims in favor of us, Dr. Dahiyat will receive the benefits described above, except that his target bonus will not be pro rated and he will receive full acceleration of all of his outstanding stock options and other equity awards subject to time-based vesting. For purposes of Dr. Dahiyat's Third Amended and Restated Executive Employment Agreement, "cause" and "change of control" generally have the same meanings as set forth in his Second Amended and Restated Executive Employment Agreement and "good reason" generally means Dr. Dahiyat's resignation within 15 days after providing us with notice and the opportunity to cure any of the following actions taken with respect to Dr. Dahiyat without his express written consent: (i) a material diminution or material adverse change to his authority, duties or responsibilities; (ii) a material diminution in the authority, duties or responsibilities of his supervisor; (iii) a material reduction in his annual base salary; (iv) a relocation of his principal office to a location that increases his one-way commute by more than 40 miles; or (iv) any breach of any material provision of his Third Amended and Restated Executive Employment Agreement.

Dr. Baracchini. Pursuant to his offer letter agreement, if we terminate Dr. Baracchini's employment without cause or if Dr. Baracchini resigns for good reason, in each case prior to or more than 12 months following a "change of control," subject to his execution of an effective release and waiver of claims in favor of us, Dr. Baracchini will receive (1) a lump sum severance payment equal to the sum of (a) 75% of his then-current annual base salary and (b) the arithmetic mean of his annual bonuses for the three full completed years prior to the date of termination, pro rated for the number of days Dr. Baracchini worked during the year of his termination and (2) vesting acceleration of his outstanding stock options and restricted stock to the extent such options or restricted stock would have vested during the nine months following his termination. In the event that Dr. Baracchini's termination without cause or resignation for good reason occurs within a "change of control period," defined as the period beginning on the execution of a definitive written agreement that if consummated would result in a change of control and ending on the earlier of the termination of such agreement or 12 months following the consummation of such change of control, subject to his execution of an effective release and waiver of claims in favor of us, Dr. Baracchini will receive (1) a lump sum severance payment equal to the sum of (a) 125% of his then-current annual base salary and (b) the arithmetic mean of his

annual bonuses for the three full completed years prior to the date of termination, pro rated for the number of days Dr. Baracchini worked during the year of his termination and (2) vesting acceleration in full of his outstanding stock options and restricted stock.

For purposes of Dr. Baracchini's offer letter agreement:

- "cause" generally means his (i) gross negligence or willful misconduct in performing his duties; (ii) material and willful violation of any federal or state law or regulation applicable to our business; (iii) significant or material refusal or failure to act in accordance with any lawful specific direction or order of our Board of Directors; (iv) commission or any act of fraud with respect to us; (v) breach of any material provision of his Proprietary Information and Inventions Agreement with us; (vi) conviction or entry of plea of nolo contendere to a felony or a crime involving moral turpitude.

- "change of control" generally means (i) a sale or other disposition of all or substantially all of our assets; (ii) a merger or consolidation in which we are not the surviving entity and in which our stockholders cease to own 50% of the voting power of the surviving entity; (iii) a reverse merger in which we are the surviving entity but our stockholders cease to own 50% of our voting power; (iv) an acquisition by any person, entity or group of beneficial ownership of more than 50% of our combined voting power.

- "good reason" generally means Dr. Baracchini's resignation following certain notice and cure periods due to any of the following actions taken with respect to Dr. Baracchini without his consent (i) a material reduction in his authority or job responsibilities, accompanied by a change in title; (ii) a material reduction in his combined annual base salary and non-cash benefits; (iii) a relocation of our executive offices by 50 miles that requires an increase in his one-way driving distance by more than 25 miles.

Pursuant to his letter agreement that became effective in September 2013, Dr. Baracchini receives substantially the same severance benefits as under his 2010 letter agreement described above, except that the vesting acceleration benefits apply to all outstanding stock options and equity awards held by Dr. Baracchini that are subject to time-based vesting.

Dr. Foster is not entitled to any severance or change of control benefits under the terms of his offer letter agreements or his prior consulting agreement.

Each of our named executive officers holds stock options under our equity incentive plans that were granted subject to our form of stock option agreements. A description of the termination and change of control provisions in such equity incentive plans and form of stock option agreements is provided below under "—Equity Benefit Plans."

Each of our named executive officers was eligible to participate in a retention bonus plan that provided for certain payments in connection with a change of control. The retention bonus plan and all eligibility for benefits under this plan terminated on December 31, 2012.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information regarding equity awards granted to our named executive officers that remain outstanding as of December 31, 2012.

		Option Awards(1)			
	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)(2)	Option Expiration Date
Bassil I. Dahiyat, Ph.D.	7/28/2010	875,600(3)	—	$ 0.19	12/31/2016
	7/28/2010	774,735(4)	—	$ 0.19	6/8/2015
	7/28/2010	191,250(3)(5)	—	$ 0.19	12/31/2016
Edgardo Baracchini, Jr., Ph.D.	1/18/2010	414,043	153,788(6)	$ 0.19	1/17/2020
Paul Foster, M.D.	9/26/2012	—	180,000(7)	$ 0.19	9/25/2022

(1) All of the outstanding option awards were granted under and subject to the terms of the 2010 plan, described below under "—Equity Benefit Plans." Except as otherwise indicated, each option award becomes exercisable as it becomes vested and all vesting is subject to the executive's continuous service with us through the vesting dates and the potential vesting acceleration described above under "—Potential Payments Upon Termination or Change of Control."

(2) All of the option awards were granted with a per share exercise price equal to the fair market value of one share of our common stock on the date of grant, as determined in good faith by our Board of Directors.

(3) This option was originally granted on January 1, 2007 and was subject to our option exchange program in 2010 described above under "—Equity-Based Incentive Awards."

(4) This option was originally granted on June 9, 2005 and was subject to our option exchange program in 2010 described above under "—Equity-Based Incentive Awards."

(5) This option originally covered 300,000 shares and vested based upon the achievement of certain performance objectives over a four-year period. 108,750 shares underlying this option failed to vest and were cancelled upon failure to achieve such objectives.

(6) 141,957 shares vested and became exercisable on January 12, 2011 and 11,829 shares vest and become exercisable on the 12th day of each month commencing thereafter and ending on January 12, 2014.

(7) 45,000 shares vest and become exercisable on August 1, 2013 and 3,750 shares vest and become exercisable on the 1st day of each month commencing thereafter and ending on August 1, 2016.

Option Exercises and Stock Vested

Our named executive officers did not exercise any stock option awards during the fiscal year ended December 31, 2012.

Option Repricings

We did not engage in any repricings or other modifications or cancellations to any of our named executive officers' outstanding equity awards during the year ended December 31, 2012. We engaged in an option exchange program in 2010 described above under "—Equity-Based Incentive Awards."

Perquisites, Health, Welfare and Retirement Benefits

Our named executive officers are eligible to participate in our employee benefit plans, including our medical, dental, vision, group life, disability and accidental death and dismemberment insurance plans, in each case on the same basis as all of our other employees. We provide a 401(k) plan to our employees, including our named executive officers, as discussed in the section below entitled "—401(k) Plan."

We do not provide perquisites or personal benefits to our named executive officers. We do, however, pay the premiums for term life insurance and disability insurance for all of our employees, including our named executive officers. Our Board of Directors may elect to adopt qualified or non-qualified benefit plans in the future if it determines that doing so is in our best interests.

401(k) Plan

We maintain a defined contribution employee retirement plan (401(k) plan) for our employees. Our named executive officers are eligible to participate in the 401(k) plan on the same basis as our other employees. The 401(k) plan is intended to qualify as a tax-qualified plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan provides that each participant may contribute up to the lesser of 100% of his or her compensation or the statutory limit, which was $17,000 for calendar year 2012. Participants that are 50 years or older can also make "catch-up" contributions, which in calendar year 2012 was up to an additional $5,500 above the statutory limit. We currently do not make matching contributions into the 401(k) plan on behalf of participants. Participant contributions are held and invested, pursuant to the participant's instructions, by the plan's trustee.

Nonqualified Deferred Compensation

None of our named executive officers participate in or have account balances in nonqualified defined contribution plans or other nonqualified deferred compensation plans maintained by us. Our Board of Directors may elect to provide our officers and other employees with non-qualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interests.

Equity Benefit Plans

2013 Equity Incentive Plan

Our Board of Directors adopted the 2013 plan in 2013, and we expect our stockholders will approve the 2013 plan prior to this offering and that the 2013 plan will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part. Once the 2013 plan is effective, no further grants will be made under the 2010 plan.

Stock Awards. The 2013 plan provides for the grant of incentive stock options (ISOs), nonstatutory stock options (NSOs), stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation (collectively, stock awards), all of which may be granted to employees, including officers, non-employee directors and consultants of us and our affiliates. Additionally, the 2013 plan provides for the grant of performance cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Share Reserve. Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2013 plan after the 2013 plan becomes effective is shares, which includes (i) shares reserved for issuance under our 2010 plan at the time our 2013 plan becomes effective, plus (ii) any shares subject to outstanding stock options or other stock awards that would have otherwise returned to our 2010 plan (such as upon the expiration or termination of a stock award prior to vesting). Additionally, the number of shares of our common stock reserved for issuance under our 2013 plan will automatically increase on January 1 of each year, beginning on January 1, 2014 (assuming the 2013 plan becomes effective before such date) and continuing through and including January 1, 2023, by % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our Board of Directors. The maximum number of shares that may be issued upon the exercise of ISOs under our 2013 plan is shares.

No person may be granted stock awards covering more than shares of our common stock under our 2013 plan during any calendar year pursuant to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the fair market value on the date the stock award is granted. Additionally, no person may be granted in a calendar year a performance stock award covering more than shares or a performance cash award having a maximum value in excess of $. Such limitations are designed to help assure that any deductions to which we would otherwise be entitled with respect to such awards will not be subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to any covered executive officer imposed by Section 162(m) of the Code.

If a stock award granted under the 2013 plan expires or otherwise terminates without being exercised in full, or is settled in cash, the shares of our common stock not acquired pursuant to the stock award again will become available for subsequent issuance under the 2013 plan. In addition, the following types of shares under the 2013 plan may become available for the grant of new stock awards under the 2013 plan: (1) shares that are forfeited to or repurchased by us prior to becoming fully vested; (2) shares withheld to satisfy income or employment withholding taxes; or (3) shares used to pay the exercise or purchase price of a stock award. Shares issued under the 2013 plan may be previously unissued shares or reacquired shares bought by us on the open market. As of the date hereof, no awards have been granted and no shares of our common stock have been issued under the 2013 plan.

Administration. Our Board of Directors, or a duly authorized committee thereof, has the authority to administer the 2013 plan. Our Board of Directors may also delegate to one or more of our officers the authority to (1) designate employees (other than other officers) to be recipients of certain stock awards, and (2) determine the number of shares of common stock to be subject to such stock awards. Subject to the terms of the 2013 plan, our Board of Directors or the authorized committee, referred to herein as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2013 plan. Subject to the terms of our 2013 plan, the plan administrator has the authority to reduce the exercise, purchase or strike price of any outstanding stock award, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. ISOs and NSOs are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2013 plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2013 plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2013 plan, up to a maximum of 10 years. Unless the terms of an option holder's stock option agreement provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionholder's service relationship with us or any of our affiliates ceases due to disability or death, or an optionholder dies within a certain

period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our common stock previously owned by the optionholder, (4) a net exercise of the option if it is an NSO, and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionholder may designate a beneficiary, however, who may exercise the option following the optionholder's death.

Tax Limitations On Incentive Stock Options. The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an optionholder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the term of the ISO does not exceed five years from the date of grant.

Restricted Stock Awards. Restricted stock awards are granted pursuant to restricted stock award agreements adopted by the plan administrator. Restricted stock awards may be granted in consideration for (1) cash, check, bank draft or money order, (2) services rendered to us or our affiliates, or (3) any other form of legal consideration. Common stock acquired under a restricted stock award may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule to be determined by the plan administrator. A restricted stock award may be transferred only upon such terms and conditions as set by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock awards that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Restricted Stock Unit Awards. Restricted stock unit awards are granted pursuant to restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Stock Appreciation Rights. Stock appreciation rights are granted pursuant to stock appreciation grant agreements adopted by the plan administrator. The plan administrator determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon the exercise of a stock appreciation right, we will pay the participant an amount equal to the product of (1) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (2) the number of shares of common stock with respect to which the stock appreciation right is exercised. A stock appreciation right granted under the 2013 plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator.

The plan administrator determines the term of stock appreciation rights granted under the 2013 plan, up to a maximum of ten years. Unless the terms of a participant's stock appreciation right agreement provides otherwise, if a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The stock appreciation right term may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Performance Awards. The 2013 plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that is not subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to a covered executive officer imposed by Section 162(m) of the Code. To help assure that the compensation attributable to performance-based awards will so qualify, our Compensation Committee can structure such awards so that stock or cash will be issued or paid pursuant to such award only after the achievement of certain pre-established performance goals during a designated performance period.

The performance goals that may be selected include one or more of the following: (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) earnings before interest, taxes, depreciation, amortization and legal settlements; (5) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (6) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (7) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation and changes in deferred revenue; (8) total stockholder return; (9) return on equity or average stockholder's equity; (10) return on assets, investment, or capital employed; (11) stock price; (12) margin (including gross margin); (13) income (before or after taxes); (14) operating income; (15) operating income after taxes; (16) pre-tax profit; (17) operating cash flow; (18) sales or revenue targets; (19) increases in revenue or product revenue; (20) expenses and cost reduction goals; (21) improvement in or attainment of working capital levels; (22) economic value added (or an equivalent metric); (23) market share; (24) cash flow; (25) cash flow per share; (26) share price performance; (27) debt reduction; (28) implementation or completion of projects or processes; (29) user satisfaction; (30) stockholders' equity; (31) capital expenditures; (32) debt levels; (33) operating profit or net operating profit; (34) workforce diversity; (35) growth of net income or operating income; (36) billings; (37) bookings; (38) the number of users, including but not limited to unique users; (39) employee retention; (40) initiation of phases of clinical trials and/or studies by specific dates; (41) patient enrollment rates; (42) budget management; (43) submission to, or approval by, a regulatory body (including, but not limited to the U.S. Food and Drug Administration) of an applicable filing or a product candidate; (44) implementation or completion of projects or processes (including, without limitation, clinical trial initiation, clinical trial enrollment, clinical trial results, new and supplemental indications for existing products, regulatory filing submissions, regulatory filing acceptances, regulatory or advisory committee interactions, regulatory approvals, and product supply); (45) regulatory milestones; (46) progress of internal research or clinical programs; (47) progress of partnered programs; (48) implementation or completion of projects and processes; (49) partner satisfaction; (50) timely completion of clinical trials; (51) submission of INDs and NDAs and other regulatory achievements; (52) research progress, including the development of programs; (53) strategic

partnerships or transactions (including in-licensing and out-licensing of intellectual property; and (54) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by our Board of Directors.

The performance goals may be based on a company-wide basis, with respect to one or more business units, divisions, affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise (i) in the award agreement at the time the award is granted or (ii) in such other document setting forth the performance goals at the time the goals are established, we will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated goals; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under our bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item; and (13) to exclude the effects of the timing of acceptance for review and/or approval of submissions to the Food and Drug Administration or any other regulatory body. In addition, we retain the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of the goals. The performance goals may differ from participant to participant and from award to award.

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by reference to our common stock. The plan administrator will set the number of shares under the stock award and all other terms and conditions of such awards.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to (a) the class and maximum number of shares reserved for issuance under the 2013 plan, (b) the class and maximum number of shares by which the share reserve may increase automatically each year, (c) the class and maximum number of shares that may be issued upon the exercise of ISOs, (d) the class and maximum number of shares subject to stock awards that can be granted in a calendar year (as established under the 2013 plan pursuant to Section 162(m) of the Code) and (e) the class and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;

- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our Board of Directors may deem appropriate; or
- make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award over (b) the exercise price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2013 plan, a corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 90% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change of Control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change of control. Under the 2013 plan, a change of control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity; or (iii) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets.

Amendment and Termination. Our Board of Directors has the authority to amend, suspend, or terminate our 2013 plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. No ISOs may be granted after the tenth anniversary of the date our Board of Directors adopted our 2013 plan.

2010 Equity Incentive Plan

Our Board of Directors and our stockholders approved our 2010 plan and it became effective in February 2010 and was subsequently amended by our Board of Directors and stockholders in June 2013. Our 2010 plan is a continuation of and successor to our 2000 plan and after our 2010 plan became effective, no further stock awards may be granted under our 2000 plan. As of September 30, 2013, there were 2,730,358 shares remaining available for the grant of stock awards under our 2010 plan and there were outstanding stock options covering a total of 5,591,612 shares that were granted under our 2010 plan. There were no outstanding stock awards under our 2000 plan as of September 30, 2013.

After the effective date of the 2013 plan, no additional awards will be granted under the 2010 plan, and all awards granted under the 2010 plan that are repurchased, forfeited, expire or are cancelled will become available for grant under the 2013 plan in accordance with its terms.

Stock awards. The 2010 plan provides for the grant of ISO, NSOs, stock appreciation rights, restricted stock awards and restricted stock unit awards (collectively, stock awards), all of which may be granted to employees, including officers, non-employee directors and consultants of us and our affiliates. ISOs may be granted only to employees. All other awards may be granted to employees,

including officers, and to non-employee directors and consultants. We have only granted stock options under the 2010 plan.

Share Reserve. The aggregate number of shares of our common stock reserved for issuance pursuant to stock awards under the 2010 plan is 8,321,970, which includes any shares subject to stock options or other stock awards granted under our 2000 plan that expire or terminate for any reason, are forfeited or repurchased by us or are reacquired, withheld or not issued to satisfy a tax withholding obligation. The maximum number of shares that may be issued upon the exercise of ISOs under our 2010 plan was 9,353,906 shares.

If a stock award granted under the 2010 plan is forfeited back to us because of the failure to meet a contingency or condition required to vest, such shares will become available for subsequent issuance under the 2010 plan. In addition, shares withheld to satisfy income or employment withholding taxes and shares used to pay the exercise price of a stock option will become available for the grant of new stock awards under the 2010 plan. Shares issued under the 2010 plan may be previously unissued shares or reacquired shares bought by us on the open market.

Administration. Our Board of Directors, or a duly authorized committee thereof, has the authority to administer the 2010 plan. Our Board of Directors may also delegate to one or more of our officers the authority to (1) designate employees (other than other officers) to be recipients of certain stock awards, and (2) determine the number of shares of common stock to be subject to such stock awards. Subject to the terms of the 2010 plan, our Board of Directors or the authorized committee, referred to herein as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2010 plan. Subject to the terms of our 2010 plan, the plan administrator has the authority to reduce the exercise, purchase or strike price of any outstanding stock award, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. Incentive and nonstatutory stock options are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2010 plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2010 plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2010 plan, up to a maximum of 10 years. Unless the terms of an option holder's stock option agreement provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionholder's service relationship with us or any of our affiliates ceases due to disability or death, or an optionholder dies within a certain period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our common stock previously owned by the optionholder, (4) a net exercise of the option if it is an NSO, and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionholder may designate a beneficiary, however, who may exercise the option following the optionholder's death.

Tax Limitations On Incentive Stock Options. The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an optionholder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the option is not exercisable after the expiration of five years from the date of grant.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to (a) the class and maximum number of shares reserved for issuance under the 2010 plan, (b) the class and maximum number of shares that may be issued upon the exercise of ISOs, and (c) the class and number of shares and price per share of stock subject to all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, unless otherwise provided in a stock award or other written agreement between us and the holder of a stock award, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination at or prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award, to the extent not vested or not exercised prior to the effective time of the corporate transaction, in exchange for such cash consideration, if any, as our Board of Directors may deem appropriate; or
- make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award over (b) the exercise price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2010 plan, a corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 90% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following

which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change of Control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change of control. Under the 2010 plan, a change of control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity or of its parent entity; (iii) approval by the stockholders or our Board of Directors of a plan of complete dissolution or liquidation of us; or (iv) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets.

Amendment and Termination. The 2010 plan will terminate on February 17, 2020. However, our Board of Directors has the authority to amend, suspend, or terminate our 2010 plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent.

2013 Employee Stock Purchase Plan

Our Board of Directors adopted the 2013 Employee Stock Purchase Plan (the ESPP) in 2013 and we expect our stockholders will approve the ESPP prior to the execution and delivery of the underwriting agreement for this offering. The ESPP will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part. The purpose of the ESPP is to retain the services of new employees and secure the services of new and existing employees while providing incentives for such individuals to exert maximum efforts toward our success and that of our affiliates.

Share Reserve. Following this offering, the ESPP authorizes the issuance of shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each calendar year, from January 1, 2014 (assuming the ESPP becomes effective before such date) through January 1, 2023 by the least of (a) % of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (b) shares, or (c) a number determined by our Board of Directors that is less than (a) and (b). The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code. As of the date hereof, no shares of our common stock have been purchased under the ESPP.

Administration. Our Board of Directors has delegated its authority to administer the ESPP to our Compensation Committee. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, we may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. An offering may be terminated under certain circumstances.

Payroll Deductions. Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of our common stock under the ESPP. Unless otherwise determined by our Board of Directors, common stock will be purchased for accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of

the fair market value of a share of our common stock on the first date of an offering or (b) 85% of the fair market value of a share of our common stock on the date of purchase.

Limitations. Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by our Board of Directors: (a) customarily employed for more than 20 hours per week, (b) customarily employed for more than five months per calendar year or (c) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under the ESPP at a rate in excess of $25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value pursuant to Section 424(d) of the Code.

Changes to Capital Structure. In the event that there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the Board of Directors will make appropriate adjustments to (a) the number of shares reserved under the ESPP, (b) the maximum number of shares by which the share reserve may increase automatically each year and (c) the number of shares and purchase price of all outstanding purchase rights.

Corporate Transactions. In the event of certain significant corporate transactions, including: (i) a sale of all our assets, (ii) the sale or disposition of 90% of our outstanding securities, (iii) the consummation of a merger or consolidation where we do not survive the transaction, and (iv) the consummation of a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction, any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within 10 business days prior to such corporate transaction, and such purchase rights will terminate immediately.

Plan Amendments, Termination. Our Board of Directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances any such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law or listing requirements.

Director Compensation

Historically, we have not paid cash or equity compensation to directors who are also our employees for service on our Board of Directors, nor have we paid cash or equity compensation to our non-employee directors who are associated with our principal stockholders for service on our Board of Directors. We have reimbursed and will continue to reimburse all of our non-employee directors for their travel, lodging and other reasonable expenses incurred in attending meetings of our Board of Directors and committees of our Board of Directors.

We provide compensation to Dr. Carter for his services as the Chairman of the Board of Directors pursuant to a letter agreement between us and Dr. Carter dated September 28, 2009, as amended on November 18, 2010. Under the offer letter agreement, we provide Dr. Carter an annual cash retainer

of $50,000 payable monthly in arrears as well as $1,500 for each visit to our facilities for interfacing and liaising with our management and reimbursement for his reasonable expenses incurred in attending meetings. In addition, in connection with his letter agreement with us, Dr. Carter was granted an option to purchase 300,000 shares that vest over a four-year period measured from September 30, 2009, subject to his continued service with us. In September 2013, we granted stock options to purchase 102,189 shares to Dr. Carter with an exercise price of $1.37 per share. These options vest over a four-year period subject to Dr. Carter's continued service with us.

The following table sets forth in summary form information concerning the compensation that we paid or awarded during the year ended December 31, 2012 to each of our non-employee directors:

Name(1)	Fees Earned or Paid in Cash ($)	Option Awards(2)	All Other Compensation ($)	Total ($)
Bruce L.A. Carter, Ph.D.(2)	50,000	—	—	50,000
Douglas Fambrough, Ph.D.	—	—	—	—
Donald C. Foster, Ph.D.	—	—	—	—
Atul Saran	—	—	—	—
John S. Stafford III	—	—	—	—
Charles K. Stewart(3)	—	—	—	—
Harold R. Werner	—	—	—	—

(1) Dr. Dahiyat was an employee director during 2012 and his compensation is fully reflected in the "—Summary Compensation Table" above. Dr. Dahiyat did not receive any compensation in 2012 for services provided as a member of our Board of Directors.

(2) We did not grant any stock options to our non-employee directors in 2012. The aggregate number of shares subject to each non-employee director's outstanding option awards as of December 31, 2012 was as follows: Dr. Carter, 300,000 outstanding and unexercised options.

(3) Mr. Stewart resigned from our Board of Directors on July 30, 2013.

In , 2013, our Board of Directors adopted a new compensation policy applicable to all of our non-employee directors that will be effective upon the closing of this offering. This compensation policy provides that each such non-employee director will receive the following compensation for service on our Board of Directors:

- an annual cash retainer of $;
- an additional annual cash retainer of $ for service as chairman of the audit committee, compensation committee or the nominating and corporate governance committee;
- an annual option grant to purchase shares of our common stock vesting one year following the grant date for serving as a member of the audit committee, compensation committee or the nominating and corporate governance committee; and
- upon first joining our Board of Directors, an automatic initial grant of an option to purchase shares of our common stock vesting annually over a three year period following the grant date.

Each of the option grants described above will vest and become exercisable subject to the director's continuous service to us, provided that each option will vest in full upon a change of control (as defined under our 2013 plan). The term of each option will be 10 years. The options will be granted under our 2013 plan, the terms of which are described in more detail above under "—Equity Benefit Plans—2013 Equity Incentive Plan."

Risk Assessment of Compensation Program

In October and November 2011, the compensation committee assessed our compensation program for the purpose of reviewing and considering any risks presented by our compensation policies and practices that are reasonably likely to have a material adverse effect on us. As part of that assessment, the compensation committee reviewed the primary elements of our compensation program, including base salary, short-term incentive compensation and long-term incentive compensation. The compensation committee's risk assessment included a review of the overall design of each primary element of our compensation program, and an analysis of the various design features, controls and approval rights in place with respect to compensation paid to management and other employees that mitigate potential risks to us that could arise from our compensation program. Following the assessment, the compensation committee determined that our compensation policies and practices did not create risks that were reasonably likely to have a material adverse effect on us.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since January 1, 2010 to which we have been a party, in which the amount involved in the transaction exceeded $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described under "Compensation Discussion and Analysis."

Loan Arrangements

Since January 1, 2010, we have entered into various loan arrangements pursuant to which we issued an aggregate of $7.5 million of convertible promissory notes to investors, including one of our directors, entities affiliated with our directors and beneficial owners of more than 5% of our capital stock. The participants in these loan arrangements included the following holders of more than 5% of our capital stock or entities affiliated with them. The following table presents the aggregate principal amount of convertible promissory notes issued to these related parties in these loan arrangements:

Participants	Aggregate Principal Amount of Notes
John S. Stafford III	$ 3,915,776
John Stafford, Jr.(1)	$ 989,232
James Stafford	$ 415,613
HealthCareVentures VIII, L.P.	$ 415,997

(1) Consists of $870,048 aggregate principal amount of notes issued to John Stafford, Jr. and $119,184 aggregate principal amount of notes issued to the Kimberly Susan Stafford 2005 Irrevocable Trust.

The convertible promissory notes referred to above initially carried an interest rate of 10.0% per annum, which interest rate was increased to 12.5% in June 2011. In June 2013, the noteholders waived their right to receive payment of unpaid accrued interest under these notes in exchange for an aggregate of 17,114,751 shares of our Series A-1 convertible preferred stock pursuant to a note conversion agreement.

Series A-1 Preferred Stock Financing

In June 2013, we entered into a Series A-1 Preferred Stock Purchase Agreement (the Series A-1 Purchase Agreement), pursuant to which we issued and sold an aggregate of 7,352,940 shares of our Series A-1 convertible preferred stock at a purchase price of $1.36 per share, for an aggregate purchase price of $9,999,998 in two closings. The following table sets forth the number of shares of Series A-1

preferred stock purchased by our executive officers, directors and holders of more than 5% of our common stock in this preferred stock financing:

Name(1)	Shares of Series A-1 Preferred Stock	Purchase Price
John S. Stafford III	2,997,951	$ 4,077,213
John Stafford, Jr.(2)	903,108	$ 1,228,227
James Stafford	412,103	$ 560,460
MedImmune Ventures, Inc.	544,560	$ 740,602
HealthCare Ventures VIII, L.P.	427,308	$ 581,139
Oxford Biosciences Partners V L.P.(3)	326,393	$ 443,894

(1) Additional detail regarding these stockholders and their equity holdings is provided in "Security Ownership of Certain Beneficial Owners and Management."

(2) Consists of 564,422 shares of Series A-1 convertible preferred stock issued to John Stafford, Jr., 118,280 shares of Series A-1 convertible preferred stock issued to the Kimberly Susan Stafford 2005 Irrevocable Trust and 220,406 shares of Series A-1 convertible preferred stock issued to the Susan Yang Stafford 2010 Kimborama Trust.

(3) Consists of 319,200 shares of Series A-1 convertible preferred stock issued to Oxford Biosciences Partners V L.P. and 7,193 shares of Series A-1 convertible preferred stock issued to MRNA Fund V L.P.

Certain of our directors participated in, or have affiliations with the investors that participated in, the loan arrangements and preferred stock financing described above, as indicated in the table below:

Director	Investor
Jonathan Fleming	Oxford Bioscience Partners V L.P.
Atul Saran	MedImmune Ventures, Inc.
Harold Werner	HealthCare Ventures VIII, L.P.

Investor Agreements

In connection with our preferred stock financing, we entered into amended and restated investor rights agreements and an amended and restated voting, right of first refusal and co-sale agreements containing registration rights, voting rights, information rights and rights of first refusal among other things, with certain holders of our preferred stock and certain holders of our common stock, including all of the holders of more than 5% of our capital stock. Upon the closing of this offering, only the registration rights described in "Description of Capital Stock—Registration Rights" will remain in effect and the other provisions of these agreements will terminate.

Employee Loan

In May 2011, we made a loan of $152,333 to Dr. Dahiyat, our President and Chief Executive Officer, bearing interest at an annual rate of 0.56% pursuant to two promissory notes. On September 4, 2013 our Board of Directors authorized the forgiveness of the entire outstanding principal and interest, effective and contingent upon the filing of the registration statement for this offering.

Cross-License Agreement with MedImmune, LLC

In December 2012, we entered into a cross-license agreement with MedImmune, LLC, an affiliate of MedImmune Ventures, Inc., a holder of more than 5% of our capital stock. Under the terms of the agreement, we cross-licensed certain technology relating to our Xtend Fc Domain technology. We value

this agreement at approximately $750,000 using a discounted cash flow valuation analysis. One of our directors, Atul Saran, served as senior vice president, corporate development and ventures at MedImmune, LLC from January 2011 to May 2013 and currently serves as the vice president of corporate development and ventures at AstraZeneca plc and as chairman of the MedImmune Ventures, Inc. investment committee.

Indemnification Agreements

We have entered, and intend to continue to enter, into separate indemnification agreements with each of our directors and executive officers.

Policies and Procedures for Transactions with Related Persons

We have adopted a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and oversight of "related-person transactions." For purposes of our policy only, a "related-person transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any "related person" are participants involving an amount that exceeds $120,000.

Transactions involving compensation for services provided to us as an employee, consultant or director are not considered related-person transactions under this policy. A related person is any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to our audit committee (or, where review by our audit committee would be inappropriate, to another independent body of our Board of Directors) for review. The presentation must include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available. To identify related-person transactions in advance, we rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our audit committee or other independent body of our Board of Directors takes into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our current executive officers and directors as a group.

The percentage ownership information under the column entitled "Before offering" is based on 51,747,525 shares of common stock outstanding as of September 30, 2013, assuming conversion of all outstanding shares of our convertible preferred stock as of September 30, 2013 into 51,523,206 shares of common stock. The percentage ownership information under the column entitled "After offering" is based on the sale of shares of common stock in this offering.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable on or before November 29, 2013, which is 60 days after September 30, 2013. These shares are deemed to be outstanding and beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o Xencor, Inc., 111 West Lemon Avenue, Monrovia, California.

Name and address of beneficial owner	Number of shares beneficially owned	Percentage of shares beneficially owned	
		Before offering	After offering
5% or greater stockholders			
MedImmune Ventures, Inc.(1) One MedImmune Way Gaithersburg, MD 20878	4,090,519	7.9%	
HealthCare Ventures VIII, L.P.(2) 47 Thorndike Street, Suite B1-1 Cambridge, MA 02141	3,209,763	6.2%	
John S. Stafford III(3) 1854 N. Maud Avenue Chicago, IL 60614	22,579,259	43.6%	
John Stafford, Jr.(4) 45 N. Green Bay Road Lake Forest, IL 60045	5,348,880	10.3%	
James Stafford(5) c/o RSSM 757 Third Avenue, 6th Floor New York, NY 10017	3,095,942	6.0%	
Directors and named executive officers			
Bassil I. Dahiyat, Ph.D.(6)	1,879,269	3.5%	
Paul Foster, M.D.(7)	56,250	*	
Edgardo Baracchini, Jr., Ph.D.(8)	544,171	1.0%	
Bruce L.A. Carter, Ph.D.(9)	300,000	*	
Jonathan Fleming(10)	2,451,735	4.7%	
Atul Saran(11)	4,090,519	7.9%	
John S. Stafford III(3)	22,579,259	43.6%	
Harold R. Werner(12)	3,209,763	6.2%	
All current executive officers and directors as a group (10 persons)(13)	35,870,070	64.9%	

* Represents beneficial ownership of less than 1%.

(1) Includes 4,090,519 shares of common stock issuable upon conversion of convertible preferred stock.

(2) Includes 3,209,763 shares of common stock issuable upon conversion of convertible preferred stock.

(3) Includes 70,860 shares of common stock and 22,508,399 shares of common stock issuable upon conversion of convertible preferred stock.

(4) Includes (a) 280 shares of common stock held by John Stafford, Jr., (b) 4,239,720 shares of common stock issuable upon conversion of convertible preferred stock held by John Stafford, Jr., (c) 888,474 shares of common stock issuable upon conversion of convertible preferred stock held by the Kimberly Susan Stafford 2005 Irrevocable Trust, and (d) 220,406 shares of common stock issuable upon conversion of convertible preferred stock held by the Susan Yang Stafford Kimborama Trust.

(5) Includes 383 shares of common stock and 3,095,559 shares of common stock issuable upon conversion of convertible preferred stock.

(6) Includes 37,684 shares of common stock and 1,841,585 shares of common stock that Dr. Dahiyat has the right to acquire from us within 60 days of September 30, 2013 pursuant to the exercise of stock options.

(7) Includes 56,250 shares of common stock that Dr. Foster has the right to acquire from us within 60 days of September 30, 2013 pursuant to the exercise of stock options.

(8) Includes 544,171 shares of common stock that Dr. Baracchini has the right to acquire from us within 60 days of September 30, 2013 pursuant to the exercise of stock options.

(9) Includes 300,000 shares of common stock that Dr. Carter has the right to acquire from us within 60 days of September 30, 2013 pursuant to the exercise of stock options.

(10) Includes (a) 2,397,704 shares of common stock issuable upon conversion of convertible preferred stock held by Oxford Bioscience Partners V L.P. (Oxford) and (b) 54,031 shares of common stock issuable upon conversion of convertible preferred stock held by mRNA Fund V L.P. (mRNA). Mr. Fleming and Matthew A. Gibbs are the general partners of OBP Management V L.P., the sole general partner of Oxford and mRNA. Mr. Fleming disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein.

(11) Includes the shares held by MedImmune Ventures, Inc. referred to in footnote (1) above. Mr. Saran serves as the chairperson of the six-person investment committee of MedImmune Ventures, Inc. Mr. Saran disclaims benefical ownership of such shares of common stock except to the extent of his pecuniary interest therein.

(12) Includes the shares held by HealthCare Ventures VIII, L.P. referred to in footnote (2) above. Mr. Werner disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(13) Includes 32,369,341 shares held by all current executive officers and directors as a group and 3,500,729 shares that all current executive officers and directors as a group have the right to acquire from us within 60 days of September 30, 2013 pursuant to the exercise of stock options, including 60 shares of common stock and 485,363 shares of common stock that Dr. Desjarlais has the right to acquire from us within 60 days of September 30, 2013 pursuant to the exercise of stock options, 321 shares of common stock issuable upon conversion of convertible preferred stock held by Mr. Kuch and 273,360 shares of common stock that Mr. Kuch has the right to acquire from us within 60 days of September 30, 2013 pursuant to the exercise of stock options.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 200,000,000 shares of common stock, par value $0.01 per share and 10,000,000 shares of preferred stock, par value $0.01 per share. All of our authorized preferred stock upon the closing of this offering will be undesignated. The following is a summary of the rights of our common and preferred stockholders and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the closing of this offering and of the Delaware General Corporation Law. This summary is not complete. For more detailed information, please see our amended and restated certificate of incorporation and amended and restated bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of the Delaware General Corporation Law.

Common Stock

Outstanding Shares

On September 30, 2013, there were 224,319 shares of common stock outstanding, held of record by 115 stockholders. This amount excludes our outstanding shares of convertible preferred stock as of September 30, 2013, which will convert into 51,523,206 shares of common stock upon the effectiveness of the registration statement of which this prospectus is a part. Based on the number of shares of common stock outstanding as of September 30, 2013, and assuming (1) the conversion of all outstanding shares of our preferred stock and (2) the issuance by us of shares of common stock in this offering, there will be shares of common stock outstanding upon the closing of this offering.

As of September 30, 2013, there were 5,591,612 shares of common stock subject to outstanding options under our equity incentive plans.

Voting

Our common stock is entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and does not have cumulative voting rights. Accordingly, the holders of a majority of the shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election.

Dividends

Subject to preferences that may be applicable to any then-outstanding preferred stock, the holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board of Directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding-up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the

rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Fully Paid and Nonassessable

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Convertible Preferred Stock

On September 30, 2013, there were 51,523,206 shares of convertible preferred stock outstanding, held of record by 223 stockholders. Upon the effectiveness of the registration statement of which this prospectus is a part, all outstanding shares of preferred stock will be converted into 51,523,206 shares of our common stock. Upon the closing of this offering, our certificate of incorporation will be amended and restated to delete all references to such shares of preferred stock. Under the amended and restated certificate of incorporation, our Board of Directors will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of our common stock and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

Registration Rights

Holders of our preferred stock have the right to require us to register with the SEC the shares of common stock issuable upon conversion of such preferred stock so that those shares of common stock may be publicly resold, or to include those shares in any registration statement we file. The shares of common stock issuable upon conversion of the outstanding shares of preferred stock are hereinafter referred to as the "Underlying Securities." We anticipate that such holders will waive their registration rights with respect to this offering.

Demand registration rights. At any time beginning 180 days after the effective date of this registration statement, the holders of at least a 25% of the Underlying Securities having registration rights have the right to demand that we file a registration statement under the Securities Act to register the Underlying Securities requested to be registered by the holders of Underlying Securities. These registration rights are subject to specified conditions and limitations, including a limitation on the number of such registration statements that can be demanded by the holders of Underlying Securities, restrictions on the exercise of such demand registration rights during periods of time that may be detrimental to the Company and its stockholders, and the right of the underwriters to limit the number of shares of Underlying Securities included in any such registration under certain circumstances.

Form S-3 registration rights. If we are eligible to file a registration statement on Form S-3, each holder of shares of Underlying Securities having registration rights has the right to demand that we file no more than one registration statement for the holders on Form S-3 in any 12-month period so long as the aggregate offering price of securities to be sold under the registration statement on Form S-3 is at least $1,000,000, subject to specified exceptions, conditions and limitations.

"Piggyback" registration rights. If we register any securities for public sale, stockholders with registration rights will have the right to include their shares in the registration statement. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement.

Expenses of registration. We will pay all expenses, including up to $50,000 for the reasonable fees and costs of one counsel to the holders of Underlying Securities, relating to all demand registrations, Form S-3 registrations and piggyback registrations.

Expiration of registration rights. The registration rights described above will terminate, as to a given holder of Underlying Securities, at any time following the Company's initial public offering when such holder can sell all of such holder's Underlying Securities pursuant to Rule 144 promulgated under the Securities Act during any 90-day period.

Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Our Bylaws and Delaware Law

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law (Section 203). Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time that such stockholder became an interested stockholder, unless:

- prior to such time the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/_{3}\%$ of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the closing of this offering, may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permit our Board of Directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate (including the right to approve an acquisition or other change in our control);
- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose); and
- provide that special meetings of our stockholders may be called only by the chairman of the board, our Chief Executive Officer or by our Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

The amendment of any of these provisions, with the exception of the ability of our Board of Directors to issue shares of preferred stock and designate any rights, preferences and privileges thereto, would require approval by the holders of at least $66^{2}/_{3}$% of our then-outstanding common stock.

NASDAQ Global Market Listing

We have applied for listing of our common stock on the NASDAQ Global Market under the symbol "XNCR."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A. The transfer agent and registrar's address is 250 Royall Street, Canton, MA, 02021.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of contractual and legal restrictions on resale described below, sales of substantial amounts of common stock in the public market after the restrictions lapse could adversely affect the prevailing market price for our common stock as well as our ability to raise equity capital in the future.

Based on the number of shares of common stock outstanding as of September 30, 2013, upon the closing of this offering, shares of common stock will be outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of options. All of the shares sold in this offering will be freely tradable unless held by an affiliate of ours. Except as set forth below, the remaining shares of common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements. These remaining shares will generally become available for sale in the public market as follows:

- No restricted shares will be eligible for immediate sale upon the closing of this offering;
- Up to restricted shares will be eligible for sale under Rule 144 or Rule 701 upon expiration of lock-up agreements 180 days after the date of this offering; and
- The remainder of the restricted shares will be eligible for sale from time to time thereafter upon expiration of their respective holding periods under Rule 144, as described below, but could be sold earlier if the holders exercise any available registration rights.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, any person who is not an affiliate of ours and has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, provided current public information about us is available. In addition, under Rule 144, any person who is not an affiliate of ours and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately upon the closing of this offering without regard to whether current public information about us is available. Beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of restricted shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on the NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales of restricted shares under Rule 144 held by our affiliates are also subject to requirements regarding the manner of sale, notice and the availability of current public information about us. Rule 144 also provides that affiliates relying on Rule 144 to sell shares of our common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, other than the holding period requirement.

Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted shares have entered into lock-up agreements as described below and their restricted shares will become eligible for sale at the expiration of the restrictions set forth in those agreements.

Rule 701

Under Rule 701, shares of our common stock acquired upon the exercise of currently outstanding options or pursuant to other rights granted under our stock plans may be resold by:

- persons other than affiliates, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, subject only to the manner-of-sale provisions of Rule 144; and
- our affiliates, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, subject to the manner-of-sale and volume limitations, current public information and filing requirements of Rule 144, in each case, without compliance with the six-month holding period requirement of Rule 144.

As of September 30, 2013, options to purchase a total of 5,591,612 shares of common stock were outstanding, of which 3,686,670 were vested. Of the total number of shares of our common stock issuable under these options, substantially all are subject to contractual lock-up agreements with us or the underwriters described below under "Underwriting" and will become eligible for sale at the expiration of those agreements unless held by an affiliate of ours.

Lock-Up Agreements

We, along with our directors, executive officers and substantially all of our other stockholders and optionholders, have agreed that for a period of 180 days after the date of this prospectus, subject to specified exceptions, we or they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock. Upon expiration of the "lock-up" period, certain of our stockholders will have the right to require us to register their shares under the Securities Act. See "Registration Rights" below.

Registration Rights

Upon the closing of this offering, the holders of 51,523,206 shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up arrangement described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of the registration statement of which this prospectus is a part. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See "Description of Capital Stock—Registration Rights."

Equity Incentive Plans

We intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the shares of common stock reserved for issuance under the 2013 plan and the 2013 purchase plan. The registration statement is expected to be filed and become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under the registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up agreements described above, if applicable.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following summary describes the material U.S. federal income consequences of the acquisition, ownership and disposition of our common stock acquired in this offering by Non-U.S. Holders (as defined below). This discussion does not address all aspects of U.S. federal income taxes that may be relevant to Non-U.S. Holders in light of their particular circumstances, does not deal with foreign, state and local tax consequences and does not address U.S. federal tax consequences other than income taxes. Special rules different from those described below may apply to certain Non-U.S. Holders that are subject to special treatment under the Code, such as financial institutions, insurance companies, tax-exempt organizations, tax-qualified retirement plans, broker-dealers and traders in securities, commodities or currencies, U.S. expatriates, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid U.S. federal income tax, persons that hold our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security," integrated investment or other risk reduction strategy, holders deemed to sell our common stock under the constructive sale provisions of the Code, holders who hold or receive our common stock pursuant to the exercise of employee stock options or otherwise as compensation, holders who are subject to the alternative minimum tax or the Medicare Contribution tax, partnerships and other pass-through entities, including hybrid entities and investors in such entities or an entity that is treated as a disregarded entity for U.S. federal income tax purposes (regardless of its place of organization or formation). Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the U.S. Internal Revenue Service (IRS), with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. This discussion assumes that the Non-U.S. Holder holds our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment).

Persons considering the purchase of our common stock pursuant to this offering should consult their own tax advisors concerning the U.S. federal income tax consequences of acquiring, owning and disposing of our common stock in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction, including any state, local or foreign tax consequences and any U.S. federal non-income tax consequences.

For the purposes of this discussion, a "Non-U.S. Holder" is, for U.S. federal income tax purposes, a beneficial owner of common stock that has not been excluded from this discussion, is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes. A "U.S. Holder" means a beneficial owner of our common stock that is for U.S. federal income tax purposes (a) an individual who is a citizen or resident of the United States, (b) a corporation or other entity treated as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Distributions on Our Common Stock

Subject to the discussion below regarding back-up withholding and foreign accounts, distributions, if any, made on our common stock to a Non-U.S. Holder of our common stock to the extent made out

of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide us with a properly executed IRS Form W-8BEN, or other appropriate form, certifying the Non-U.S. Holder's entitlement to benefits under that treaty. In the case of a Non-U.S. Holder that is an entity, Treasury regulations and the relevant tax treaty provide rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends will be treated as paid to the entity or to those holding an interest in that entity. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to the applicable withholding agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you should consult with your own tax advisor to determine if you are able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that such holder maintains in the United States) if a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or, if stock is held through a financial institution or other agent, to such agent). In general, such effectively connected dividends will be subject to U.S. federal income tax, on a net income basis at the regular graduated rates, unless a specific treaty exemption applies. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional "branch profits tax," which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder's effectively connected earnings and profits, subject to certain adjustments.

To the extent distributions on our common stock, if any, exceed our current and accumulated earnings and profits, they will constitute a non-taxable return of capital and will first reduce your basis in our common stock, but not below zero, and then will be treated as gain and taxed in the same manner as gain realized from a sale or other disposition of common stock as described in the next section.

Gain on Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding and foreign accounts, a Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our common stock unless (a) the gain is effectively connected with a trade or business of such holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that such holder maintains in the United States), (b) the Non-U.S. Holder is a non-resident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (c) we are or have been a "United States real property holding corporation" within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or such holder's holding period. In general, we would be a United States real property holding corporation if interests in U.S. real estate comprised (by fair market value) at least half of our business assets. We believe that we are not, and do not anticipate becoming, a United States real property holding corporation. Even if we are treated as a United States real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned, directly, indirectly and constructively, no more than 5% of our

common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder's holding period and (2) our common stock is regularly traded on an established securities market. There can be no assurance that our common stock will qualify or continue to qualify as regularly traded on an established securities market.

If you are a Non-U.S. Holder described in (a) above, you will be required to pay tax on the net gain derived from the sale at regular graduated U.S. federal income tax rates, unless a specific treaty exemption applies, and corporate Non-U.S. Holders described in (a) above may be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual Non-U.S. Holder described in (b) above, you will be required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by U.S. source capital losses (even though you are not considered a resident of the United States).

Information Reporting Requirements and Backup Withholding

Generally, we or certain financial middlemen must report information to the IRS with respect to any dividends we pay on our common stock including the amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding. U.S. backup withholding generally will not apply to a Non-U.S. Holder who provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption. The current backup withholding rate is 28%.

Under current U.S. federal income tax law, U.S. information reporting and backup withholding requirements generally will apply to the proceeds from a disposition of our common stock effected by or through a U.S. office of any broker, U.S. or foreign, except that information reporting and such requirements may be avoided if the holder provides a properly executed IRS Form W-8BEN or otherwise meets documentary evidence requirements for establishing Non-U.S. Holder status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding requirements will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. For information reporting purposes, certain brokers with substantial U.S. ownership or operations will generally be treated in a manner similar to U.S. brokers.

If backup withholding is applied to you, you should consult with your own tax advisor to determine if you are able to obtain a tax benefit or credit with respect to such backup withholding.

Foreign Accounts

A U.S. federal withholding tax of 30% may apply to dividends paid after June 30, 2014 and the gross proceeds from a disposition of our common stock paid after December 31, 2016 to a foreign financial institution (as specifically defined for this purpose), including when the foreign financial institution holds our common stock on behalf of a Non-U.S. Holder, unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which may include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these withholding and reporting requirements may be subject to different rules. This U.S. federal withholding tax of 30% will also apply to dividends paid after June 30, 2014 and the gross proceeds from a disposition of our common stock paid after December 31, 2016 to a non-financial foreign entity unless such entity

provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding direct and indirect U.S. owners of the entity. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes. Holders are encouraged to consult with their own tax advisors regarding the possible implications of the legislation on their investment in our common stock.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2013, we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and Leerink Swann LLC are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
Leerink Swann LLC	
Wedbush Securities Inc	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel including the validity of the shares, and subject to other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The offering of the shares by the underwriters is also subject to the underwriters' right to reject any order in whole or in part.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of up to $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker-dealers. After the initial public offering the representatives may change the public offering price and concession and discount to broker-dealers.

The following table summarizes the compensation we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by us	$	$	$	$

We estimate that our out of pocket expenses for this offering (not including any underwriting discounts and commissions) will be approximately $. We have agreed to reimburse the underwriters for expenses of approximately $35,000 related to the clearance of this offering with the Financial Regulatory Authority (FINRA).

The underwriters have informed us that they do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the

Securities Act of 1933, as amended (the Securities Act) relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives for a period of 180 days after the date of this prospectus except issuances pursuant to the conversion or exchange of convertible or exchangeable securities outstanding on the date hereof or the exercise of warrants or options outstanding on the date hereof, grants of employee stock options pursuant to our existing plans or issuances pursuant to the exercise of such employee options.

Our officers and directors and substantially all of our existing security holders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the representatives, for a period of 180 days after the date of this prospectus, subject to limited exceptions.

We have agreed to indemnify the several underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We have applied to list the shares of common stock on The NASDAQ Global Market under the symbol "XNCR."

Prior to the offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In determining the initial public offering price, we and the representatives expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the underwriters;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the recent market prices of, and demand for, publicly-traded common stock of generally comparable companies;
- the general condition of the securities markets at the time of the offering; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our common stock, or that shares of our common stock will trade in the public market at or above the initial public offering price.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment transactions involve sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, creating a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

- In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The NASDAQ Global Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

Other Relationships

Certain of the underwriters and their affiliates may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they may receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

One of our directors, Mr. Jonathan Fleming, is also a member of the Board of Managers of Leerink Swann Holdings, LLC and a trustee of Leerink Swann Massachusetts Business Trust, which are affiliates of Leerink Swann LLC, one of the representatives of the underwriters in this offering.

Selling Restrictions

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of shares which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

Each of the underwriters severally represents, warrants and agrees as follows:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA") received by it in connection with the issue or sale of the shares in circumstances in which Section 21 of the FSMA does not apply to us; and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon for us by Cooley LLP, Santa Monica, California. The underwriters are being represented by Davis Polk & Wardwell LLP, Menlo Park, California.

EXPERTS

The financial statements as of December 31, 2011 and 2012 and for the years then ended included in this Registration Statement have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm (the report on the financial statements contains an explanatory paragraph regarding the Company's ability to continue as a going concern), appearing elsewhere in the Registration Statement, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document that is filed as an exhibit are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, on the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street NE, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You may also request a copy of these filings, at no cost, by writing us at 111 West Lemon Avenue, Monrovia, California 91016 Attn: Corporate Secretary or telephoning us at (626) 305-5900.

Upon the closing of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above. We also maintain a website at www.xencor.com, at which, following the closing of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not incorporated by reference in, and is not part of, this prospectus.

Xencor, Inc.

Financial Statements

Audited Financial Statements for the Years Ended December 31, 2011 and 2012:

Unaudited Interim Condensed Financial Statements for the Nine Months Ended September 30, 2012 and 2013:

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Xencor, Inc.
Monrovia, California

We have audited the accompanying balance sheets of Xencor, Inc as of December 31, 2012 and 2011 and the related statements of operations, mezzanine equity and stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xencor, Inc. at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the financial statements as of and for the year ended December 31, 2011, have been restated to correct a misstatement related to accounting for revenue.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring losses and a substantial accumulated deficit. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO USA, LLP

Los Angeles, California
September 11, 2013

Xencor, Inc.

Balance Sheets

(in thousands, except share and per share data)

	December 31,	
	2011 (Restated)	2012
Assets		
Current assets		
Cash and cash equivalents	$ 14,537	$ 2,312
Accounts receivable	29	354
Prepaid expenses and other current assets	81	173
Total current assets	14,647	2,839
Property and equipment		
Computers, software and equipment	4,570	3,374
Furniture and fixtures	132	107
Leasehold improvements	3,081	3,081
Less accumulated depreciation and amortization	(7,399)	(6,279)
Property and equipment, net	384	283
Other assets		
Patents, licenses, and other intangible assets, net	7,250	8,460
Other assets	93	77
Total other assets	7,343	8,537
Total assets	$ 22,374	$ 11,659
Liabilities, mezzanine equity and stockholders' deficit		
Current liabilities		
Accounts payable	$ 1,835	$ 1,315
Accrued expenses	826	1,286
Current portion of deferred revenue	5,063	1,948
Current portion of capital lease obligations	10	7
Convertible promissory notes payable	18,463	20,923
Total current liabilities	26,197	25,479
Deferred revenue, less current portion	7,114	5,672
Capital lease obligations, less current portion	—	10
Total liabilities	33,311	31,161
Commitments and contingencies (see note 6)		
Mezzanine Equity		
Series A convertible preferred stock, $0.01 par value: 857,797 authorized shares; 857,792 issued and outstanding shares (liquidation preference of $3,551)	3,550	3,550
Series B convertible preferred stock, $0.01 par value: 1,328,946 authorized shares; 1,328,941 issued and outstanding shares (liquidation preference of $12,399)	12,375	12,375
Series C convertible preferred stock, $0.01 par value: 2,416,284 authorized shares; 2,416,281 issued and outstanding shares (liquidation preference of $50,017)	50,000	50,000
Series D convertible preferred stock, $0.01 par value: 7,966,667 authorized shares; 7,936,483 issued and outstanding shares (liquidation preference of $20,000)	20,000	20,000
Series E convertible preferred stock, $0.01 par value: 25,253,000 authorized shares; 25,245,566 issued and outstanding shares (liquidation preference of $88,047 and $95,090 at December 31 2011 and 2012, respectively)	60,841	60,841
Total mezzanine equity	146,766	146,766
Stockholders' deficit		
Common stock, $0.01 par value: 57,225,000 authorized shares: 224,319 issued and outstanding shares at December 31, 2012 and 2011	2	2
Additional paid-in capital	1,013	1,042
Accumulated deficit	(158,718)	(167,312)
Total stockholders' deficit	(157,703)	(166,268)
Total liabilities, mezzanine equity and stockholders' deficit	$ 22,374	$ 11,659

See accompanying notes to the financial statements.

Xencor, Inc.

Statements of Operations

(in thousands, except share and per share data)

	Years ended December 31,	
	2011 (Restated)	2012
Revenue		
Collaborations, licenses and milestones, including related party revenue of zero and $0.75 million for 2011 and 2012, respectively	$ 6,849	$ 9,524
Costs and expenses		
Research and development (includes equity-based compensation of $(34) and $11 for 2011 and 2012, respectively)	12,663	12,668
General and administrative (includes equity-based compensation of $(23) and $18 for 2011 and 2012, respectively)	3,638	3,086
Total operating expenses	16,301	15,754
Loss from operations	(9,452)	(6,230)
Other income (expenses)		
Interest income	34	11
Interest expense	(1,850)	(2,461)
Other (expense) income	65	86
Total other income (expenses)	(1,751)	(2,364)
Net loss	$ (11,203)	$ (8,594)
Net loss per share attributable to common stockholders basic and diluted	$ (49.94)	$ (38.31)
Weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted:	224,319	224,319

See accompanying notes to the financial statements.

Xencor, Inc.

Statements of Mezzanine Equity and Stockholders' Deficit

(in thousands, except share data)

Mezzanine Equity	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Series D Convertible Preferred Stock		Series E Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance, December 31, 2010 (Restated)	857,792	$ 3,550	1,328,941	$ 12,375	2,416,281	$ 50,000	7,936,483	$ 20,000	25,245,566	$ 60,841
Net loss, as restated	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2011 (Restated)	857,792	3,550	1,328,941	12,375	2,416,281	50,000	7,936,483	20,000	25,245,566	60,841
Net loss, as restated	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2012	857,792	$ 3,550	1,328,941	$ 12,375	2,416,281	$ 50,000	7,936,483	$ 20,000	25,245,566	$ 60,841

Stockholders' Deficit	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
	(in thousands, except share amounts)				
Balance, December 31, 2010 (Restated)	224,319	$ 2	$ 1,070	$ (147,515)	$ (146,443)
Net loss, as restated	—	—	—	(11,203)	(11,203)
Stock-based compensation	—	—	(57)	—	(57)
Balance, December 31, 2011 (Restated)	224,319	2	1,013	(158,718)	(157,703)
Net loss	—	—	—	(8,594)	(8,594)
Stock-based compensation	—	—	29	—	29
Balance, December 31, 2012	224,319	$ 2	$ 1,042	$ (167,312)	$ (166,268)

See accompanying notes to the financial statements.

Xencor, Inc.

Statements of Cash Flows

(in thousands)

	Years ended December 31,	
	2011 (Restated)	2012
Cash flows from operating activities		
Net loss	$ (11,203)	$ (8,594)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	607	527
Stock-based compensation	(57)	29
Abandonment of capitalized intangible assets	1,231	388
Gain from non-monetary exchange	—	(754)
Gain on disposal of assets	(127)	(86)
Accrued interest on convertible promissory notes	1,846	2,456
Changes in operating assets and liabilities:		
Accounts receivable	(29)	(325)
Prepaid expenses and other current assets	96	(90)
Other assets	23	15
Accounts payable	(239)	(522)
Accrued expenses	34	460
Deferred revenue	6,733	(4,556)
Net cash used in operating activities	(1,085)	(11,052)
Cash flows from investing activities		
Purchase of intangible assets	(1,364)	(1,217)
Purchase of property and equipment	(55)	(41)
Proceeds from sale of property and equipment	133	97
Net cash used in investing activities	(1,286)	(1,161)
Cash flows from financing activities		
		—
Payments on capital lease obligations	(11)	(12)
Net cash used in financing activities	(11)	(12)
Net decrease in cash and cash equivalents	(2,382)	(12,225)
Cash and cash equivalents, beginning of year	16,919	14,537
Cash and cash equivalents, end of year	$ 14,537	$ 2,312
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	$ 1	$ 3
Taxes	—	—
Supplemental Schedule of Noncash Investing Activities		
Capitalization of licensing rights acquired in non-monetary exchange	$ —	$ 754
Equipment acquired under capital lease	—	$ 22

See accompanying notes to the financial statements.

Xencor, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Business

Xencor, Inc. ("we," "us," "our," or the "Company") was incorporated in California in 1997 and reincorporated in Delaware in September 2004. We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. We use our proprietary XmAb technology platform to create next-generation antibody product candidates designed to treat autoimmune and allergic diseases, cancer, and other conditions. We focus on the portion of the antibody that interacts with multiple segments of the immune system, referred to as the Fc domain, which is constant and interchangeable among antibodies. Our engineered Fc domains, the XmAb technology, are applied to our pipeline of antibody-based drug candidates to increase immune inhibition, improve cytotoxicity, or extend half-life.

Our operations are based in Monrovia, California and we operate in one segment.

Basis of Presentation

The Company's audited financial statements as of December 31, 2011 and December 31, 2012 and for the years then-ended have been prepared in accordance with accounting principles generally accepted In the United States. As discussed in Note 9, the Company has restated its previously issued financial statements as of December 31, 2011 and for the year ended December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

Going Concern

Since our inception, we have incurred losses and negative cash flows from operations, and at December 31, 2012 we have an accumulated deficit of $167.3 million. We are forecasting continued losses and negative cash flows from operations to fund our clinical and research programs and will need additional funding to continue advancing them. Our prospects are subject to the risks and uncertainties frequently encountered by clinical-stage biopharmaceutical companies.

As of December 31, 2012, our ability to continue as a going concern is uncertain and dependent upon our ability to obtain additional financing to fund our ongoing operations. To fund future operations, we will need to raise additional capital. The amount and timing of future funding requirements will depend on many factors, including the timing and results of our ongoing development efforts, the potential expansion of our current development programs, potential new development programs and related general and administrative support. We anticipate that we will seek to fund our operations through equity or debt financings or through research collaborations and licensing agreements with third parties. We cannot assure you that such additional financing will be available to us on favorable terms, or at all. Although we have previously been successful in obtaining financing through our private securities offerings, there can be no assurance that we will be able to do so in the future. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interest of our stockholders will be diluted, and the terms of these securities may include

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

liquidation or other preferences that adversely affect the rights of our existing common stockholders. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us.

The results of our operations and our current financial condition raise substantial doubt about our ability to continue as a going concern. Should we not be able to successfully execute on our plans to raise additional capital or generate sufficient cash flow from operations to fund our continuing operations, we may need to significantly curtail the level of our operations. There has been no adjustment in the accompanying financial statements to reflect this uncertainty.

Revenue Recognition

We have, to date, earned revenue from research collaborations, which may include research and development services, licenses of our internally-developed technologies, or a combination of both. We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; transfer or access of technology has been completed or services have been rendered; our price to the customer is fixed or determinable and collectability is reasonably assured.

The terms of our license and research and development agreements include nonrefundable upfront payments and license fees, milestone and other contingent payments to us for the achievement of defined collaboration objectives and certain clinical, regulatory and sales-based events, as well as royalties on sales of any commercialized products.

The terms of our licensing agreements include non-refundable upfront fees, annual licensing fees, and contingent payments and milestones for the achievement of pre-defined preclinical, clinical, regulatory and sales-based events by our partners. The licensing agreements also include royalties on sales of any commercialized products by our partners.

Multiple-Element Revenue Arrangements. Certain of our collaboration and license agreements represent multiple-element revenue arrangements. To account for such transactions, we determine the elements, or deliverables, included in the arrangement and determine which deliverables are separate units for accounting purposes. We consider delivered items to be separate units of accounting if the delivered items have stand-alone value to the customer. If the delivered items are separate units we allocate the consideration received or due under the arrangement to the various elements based on each elements' relative selling price. The identification of individual elements in a multiple-element arrangement and the estimation of the selling price of each element involve significant judgment, including consideration as to whether each delivered element has standalone value to the customer. We determine the estimated selling price for deliverables within each arrangement using vendor-specific objective evidence (VSOE) of selling price, if available, or third-party evidence of selling price if VSOE is not available, or our best evidence of selling price if neither VSOE nor third-party evidence is available.

Determining the best estimate of selling price for a deliverable requires significant judgment. We use our best estimate of selling price to estimate the selling price for licenses to our technologies and product candidates, since we do not have VSOE or third-party evidence of selling for these deliverables. The basis of our estimate of selling price is the arm's length negotiation with the licensee that occurs in each transaction. The potential value of our technology to a licensee in a transaction

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

depends on a variety of factors unique to each transaction. Factors that impact the negotiation and hence that we consider in our estimates center on the specific product candidate and include: the product candidate's potential market size, the product candidate's stage of development, the existence of competitive technologies that could be substituted for ours by the licensee and the scientific assessment of the product candidate's likelihood of success at various development stages. The most common deliverable is the commercial license for our technology in the product candidate, and frequently a research license with an option for commercial license. The upfront payments, annual license fees, milestones and royalties relate to these licenses and/or options and depend on the product-specific factors described above. The other significant deliverable is research and development services and the price for these depends on estimates for our personnel and supply costs and the costs of third-party contract research organizations necessary to support the services.

We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements generally include the following:

- **License arrangements:** The deliverables under our collaboration and license agreements generally include exclusive or non-exclusive licenses to one or more of our technologies. The technologies can be applied to a collaborator's product candidates for discovery, development, manufacturing and commercialization. We will also enter into agreements for the exclusive or non-exclusive licenses to our internally developed product candidates. To account for this element of the arrangement, we evaluate whether the exclusive or non-exclusive license has standalone value apart from the undelivered elements to the collaboration partner, which generally include research and development services or options for commercial licenses, based on the consideration of the facts and circumstances of each arrangement, including the research and development capabilities of the collaboration partner and other market participants. We recognize arrangement consideration allocated to licenses upon delivery of the license, if the facts and circumstances indicate the license has standalone value apart from the undelivered elements. If facts and circumstances indicate that the delivered license does not have standalone value from the undelivered elements, we recognize the revenue as a combined unit of accounting. In those circumstances we recognize revenue from non-refundable upfront fees in the same manner as the undelivered item(s), which is generally the period over which we provide research and developments services.

- **Research and Development Services.** The deliverables under our collaboration and license arrangements may include deliverables related to research and development services we perform on behalf of the collaboration partner. As the provision of research and development services is an integral part of our operations and we may be principally responsible for the performance of these services under the agreements, we recognize revenue on a gross basis for research and development services as we perform those services. Additionally, we recognize research related funding under collaboration research and development efforts as revenue as we perform or deliver the related services in accordance with contract terms.

Milestone Revenue. Our collaboration and license agreements generally include contingent payments and milestone payments related to specific research, development and regulatory milestones and sales-based milestones. Research, development and regulatory contingent payments and milestone payments are typically payable under our collaborations when our collaborator selects a compound, or

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

initiates or advances a covered product candidate in preclinical or clinical development, upon submission for marketing approval of a covered product with regulatory authorities, upon receipt of actual marketing approvals of a covered product or for additional indications, or upon the first commercial sale of a covered product. Sales-based milestones are typically payable when annual sales of a covered product reach specific levels.

At the inception of each arrangement that includes milestone payments, we evaluate whether each milestone is substantive and at risk to both parties based on the basis of the contingent nature of the milestone. We evaluate factors such as scientific, regulatory, commercial and other risks that we must overcome to achieve the respective milestone, whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment and whether the milestone payment relates solely to past performance.

We have elected to adopt the Financial Accounting Standards Board Accounting Standards Update 2010-17, *Revenue Recognition—Milestone Method*, such that we recognize any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved. A milestone is defined as an event that can only be achieved based in whole or in part either on our performance, or the performance of our collaborators, or the occurrence of a specific outcome resulting from our past performance for which there is a substantive uncertainty at the date the arrangement is entered into that the event will be achieved.

Collaborative Research and Licensing Agreements

MorphoSys Ag

In June 2010, we entered into a Collaboration and License Agreement with MorpohSys AG (MorphoSys), which we subsequently amended in March 2012. The agreement provided us with an upfront payment of $13.0 million in exchange for an exclusive worldwide license to our patents and know-how to research, develop and commercialize our XmAb5574 product candidate (subsequently renamed MOR208) with the right to sublicense under certain conditions. Under the agreement, we agreed to collaborate with MorphoSys to develop and commercialize XmAb5574/MOR208. We determined that the arrangement was one with multiple deliverables and we identified the multiple elements in the agreement as the license of XmAb5574/MOR208 and the research and development services provided by us for the initial Phase 1 clinical trial. If certain developmental, regulatory and sales milestones are achieved, we are eligible to receive future milestone payments and royalties. We determined that the future milestone payments were substantive and contingent and we did not allocate any of the upfront consideration to these milestones. Our responsibility with respect to the collaboration services is limited to completion of the Phase 1 clinical trial. MorphoSys is responsible all further development of XmAb5574/MOR208.

At inception of the arrangement, we determined that $8.0 million of the $13.0 million upfront payment was the value of the worldwide license rights to XmAb5574/MOR208 and $5.0 million was the value of the research and development services. We recognized the value related to the license of XmAb5574/MOR208 in income in 2010, the period that the license was transferred. We allocated $5.0 million of the upfront fee to research and development services to be recognized as income over the expected service period to complete the Phase 1 clinical trial which was 27 months. The March 2012 amendment to the agreement extended the length of the Phase 1 clinical trial. Under the terms of the amendment, we received additional proceeds for the additional research and development services

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

related to extension of the Phase 1 clinical trial. During 2012, we recognized $0.4 million of revenue related to the additional services provided.

The total revenue recognized under this arrangement was $2.2 million and $2.0 million for the years ended December 31, 2011 and 2012, respectively.

Amgen, Inc.

In December 2010, we entered into a Collaboration and Option Agreement with Amgen, Inc. (Amgen), pursuant to which we agreed to collaborate with Amgen to research, develop and commercialize XmAb5871 and products based thereon. Under the agreement, we granted to Amgen an option to acquire an exclusive license to research, develop, manufacture and commercialize XmAb5871 and certain related products worldwide, which option is exercisable by Amgen only after Amgen's (1) notification to us that it is electing to exercise the option and (2) payment of an option exercise fee to us during the option period under the agreement. The term of the option began at the effective date of the Agreement and expires 90 days after delivery of the data from a Phase 2 proof-of-concept (POC) clinical trial. During the option period and prior to Amgen exercising its option under the agreement, we retain ownership of the compound and are responsible for all clinical development of the compound through completion of the Phase 2 POC clinical trial and delivery of the clinical study data for the POC clinical trial. We received a nonrefundable upfront payment of $11.0 million upon execution of the agreement. We are eligible to receive milestone payments through the option period and following the exercise of the option by Amgen, additional milestone payments and royalties. We determined that substantially all of the future milestones and related payments were substantive and contingent and we did not allocate any of the upfront consideration to the milestones.

We determined that the arrangement is one with multiple deliverables and we identified the multiple elements at the inception of the agreement. We determined that the deliverables under the arrangement were the research and development services and the option to acquire the rights to XmAb5871. Since the option is a contingent and a substantive element, no portion of the upfront fee was allocated to it. The upfront payment was allocated to the research and development services and is being recognized ratably over the estimated service period to complete the Phase 2 POC trial and delivery of the clinical study reports to Amgen. At inception of the agreement, we originally estimated the term of the services period to be 41 months. During 2012, we corrected our original estimate of the service period from 41 months to 60 months (see note 9) and changed our estimate of the time to complete the development work through completion of the POC trial to 72 months. We are recognizing the effect of this change prospectively as a change in estimate.

The total revenue recognized under this arrangement was $2.0 million and $1.8 million for the years ended December 31, 2011 and 2012, respectively.

MedImmune LLC

In December 2012, we entered into a Cross-License Agreement with MedImmune, LLC (MedImmune). Under the agreement we provided MedImmune with a non-exclusive research license to certain technology and options to acquire commercial licenses to a limited number of compounds. The commercial licenses will be worldwide, royalty-free exclusive licenses and are subject to our review and approval. In exchange, MedImmune provided us with a worldwide, non-exclusive, royalty-free license and sub-license to certain U.S. patent rights granted to MedImmune. We determined that the exchange

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

is a non-monetary transaction as provided under ACS 845-10, Non-Monetary Transactions. The transaction did not include any cash proceeds and only the exchange of intellectual property rights between the two companies.

We could not determine a fair value of the MedImmune patent rights received by us with reasonable certainty but could establish a fair value for the transaction by estimating the fair value of the research license and options for the commercial licenses provided by us to MedImmune. We estimated the fair value of the license and options transferred to be $0.75 million. Our estimate was based on the risk adjusted discounted cash flow that is associated with the research license and options to commercial licenses transferred to MedImmune. In determining this estimate, we compared the license and options rights transferred to MedImmune with comparable arms-length non-related party licensing and option transactions that we have entered into with third parties in recent years. The calculation of the fair value is based on our experience and judgment with similar cash transactions. We recognized licensing revenue on the exchange of $0.75 million for the year ended December 31, 2012 equal to the fair value of the assets transferred. We also recorded an asset of $0.75 million to reflect the licensing rights that we acquired from MedImmune in the exchange; the capitalized rights are being amortized over the shorter of the remaining patent term or the estimated useful life of the license.

MedImmune Ventures, Inc., an affiliate of MedImmune, is one of our 5% stockholders and has a designee on our Board of Directors.

Boehringer Ingelheim International GmbH

In 2007 we entered into a Research Licensee and Collaboration Agreement with Boehringer Ingelheim International GmbH (BI). Under the agreement, we provided BI with a three-year research license to one of our technologies and commercial options. We identified the deliverables under the agreement at inception as the research licenses and options to acquire commercial licenses to up to two compounds. Upon exercise of an option to a commercial license, we are eligible to receive future milestone payments and royalties. We determined that the future milestones and related payments were substantive and contingent and we did not allocate any of the upfront consideration to the milestones. The upfront payment and the annual license fees are being recognized ratably into income over the research license term which expired in 2011 and payments for the commercial options were recognized in the period the commercial option was exercised since the options were contingent and substantive. During 2012, BI advanced a compound that incorporates our technology into clinical development and we received a milestone payment of $1.2 million. We have recognized the payment under the milestone method and recorded it into income during the period that the milestone event occurred.

Janssen, Research & Development, LLC

In 2009 we entered into a Research License and Option Agreement with Janssen, Research & Development, LLC (Janssen). Under the agreement, we provided Janssen with non-exclusive research license and options for exclusive commercial licenses to apply our technology to their compounds. We identified the deliverables under the agreement at inception as the research licenses and options to acquire commercial licenses to up to three compounds. Upon exercise of an option, we are eligible to receive future milestone and royalty payments. We determined that the options and future milestones and related payments were substantive and contingent and we did not allocate any of the upfront consideration to the options or milestones. The upfront payment of $1.0 million received at inception

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

and the annual research license renewal payments are being recognized as revenue recorded ratably over the two-year term of the research license. During 2011, we recognized total revenue of $1.0 million consisting in annual research license revenue. During 2012, we recognized total revenue of $1.4 million consisting of $0.9 million in research license revenue and $0.5 million for the exercise of a commercial option.

CSL Limited

In 2009 we entered into a Research License and Commercialization Agreement with CSL Limited (CSL). Under the agreement, we provided CSL with a research license to one of our technologies and up to five commercial options. The upfront payment of $0.75 million received at inception and the annual research license renewal payments are being recognized as revenue ratably over the five-year term of the research license. During 2011, we recognized total revenue of $1.3 million consisting of $0.3 million in research license revenue and $1.0 million in milestone and option exercise payments. During 2012, we recognized total revenue of $1.8 million consisting of $0.3 million in annual research license revenue and $1.5 million in milestone payments. We identified the deliverables under the agreement at inception as the five-year research licenses and options to acquire commercial licenses. Upon exercise of an option to acquire a commercial license, we are eligible to receive future milestones and royalties. The upfront payment and the annual license fees were allocated to the research license and are being recognized into income over the research term and payments for commercial options are being recognized in the period the commercial option was exercised since the options were contingent and substantive. We determined that the future milestones and related payments were substantive and contingent and we did not allocate any of the upfront consideration to the milestones. During 2011, CSL elected to take a commercial license to a compound and we received a payment of $0.5 million related to the commercial license. The payment of $0.5 million received for the commercial license was recognized in income in the period that the commercial license became effective, 2011.

The $6.8 million and $9.5 million of revenue recorded for the years ended December 31, 2011 and December 31, 2012 was earned principally from four and five licensees, respectively (following table in millions):

	Year Ended December 31,	
	2011	2012
Amgen	$ 2.0	$ 1.8
MorphoSys	2.2	2.0
Janssen	1.0	1.4
CSL	1.3	1.8
BI	—	1.2
Other	0.3	1.3
Total	$ 6.8	$ 9.5

As of December 31, 2012, our accounts receivables consisted of one receivable from a major customer, MorphoSys, for $0.3 million.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

As of December 31, 2012, the Company may be eligible to receive the following maximum payments from its collaborative partners and licensees based upon contractual terms in the agreements and assuming all options are exercised and all milestones are achieved:

	Potential Milestones (in millions)			
Partner	Development-based	Regulatory-based	Sales-based	Total Milestones
MorphoSys(2)	$ 65.0	$ 187.0	$ 50.0	$ 302.0
Amgen(1)	64.0	150.0	225.0	439.0
BI(2)	9.0	6.0	12.0	27.0
Janssen(2)	6.0	—	4.0	10.0
CSL(2)	38.0	27.5	25.0	90.5
Total	$ 182.0	$ 370.5	$ 316.0	$ 868.5

(1) These potential milestones include milestones that were determined to be substantive because they require the Company to devote substantial effort to perform services for the benefit of the counterparty prior to achievement of the milestone and the payments due upon achievement of the milestone are reasonable in connection with the services provided and the remainder of the milestones in the arrangement.

(2) The payments are solely dependent upon activities of the collaborative partner and licensees.

A substantial portion of our revenue is earned from collaboration partners outside the United States. Non-U.S. revenue is denominated in U.S. dollars. A breakdown of our revenue from U.S. and non-U.S. sources for the years ended December 31, 2011 and 2012 is as follows (in millions):

	Year Ended December 31,	
	2011	2012
U.S. Revenue	$ 3.3	$ 4.4
Non-U.S. Revenue	3.5	5.1
Total	$ 6.8	$ 9.5

Deferred Revenue

Deferred revenue arises from payments received in advance of the culmination of the earnings process. We have classified deferred revenue expected to be recognized within the next 12 months as a current liability. We recognize deferred revenue as revenue in future periods when the applicable revenue recognition criteria have been met. The total amounts reported as deferred revenue were $12.2 million and $7.6 million for the years ended December 31, 2011 and 2012, respectively.

Research and Development Expenses

Research and development expenses include costs we incur for our own and for our collaborators' research and development activities. Research and development costs are expensed as incurred. These costs consist primarily of salaries and benefits, including associated stock-based compensation,

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

laboratory supplies, facility costs, and applicable overhead expenses of personnel directly involved in the research and development of new technology and products, as well as fees paid to other entities that conduct certain research development activities on our behalf. We estimate preclinical study and clinical trial expenses based on the services performed pursuant to the contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on our behalf based on the actual time and expenses incurred by them. Further, we accrue expenses related to clinical trials based on the level of patient enrollment and activity according to the related agreement. We monitor patient enrollment levels and related activity to the extent reasonably possible and adjust estimates accordingly. During 2011 and 2012, we expensed $12.7 million and $12.7 million, respectively, for research and development.

We capitalize acquired research and development technology licenses and third-party contract rights and amortize the costs over the shorter of the license term or the expected useful life. We review the license arrangements and the amortization period on a regular basis and adjust the carrying value or the amortization period of the licensed rights if there is evidence of a change in the carrying value or useful life of the asset. See "—Patents, licenses and other intangible assets."

Cash and Cash Equivalents

We consider cash equivalents to be only those investments which are highly liquid, readily convertible to cash and which mature within three months from the date of purchase.

The primary objectives for our investment portfolio are liquidity and safety of principal. Investments are made to achieve the highest rate of return for us, while maintaining consistency with these two objectives. In 2011 and 2012, we maintained our investment portfolio in money-market funds.

Concentrations of Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. All of our non-interest bearing cash balances were fully insured at December 31, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there was no limit to the amount of insurance for eligible accounts. Beginning in January 2013, insurance coverage reverted to $250,000 per depositor at each financial institution, and our non-interest bearing cash balances exceeded federally insured limits. Interest-bearing amounts on deposit in excess of federally insured limits at December 31, 2011 and 2012 approximated $14.5 and $2.3 million, respectively.

We have payables with two service providers that represent 38.3% and 27.2% of our total payables for the years ended December 31, 2011 and 2012, respectively. We have never experienced an interruption in service related to these two vendors and also believes that there are alternative vendors available and as such do not perceive this concentration to present a significant risk to our operation. No other vendor accounted for more than 10.0% of payables.

Fair Value of Financial Instruments

Our financial instruments primarily consist of cash, money market funds, trade accounts receivable, accounts payable, accrued expenses and convertible notes payable. The fair value of cash, money

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

market funds, trade accounts receivable, accounts payable and accrued expenses closely approximate their carrying value due to their short maturities. The carrying amounts of convertible notes payable approximate their fair value, as the interest rates, in consideration of the conversion feature, approximate the interest rates presently available to us.

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

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

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

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

Level 1 assets consist of highly-liquid money market funds. The fair value of Level 1 assets has been determined using quoted prices in active markets for identical assets. There were no transfers between Level 1 and Level 2 assets during the years presented.

The assets recorded at fair value at December 31, are classified within the hierarchy as follows for the years reported (in millions):

	2011		2012	
	Total Fair Value	Level 1	Total Fair Value	Level 1
Money Market Funds	$ 14.5	$ 14.5	$ 2.3	$ 2.3

For disclosure purposes at December 31, the fair value of the principal amount of our outstanding convertible promissory notes are classified within the hierarchy as follows (in millions):

	2011		2012	
	Total Fair Value	Level 3	Total Fair Value	Level 3
Convertible Promissory Notes	$ 15.1	$ 15.1	$ 15.1	$ 15.1

These convertible promissory notes were to mature as of December 31, 2011 and 2012 (see note 2 for further detail) and when considering the lack of time value, the absence of an established market for the convertible promissory notes, and our knowledge of the terms, rates, risk and returns provided by the convertible promissory notes as compared to financing available for privately-held biopharmaceutical companies, we determined that the carrying value of the convertible promissory notes approximates their fair value. There were no transfers between Level 3 and Level 2 or Level 1 during the year.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, or the lease term, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred while renewals and improvements are capitalized. Useful lives by asset category are as follows:

Computers, software and equipment	3-5 years
Furniture and fixtures	5-7 years
Leasehold improvements	5-7 years or remaining lease term, whichever is less

During 2012, we entered into a capital lease for certain computer equipment for $22,000. Total assets under capital lease were $32,000 and $54,000 of December 31, 2011 and 2012, respectively; accumulated depreciation for these assets was $21,000 and $37,000 at December 31, 2011 and 2012, respectively.

Depreciation expense in 2011 and 2012 was $333,000 and $154,000, respectively.

Patents, Licenses, and Other Intangible Assets

The cost of acquiring licenses is capitalized and amortized on the straight-line basis over the shorter of the term of the license or its estimated economic life, ranging from five to 25 years. Third-party costs incurred for acquiring patents are capitalized. Capitalized costs are accumulated until the earlier of the period that a patent is issued or we abandon the patent claims. Cumulative capitalized patent costs are amortized on a straight-line basis from the date of issuance over the shorter of the patent term or the estimated useful economic life of the patent, ranging from 13 to 20 years. Our senior management, with advice from outside patent counsel, assesses three primary criteria to determine if a patent will be capitalized initially: i) technical feasibility, ii) magnitude and scope of new technical function covered by the patent compared to the company's existing technology and patent portfolio, particularly assessing the value added to our product candidates or licensing business, and iii) legal issues, primarily assessment of patentability and prosecution cost. We review our intellectual property on a regular basis to determine if there are changes in the estimated useful life of issued patents and if any capitalized costs for unissued patents should be abandoned. Capitalized patent costs related to abandoned patent filings are charged off in the year of the decision to abandon. During 2011 and 2012, we abandoned previously capitalized patent related charges of $714,000 and $388,000, respectively. During 2011 and 2012, we abandoned previously capitalized licenses of $0.5 million and $0, respectively.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

The carrying amount and accumulated amortization of patents, licenses, and other intangibles is as follows (in thousands):

	December 31,	
	2011	2012
Patents, definite life	$ 3,280	$ 4,416
Patents, pending issuance	3,698	3,293
Licenses and other amortizable intangible assets	902	1,669
Nonamortizable intangible assets (trademarks)	340	356
Total gross carrying amount	8,220	9,734
Accumulated amortization—patents	(747)	(985)
Accumulated amortization—licenses and other	(223)	(289)
Total intangible assets, net	$ 7,250	$ 8,460

Amortization expense for patents, licenses, and other intangible assets was $274,000 and $373,000 for the years ended December 31, 2011 and 2012, respectively.

Future amortization expense for patents, licenses, and other intangible assets recorded as of December 31, 2012, and for which amortization has commenced, is as follows:

	Years ending December 31, (in thousands)
2013	$ 489
2014	442
2015	440
2016	438
2017	438
Thereafter	2,564
Total	$ 4,811

The above amortization expense forecast is an estimate. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets, and other events. As of December 31, 2012, the Company has $3.6 million of intangible assets which are in-process and have not been placed in service and, accordingly amortization on these assets has not commenced.

Long-Lived Assets

Management reviews long-lived and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value for our long-lived

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

assets is determined using the expected cash flows discounted at a rate commensurate with the risks involved.

As of December 31, 2012, we determined that our continuing losses triggered a review of the carrying value of our long-lived assets including our capitalized patent and licensing costs. We conducted an impairment analysis of the assets in accordance with ASC 360 and ASC 820 by estimating the future undiscounted cash flows as of December 31, 2012, by patent family, which included granted and pending patents and related licenses. For purposes of the analysis, we grouped our patents into the three primary technology groups, IIb, ADCC and Xtend, and compared the carrying value of the group to the undiscounted cash flows expected to be received from the patents in each group. We determined that the fair value of the potential future cash flows using this method was in excess of the carrying value of the intangible assets as of December 31, 2012. The patent groups assessed for impairment were the IIb, ADCC and Xtend patent families and represented the lowest level of cash flows for evaluation. These three patent families cover all of our current product candidates and our current license agreements. We modeled the cash flows from our internal product development programs (XmAb5871 and XmAb7195) and licensed programs that use each particular category of patent asset. We used multiple published sources of pharmaceutical product development stage failure rates to estimate failure rates at each stage of clinical development in order to probability weight the cash flows for each internal and licensed program. We did not recognize a loss from impairment for the years ended December 31, 2011 and 2012.

Income Taxes

We account for income taxes in accordance with accounting guidance which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is a 50% or less likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

Our policy is to recognize interest and penalties on taxes, if any, within operations as income tax expense. We did not have any unrecognized tax positions at December 31, 2011 and 2012.

We are subject to U.S. federal and state tax authority audits for the years from December 31, 2009 to December 31, 2012.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

We recognize compensation expense using a fair-value-based method for costs related to all share-based payments, including stock options. Stock-based compensation cost related to employees and directors is measured at the grant date, based on the fair-value—based measurement of the award using the Black-Scholes method, and is recognized as expense over the requisite service period on a straight-line basis. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent period if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. We recorded stock-based compensation (benefit) and expense for stock-based awards to employees and directors of approximately $(57,000) and $29,000 for the years ended December 31, 2011 and 2012, respectively.

Options granted to individual service providers that are not employees or directors are accounted for at estimated fair value using the Black-Scholes option-pricing method and are subject to periodic re-measurement over the period during which the services are rendered.

Net Loss Per Share

Basic net loss per common share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Potentially dilutive securities consisting of stock options, convertible preferred stock and convertible promissory notes were not included in the diluted net loss per common shares calculation because the inclusion of such shares would have had an antidilutive effect.

	Year Ended December 31,	
	2011	2012
	(in thousands)	
Convertible preferred stock	37,785	37,785
Convertible promissory notes	7,661	8,681
Options to purchase common stock	3,861	4,045
Total	49,307	50,511

2. Convertible Notes Payable

In 2009, we issued $7.65 million of convertible promissory notes (the 2009 Notes) to existing preferred stockholders. The 2009 notes included a contingent redemption feature which provided that, upon a change of control or other liquidation event, the outstanding principal and accrued interest would be converted to shares of our Series E-1 convertible preferred stock which were entitled to a payment of liquidation preference equal to three times the per share price of $2.41 used for the conversion in priority to any liquidation payments to be made to any other series of convertible preferred stock or common stock. Originally, the 2009 Notes had an interest rate of 10.0% per annum and original maturity date of September 30, 2009 which was subsequently extended to July 31, 2011. In June 2011, the 2009 Notes were amended to increase the interest rate on the Note from 10.0% to 12.5% and to extend the maturity date to December 31, 2012. We determined that these amendments of the 2009 Notes were not an extinguishment of debt under ASC 470-50-40, Debt modifications and

Xencor, Inc.

Notes to Financial Statements (Continued)

2. Convertible Notes Payable (Continued)

Extinguishments. Accordingly, we did not recognize a gain or loss as a result of the amendments and they were treated as a modification of the debt. The new effective interest rate was 12.5%

In December 2010, we issued an additional $7.5 million of convertible promissory notes (the 2010 Notes) to existing preferred stockholders. The 2010 Notes included a contingent redemption feature which provided that, upon a change of control or other liquidation event, the outstanding principal and accrued interest would be converted to shares of our Series E-1 convertible preferred stock which were entitled to a payment of liquidation preference equal to three times the per share price of $2.41 used for the conversion in priority to any liquidation payments to be made to any other series of convertible preferred stock or common stock. The 2010 Notes bear similar terms as the 2009 notes and, originally had an interest rate of 10.0% per annum and an original maturity date of December 31, 2011. In December 2011, the 2010 Notes were amended to increase the interest rate from 10.0% to 12.5% and to extend the maturity date of the Notes to December 31, 2012. We determined that these amendments of the 2010 Notes were not an extinguishment of debt under ASC 470-50-40. Accordingly, we did not recognize a gain or loss as a result of the amendments and they were treated as a modification of the debt. The new effective interest rate was 12.5%

In December 2012 the maturity dates for the 2009 Notes and the 2010 Notes were extended to April 15, 2013 and in April 2013 the maturity dates were extended again to June 15, 2013, with each such extension considered to be a modification of debt under ASC 470-50-40.

In June 2013, and prior to the maturity dates of the 2009 Notes and the 2010 Notes, our Board of Directors and the requisite stockholders and holders of the 2009 Notes and 2010 Notes agreed to exchange the outstanding principal into shares of our Series A-1 convertible preferred stock in connection with a concurrent financing (see Note 8). The exchange of the 2009 Notes and 2010 Notes was not pursuant to the terms of the applicable Notes so we accounted for the exchange as an extinguishment of the original debt instrument under ASC 470-50-40. (see Note 8).

At December 31, 2011, we had $18.5 million of convertible notes payable which include principal of $15.2 million and accrued interest due of $3.3 million. At December 31, 2012, we had $20.9 million of convertible notes payable which include principal of $15.1 million and accrued interest due of $5.8 million. The 2009 Notes and 2010 Notes included a contingent redemption feature which provided that, upon a change of control or other liquidation event, the outstanding principal and accrued interest of such notes would be converted in shares of our Series E-1 convertible preferred stock which were entitled to payment of a liquidation preference equal to three times the per share price of $2.41 used for the conversion in priority to any liquidation payments to be made to any other series of convertible preferred stock or common stock. As of December 31, 2011 and 2012, $6.5 million of convertible promissory notes were held by a director of the Company.

Xencor, Inc.

Notes to Financial Statements (Continued)

3. Capital Structure

Authorized Capital Stock

We are authorized to issue 57,225,000 shares of common stock and 45,322,694 shares of convertible preferred stock, of which 857,797 are shares of Series A convertible preferred stock (Series A), 1,328,946 are shares of Series B convertible preferred stock (Series B), 2,416,284 are shares of Series C convertible preferred stock (Series C), 7,966,667 are shares of Series D convertible preferred stock (Series D), 25,253,000 are shares of Series E convertible preferred stock (Series E) and 7,500,000 are shares of Series E-1 convertible preferred stock (Series E-1) (collectively, the Preferred Series A – E). The shares of Series E-1 convertible preferred stock were authorized for potential issuance upon conversion of the 2009 Notes and 2010 Notes. Because no shares of Series E-1 were ever issued by us, the disclosure that follows does not include the rights of the Series E-1.

Rights of Convertible Preferred Stock

Anti-Dilution

In the event we sell or issue additional shares of preferred or common stock at a price less than the Series E original conversion prices of $2.41 per share and/or less than the Series D original conversion price of $2.52 per share, the Series E and/or the Series D conversion prices shall be reduced to reflect the effective price of the most recent sale or issuance. Where there is a reduction in the Series E and/or the Series D conversion price, additional Series E and/or Series D shares shall be issued to the Series E, and/or Series D holders such that the product of the conversion price and the original shares issued remains constant. Such an event will result in a beneficial event for the Series E, and Series D that will be recorded as a deemed dividend.

Conversion

Each share of convertible preferred stock is convertible, at the stockholders' option, into one share of common stock. Additionally, upon written consent of 75% of the holders of the then outstanding shares of all convertible preferred stock voting together, each share of convertible preferred stock is automatically converted into common stock and, in the event of a public offering of our equity securities with a price to the public of greater than $5.00 per share and resulting in gross proceeds to us of $35.0 million or more, all outstanding convertible preferred stock will automatically be converted into common stock.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, including any merger, consolidation or similar transaction:

- the holders of Series E preferred stockholders are entitled to receive preference to Series D, Series C, Series B, Series A and common stockholders to any distribution of any assets of the Company in an amount per share equal to $2.41 per share plus all accrued and unpaid liquidation dividends on such Series E;

- the holders of Series D are entitled to receive preference to Series C, Series B, Series A and common stockholders to any distribution of assets of the Company in an amount per share equal to $2.52 per share; and

Xencor, Inc.

Notes to Financial Statements (Continued)

3. Capital Structure (Continued)

- the holders of Series C, Series B, and Series A are entitled to receive preference to the common stockholders to any distribution of any assets of the Company in an amount per share equal to $20.70, $9.33 and $4.14 per share, respectively (as adjusted for any stock splits, stock dividends, recapitalizations, or the like).

After full payment of the Series E, Series D, Series C, Series B and Series A convertible preferred stock liquidation preference amounts, the remaining assets are distributed ratably to the holders of shares of common stock and convertible preferred stock on an as-converted to common stock basis.

The convertible preferred stock is classified as mezzanine equity outside stockholders' equity because each series of preferred Stock A through E is subject to a deemed liquidation clause that could potentially require redemption of the preferred shares for cash as a result of events outside the control of the Company.

We have not adjusted the carrying values of the convertible preferred stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock. Subsequent adjustments to increase the carrying values to the liquidation preferences will be made if an when it becomes probable that an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock.

Dividends

Dividends will be paid if and when declared by the Board of Directors at its sole discretion. Holders of outstanding shares of Series E in preference to the holders of Series A, Series B, Series C, Series D and common stock, shall be entitled to receive cash dividends at an annual rate of 8% of the original issue price per share of Series E, as applicable, outstanding, payable only when, as and if declared by the Board of Directors. The right to such dividends on the Series E shall be cumulative and is payable in the event of a liquidation. As of December 31, 2011 and 2012, the accumulated Series E dividend was $27.2 million and $34.2 million, respectively.

Holders of outstanding shares of Series D in preference to the holders of Series A, Series B, Series C and common stock, shall be entitled to receive cash dividends at an annual rate of 8% of the original issue price per share of Series D outstanding, payable only when, as and if declared by the Board of Directors. Holders of Series A, Series B, and Series C, in preference to the holders of common stock, shall be entitled to receive cash dividends at an annual rate of 8% of the original issue price per share of their respective series of convertible preferred stock, payable only when, as and if declared by the Board of Directors. The right to such dividends on the Series A, Series B, Series C, and Series D shares shall not be cumulative and no right shall accrue to holders of Series A, Series B, Series C, and Series D by reason of the fact that dividends are not declared or paid in any previous fiscal year.

Voting

Each share of Preferred Series A – E carries one vote for each share of common stock into which such shares of convertible preferred stock may be converted.

Xencor, Inc.

Notes to Financial Statements (Continued)

3. Capital Structure (Continued)

Redemption

The convertible preferred stock has no date-specific mandatory redemption features.

As of December 31, 2011 and 2012, 7.5 million shares of Series A – E convertible preferred stock were held by a director of the Company.

As of December 31, 2011 and 2012, there were notes outstanding issued to one of our stockholders by us in the aggregate amount of $0.2 million. We made the loans to facilitate the purchase by such stockholder of shares of our common stock. The notes mature on the earlier of May 2014 or the filing of a registration statement for our initial public offering and bear interest at 0.56% per annum. These notes are not reflected on the accompanying balance sheets as of December 31, 2011 and 2012 as the notes have been accounted for as an in-substance common stock option grant.

4. Income Taxes

Our effective tax rate differs from the statutory federal income tax rate, primarily as a result of the net operating loss carryforwards and research credit carryforwards.

A reconciliation of the federal statutory income tax rate to our effective income tax rate is as follows (in thousands):

	Year Ended December 31,	
	2011	2012
Federal statutory income tax rate	(3,809)	(2,922)
Other	338	348
Net change in valuation allowance	3,471	2,574
Net effective federal tax rate	—	—

Xencor, Inc.

Notes to Financial Statements (Continued)

4. Income Taxes (Continued)

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at December 31, 2012 and 2011, is presented below (in thousands):

	2011	2012
Deferred tax assets		
Net operating loss carryforwards	$ 52,880	$ 57,782
Research credits	20,776	22,503
Depreciation	915	892
Accrued compensation	109	163
Deferred revenue	4,871	3,048
Total deferred tax assets	79,551	84,388
Valuation allowance	(76,736)	(81,076)
Net deferred tax assets	2,815	3,312
Deferred tax liabilities		
Patent costs	(2,534)	(2,738)
Licensing costs	(162)	(455)
Capitalized legal costs	(119)	(119)
Net deferred taxes	$ —	$ —

Due to the uncertainty surrounding the timing of realization of the benefits of our deferred tax assets in future tax periods, we have placed a valuation allowance against its deferred tax assets. During the years ended December 31, 2011 and 2012, the valuation allowance increased by $6.0 million and $4.3 million respectively. The Company's tax returns remain open to potential inspection for the years ended 2009 and later.

As of December 31, 2012, we had cumulative net operating loss carryforwards for federal and state income tax purposes of $146.7 million and $131.6 million respectively, and available tax credit carryforwards of approximately $12.9 million for federal income tax purposes and $9.6 million for state income tax purposes, which can be carried forward to offset future taxable income, if any.

Our federal net operating loss carryforwards expire starting in 2018 and state net operating losses expire starting in 2013. Federal tax credit carryforwards expire starting in 2018 and state tax credit carryforwards expire starting in 2013. Utilization of the net operating losses and tax credits may be subject to a substantial annual limitation due to the ownership change limitations which may occur on the sale of additional common or preferred stock, provided by the Internal Revenue Code of 1986 under Section 382 and similar state provisions, which could result in the expiration of our net operating losses and tax credits before we can use them.

5. Stock-Based Compensation

In December 2010, the Board of Directors and the requisite stockholders approved a stock Option Plan, the 2010 Equity Incentive Plan (the 2010 Plan). All options granted under the 2010 Plan are to be made at prices not less than fair value of the stock at the date of grant. Options granted under the 2010 Plan are exercisable at various dates over their 10-year life. Generally, our Board of Directors grants options under our 2010 Plan with 100% of the shares initially subject to vesting and where 25%

Xencor, Inc.

Notes to Financial Statements (Continued)

5. Stock-Based Compensation (Continued)

of such shares vest on the one-year anniversary of the date of grant and $^{1}/_{48}$ of the shares vest monthly thereafter.

The following table summarizes certain information related to options for common stock:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	4,025,985	$ 0.19
Grants	5,100	0.19
Surrendered, forfeited or expired	(170,213)	0.19
Exercised	—	—
Outstanding at December 31, 2011	3,860,872	0.19
Grants	188,000	0.19
Surrendered, forfeited or expired	(3,700)	0.19
Exercised	—	
Outstanding at December 31, 2012	4,045,172	$ 0.19

Information with respect to stock options outstanding is as follows:

	December 31,	
	2012	2011
Exercisable options	3,393,313	2,835,607
Weighted average price per share of exercisable options	$ 0.19	$ 0.19
Weighted average grant date fair value per share of options granted during the year	$ 0.11	$ 0.11
Options available for future grants	2,336,458	2,520,758
Weighted average remaining contractual life	7.79	8.70

We estimated the fair value of employee and non-employee awards using the Black-Scholes valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards.

For the options granted in the years ended December 31, 2010 and 2011, we used an estimated fair value per share of $0.19, originally determined by our Board of Directors as of December 31, 2009. We used the capital asset valuation model to determine fair value with the following key assumptions: junior nature of the common stock to outstanding convertible preferred stock and convertible preferred promissory notes, conversion dilution, minority status and the illiquid nature of our common stock.

Xencor, Inc.

Notes to Financial Statements (Continued)

5. Stock-Based Compensation (Continued)

The fair value of employee stock options was estimated using the following weighted average assumptions for the years ended December 31, 2011 and 2012.

	2011	2012
Common stock fair value per share	$ 0.19	$ 0.19
Volatility	63.7%	63.7%
Risk-free interest rate	2.68	2.68%
Dividend yield	—	—%
Expected term (in years)	6.0	6.0

The expected term of stock options represents the average period the stock options are expected to remain outstanding. The expected stock price volatility for our stock options for the years ended December 31, 2011 and 2012 was determined by examining the historical volatilities for industry peers and adjusting for differences in our life cycle and financing leverage. Industry peers consist of several public companies in the biopharmaceutical industry.

We determined the average expected life of stock options based on the simplified method because our common stock has not been publicly traded to date.

The risk-free interest rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of our stock options.

The expected dividend assumption is based on our history and expectation of dividend payouts.

For the years ended December 31, 2011 and 2012, stock-based compensation expense amounted to $(57,000) and $29,000, respectively.

At December 31, 2011 and 2012, the unamortized compensation expense related to unvested options was $45,000 and $26,000, respectively. The remaining unamortized compensation expense will be recognized over the next two years.

6. Commitments and Contingencies

Although we may be involved from time to time in litigation incidental to our business, we are not currently aware of any ongoing, pending or threatened litigation which would have a material adverse effect on our financial position, results of operations and cash flows. However, unforeseen litigation may be initiated by us or by third parties. Such litigation could adversely affect our business, financial position and results of operations and divert our attention and resources from other matters.

In 2009, we purchased certain computer equipment under a three-year capital lease. Total payments due under the capital lease are listed below.

In 2011, we entered into an agreement with its landlord to amend the terms of its existing facility lease in Monrovia, California. The new lease extends the term of the lease from January 2012 to April 2015 and provides for a new rent payment schedule. The new lease is a non-cancelable operating lease. We are responsible for other lease related costs such as personal property taxes, insurance, maintenance and utilities.

Xencor, Inc.

Notes to Financial Statements (Continued)

6. Commitments and Contingencies (Continued)

Future minimum payments under the non-cancelable operating and capital leases consist of the following at December 31, 2012 (in thousands):

Years ending December 31,	Capital Equipment Lease	Operating Leases
2013	$ 7	$ 550
2014	8	620
2015	2	212
Thereafter	—	—
Total	$ 17	$ 1,382

Net rent expense for the years ended December 31, 2011 and 2012 was $689,000 and $547,000, respectively.

Guarantees

In the normal course of business, we indemnify certain employees and other parties, such as collaboration partners and other parties that perform certain work on behalf of, or for the Company or take licenses to our technologies. hawse have agreed to hold these parties harmless against losses arising from our breach of representations or covenants, intellectual property infringement or other claims made against these parties in performance of their work with us.

These agreements typically limit the time within which the party may seek indemnification by us and the amount of the claim. It is not possible to prospectively determine the maximum potential amount of liability under these indemnification agreements since we have not had any prior indemnification claims on which to base the calculation. Further, each potential claim would be based on the unique facts and circumstances of the claim and the particular provisions of each agreement. We are not aware of any potential claims and did not record a liability as of December 31, 2011 and 2012.

7. 401(k) Plan

We have a 401(k) plan covering all full-time employees. Employees may make pre-tax contributions up to the maximum allowable by the Internal Revenue Code. Participants are immediately vested in their employee contributions and employer discretionary contributions, if any. No employer contributions were made for the years ended December 31, 2011 and 2012.

8. Subsequent Events

In June 2013, our Board of Directors and the requisite holders of the 2009 Notes and 2010 Notes and requisite preferred stockholders agreed to a series of transactions as follows:

- an exchange of the outstanding principal due on the 2009 Notes and 2010 Notes for shares of Series A-1 convertible preferred stock and cancellation of the accrued and unpaid interest thereon, pursuant to a Note Conversion Agreement;

- an exchange of the current outstanding shares of Preferred Series A – E for Series A-1 convertible preferred stock pursuant to the operation of provisions in our certificate of incorporation which was amended and restated in connection with this series of transactions;

Xencor, Inc.

Notes to Financial Statements (Continued)

8. Subsequent Events (Continued)

- the sale of an additional $7.6 million in Series A-1 convertible preferred stock to existing stockholders that closed in June 2013;
- the conversion of certain shares of Series A-1 convertible preferred stock into shares of Series A-2 convertible preferred stock at a conversion rate of 1 for 3, pursuant to a mandatory conversion provision in our amended and restated certificate of incorporation; and
- the sale of an additional $2.4 million in Series A-1 convertible preferred stock to existing stockholders in an expected second closing in September 2013.

The primary business purpose for this series of transactions was to raise an additional $10 million of capital from the sale of shares of our Series A-1 convertible preferred stock (the financing). The exchange of Notes, cancellation of interest, restatement of our certificate of incorporation to effect the exchange of Preferred Series A – E for Series A-1 convertible preferred stock and the conversion of certain shares of Series A-1 convertible preferred stock for shares of Series A-2 convertible preferred stock were each negotiated aspects of, and conditions to, the financing. When considering the terms for the financing, our Board of Directors took these conditions into account and, ultimately, determined that the financing was in the best interests of the Company and our stockholders. Subsequent to approval of the financing by our Board of Directors, the requisite stockholders and holders of the Notes also approved this series of transactions.

Under the terms of the Note Conversion Agreement, the total outstanding principal due on the Notes as of June 13, 2013 was exchanged for 45,902,321 shares of Series A-1 convertible preferred stock, 5,303,597 of which were subsequently converted into 1,766,097 shares of Series A-2 convertible preferred stock. We determined that the per share fair value of the shares of Series A-1 convertible preferred stock issued was $1.54 and the total fair value of the issued shares under the Note Conversion Agreement was $70.7 million and we recognized a loss on the exchange of $48.6 million for the difference in the fair value of the shares of Series A-1 convertible preferred stock and the carrying value of the Notes as of June 13, 2013.

After the exchange of the Notes, the outstanding shares of Preferred Series A – E were exchanged for 1,977,137 shares of Series A-1 convertible preferred stock, 257,409 of which were subsequently converted into 85,717 shares of Series A-2 convertible preferred stock. We determined the fair value of the shares of Series A-1 convertible preferred stock issued to be $3.0 million and we recorded a deemed contribution to equity of $140.6 million equal to the difference in the fair value of the shares issued and the carrying value of the existing shares of Preferred Series A – E. We record issuance costs related to our preferred stock sales as a reduction to paid-in capital at the time the preferred securities are issued and reflect the carrying value of the preferred stock at the aggregate issuance price. We record these issuances as a non-cash equity distribution at the date of redemption. The deemed contribution has been adjusted to reflects $3.0 million of original issuance costs of the Preferred Series A – E.

We determined that the value of the Series A-2 convertible preferred stock to be $0.58 per share. A total of 1,851,814 shares of Series A-2 convertible preferred stock with a fair value of $1.1 million were issued in exchange for 5,561,006 shares of Series A-1 convertible preferred stock with the fair value of $8.6 million. We recognized a deemed contribution of $7.5 million for the difference in the fair value of the shares of Series A-2 convertible preferred stock issued in exchange for the shares of Series A-1 convertible preferred stock.

Xencor, Inc.

Notes to Financial Statements (Continued)

8. Subsequent Events (Continued)

On June 26, 2013 we sold 5,586,510 shares of additional Series A-1 convertible preferred stock to existing stockholders at a purchase price of $1.36 per share for aggregate proceeds of $7.6 million. We expect to issue up to an additional $2.4 million in additional shares of Series A-1 convertible preferred stock to existing stockholders at an additional closing in the third quarter of 2013. We determined that the fair value of the shares sold to be $8.6 million and we recorded a deemed dividend of $1.0 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. The $40,000 of transaction costs related to the sale was recorded against additional paid in capital and the shares of Series A-1 convertible preferred stock issued were recorded at their fair value on our balance sheet as of June 30, 2013.

We determined that the fair value of the Series A-1 and Series A-2 convertible preferred stock as of June 26, 2013 to be $1.54 and $0.58, respectively. We used the probability-weighted expected return method (PWERM) to determine the fair value of the shares of the Series A-1 and Series A-2 convertible preferred stock. PWERM is a scenario-based analysis that estimates the value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.

On September 4, 2013, our Board of Directors authorized the forgiveness of the outstanding principal and interest of approximately $166,000, under the promissory note from our Chief Executive Officer, effective and contingent upon the filing of a registration statement on Form S-1 for our initial public offering with the U.S. Securities and Exchange Commission.

We completed an evaluation of all subsequent events through September 11, 2013 to ensure that this filing includes appropriate disclosure of events both recognized in the December 31, 2012 financial statements and events which occurred but were not recognized in the financial statements.

9. Restatement of Financial Statements

We restated certain opening balances as of December 31, 2010 to eliminate officer notes in the amount of $166,000 that are reflected in our adjusted paid-in capital accounts and related interest income of $54,000 as the notes are accounted for as an in-substance common stock option grant and to record the related accumulated stock compensation expense of $102,000 and to correct the ratable recognition of revenue related to the MorphoSys arrangement in the amount of $79,000. These adjustments were immaterial individually and in the aggregate.

As of December 31, 2011, we recorded an adjustment to reduce revenue and increase deferred revenue by $1.5 million to correct the initial estimate of the period of service from our agreement with Amgen and recorded an adjustment to eliminate $166,000 in officer notes and related nominal interest income that are being accounted for as an in-substance common stock option grant in prior periods and to record an increase of $115,000 in revenue and a decrease in deferred revenue related to our agreement with MorphoSys to correctly account for the period of service.

Xencor, Inc.

Notes to Financial Statements (Continued)

9. Restatement of Financial Statements (Continued)

The effect of the adjustments described above are presented in the following table.

	December 31, 2011		
	As previously reported	Adjustments	Restated
	(in thousands)		
Balance Sheet Data:			
Deferred revenue	$ 10,900	$ 1,277	$ 12,177
Additional paid in capital	1,077	(64)	1,013
Accumulated deficit	(157,287)	(1,431)	(158,718)
Statement of Operations Data:			
Revenue	$ 8,204	$ (1,355)	$ 6,849
Net Loss	(9,848)	(1,355)	(11,203)

During the second quarter of 2012, we had a change in estimate related to the timing of our recognition of revenue for our agreement with Amgen from 60 months to 72 months. We changed our estimated time to complete the services provide to Amgen based upon feedback received from our contract research organizations. This change in estimate resulted in a $0.4 million decrease in revenue and increase in net loss and a $1.52 increase in basic and diluted loss per share for the year ended December 31, 2012.

Xencor, Inc.

Condensed Balance Sheet

(in thousands, except share and per share data)

	December 31, 2012	September 30, 2013 (unaudited)
Assets		
Current assets		
Cash and cash equivalents	$ 2,312	$ 9,621
Accounts receivables	354	—
Prepaid expenses and other current assets	173	1,133
Total current assets	2,839	10,754
Property and equipment		
Computers, software and equipment	3,374	3,515
Furniture and fixtures	107	89
Leasehold improvements	3,081	3,081
Less accumulated depreciation and amortization	(6,279)	(6,346)
Property and equipment, net	283	339
Other assets		
Patents, licenses and other intangible assets, net	8,460	9,013
Other assets	77	100
Total other assets	8,537	9,113
Total assets	$ 11,659	$ 20,206
Liabilities, mezzanine equity, and stockholders' deficit		
Current liabilities		
Accounts payable	$ 1,315	$ 3,361
Accrued expenses	1,286	789
Current portion of deferred revenue	1,948	4,470
Current portion of capital lease obligations	7	7
Convertible promissory notes payable	20,923	—
Total current liabilities	25,479	8,627
Deferred revenue, less current portion	5,672	7,000
Capital lease obligations, less current portion	10	7
Total liabilities	31,161	15,634
Mezzanine Equity		
Series A convertible preferred stock, $0.01 par value: 857,797 authorized shares; 857,792 issued and outstanding shares (liquidation preference of $3,551) at December 31, 2012; no shares authorized or issued and outstanding at September 30, 2013	3,550	—
Series B convertible preferred stock, $0.01 par value: 1,328,946 authorized shares; 1,328,941 issued and outstanding shares (liquidation preference of $12,399) at December 31, 2012; no shares authorized or issued and outstanding at September 30, 2013	12,375	—
Series C convertible preferred stock, $0.01 par value: 2,416,284 authorized shares; 2,416,281 issued and outstanding shares (liquidation preference of $50,017) at December 31, 2012; no shares authorized or issued and outstanding at September 30, 2013	50,000	—
Series D convertible preferred stock, $0.01 par value: 7,966,667 authorized shares; 7,936,483 issued and outstanding shares (liquidation preference of $20,000) at December 31, 2012; no shares authorized or issued and outstanding at September 30, 2013	20,000	—
Series E convertible preferred stock, $0.01 par value: 25,253,000 authorized shares; 25,245,566 issued and outstanding shares (liquidation preference of $88,047) at December 31, 2012; no shares authorized or issued and outstanding at September 30, 2013	60,841	—
Series A-1 convertible preferred stock: $0.01 par value; no shares authorized or issued and outstanding at December 31, 2012; 55,255,479 authorized shares; 49,671,392 issued and outstanding (liquidation preference $146,867) at September 30, 2013	—	78,526
Series A-2 convertible preferred stock; no shares authorized or issued and outstanding at December 31, 2012; 13,963,785 authorized shares; 1,851,814 issued and outstanding (liquidation preference $5,475) at September 30, 2013	—	1,075
Total mezzanine equity	146,766	79,601
Stockholders' deficit		
Common stock; $0.01 par value: 57,225,000 authorized shares and 224,319 issued and outstanding shares at December 31, 2012; 77,756,553 authorized shares and 224,319 shares issued and outstanding at September 30, 2013	2	2
Additional paid-in capital	1,042	148,837
Accumulated deficit	(167,312)	(223,868)
Total stockholders' deficit	(166,268)	(75,029)
Total liabilities, mezzanine equity and stockholders' deficit	$ 11,659	$ 20,206

See accompanying notes to financial statements.

Xencor, Inc.

Condensed Statements of Operations

(unaudited)

(in thousands, except share and per share data)

	Nine Months Ended September 30,	
	2012	2013
Revenues:		
Collaborations, licenses and milestones	$ 7,099	$ 8,428
Total revenues	7,099	8,428
Operating expenses:		
Research and development	8,725	12,857
General and administrative	2,081	2,381
Total operating expenses	10,806	15,238
Loss from operations	(3,707)	(6,810)
Other income (expenses)		
Interest income	11	7
Interest expense	(1,811)	(1,212)
Other income (expense)	24	15
Loss on settlement of notes	—	(48,556)
Total other income (expense), net	(1,776)	(49,746)
Net loss	$ (5,483)	$ (56,556)
Net deemed contribution on exchange and sale of preferred stock	—	144,765
Net income (loss) attributable to common stockholders	$ (5,483)	$ 88,209
Net income (loss) per share attributable to common stockholders:		
Basic:	$ (24.44)	$ 393.23
Diluted:	$ (24.44)	$ (1.33)
Weighted average shares of common stock used in computing net income (loss) per share attributable to common stockholders		
Basic	224,319	224,319
Diluted	224,319	42,585,327

See accompanying notes to financial statements.

Xencor, Inc.

Statements of Mezzanine Equity and Stockholders' Deficit

(unaudited)

(in thousands, except share data)

Mezzanine Equity	Series A Convertible Preferred Stock Shares	Series A Convertible Preferred Stock Amount	Series B Convertible Preferred Stock Shares	Series B Convertible Preferred Stock Amount	Series C Convertible Preferred Stock Shares	Series C Convertible Preferred Stock Amount	Series D Convertible Preferred Stock Shares	Series D Convertible Preferred Stock Amount	Series E Convertible Preferred Stock Shares	Series E Convertible Preferred Stock Amount	Series A-1 Convertible Preferred Stock Shares	Series A-1 Convertible Preferred Stock Amount	Series A-2 Convertible Preferred Stock Shares	Series A-2 Convertible Preferred Stock Amount
Balance, December 31, 2012	857,792	$ 3,550	1,328,941	$ 12,375	2,416,281	$ 50,000	7,936,483	$ 20,000	25,245,566	$ 60,841	—	$ —	—	$ —
Series A-1 shares issued in exchange of convertible notes	—	—	—	—	—	—	—	—	—	—	45,902,321	70,689	—	—
Exchange of Series A – E Preferred for Series A-1 preferred	(857,792)	(3,550)	(1,328,941)	(12,375)	(2,416,281)	(50,000)	(7,936,483)	(20,000)	(25,245,566)	(60,841)	1,977,137	3,045	—	—
Exchange of Series A-1 preferred for Series A-2 preferred	—	—	—	—	—	—	—	—	—	—	(5,561,006)	(8,563)	1,851,814	$ 1,075
Sale of Series A-1 preferred	—	—	—	—	—	—	—	—	—	—	7,352,940	13,355	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance, September 30, 2013	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**49,671,392**	**$ 78,526**	**1,851,814**	**$ 1,075**

Stockholders' Deficit	Common Stock Shares	Common Stock Amount	Additional Paid in-Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 31, 2012	224,319	$ 2	$ 1,042	$ (167,312)	$ (166,268)
Deemed contribution on exchange of Series A – E Preferred Stock for Series A-1	—	—	143,681	—	143,681
Deemed contribution on exchange of Series A-1 preferred for Series A-2 preferred	—	—	7,489	—	7,489
Deemed dividend on sale of Series A-1 preferred	—	—	(3,429)	—	(3,429)
Net loss	—	—	—	(56,556)	(56,556)
Stock-based compensation	—	—	54	—	54
Balance, September 30, 2013	**224,319**	**$ 2**	**$ 148,837**	**$ (223,868)**	**$ (75,029)**

See accompanying notes to financial statements.

Xencor

Condensed Statements of Cash Flows

(unaudited)

(in thousands)

	Nine Months Ended September 30	
	2012	2013
Cash flows from operating activities:		
Net loss	$ (5,483)	$ (56,556)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	416	433
Stock-based compensation	22	54
Gain on disposal of assets	(23)	(16)
Abandonment of capitalized intangible assets	235	241
Loss on exchange of notes for preferred stock	—	48,556
Accrued interest on notes converted to preferred stock	1,810	1,211
Changes in operating assets and liabilities:		
Accounts receivable	29	354
Deferred revenue	(3,763)	3,850
Prepaid expenses and other current assets	(8)	(960)
Accounts payable	(298)	2,046
Other assets	16	(21)
Accrued expenses	(96)	(497)
Net cash used in operating activities	(7,143)	(1,305)
Cash flows from investing activities:		
Purchase of intangible assets	(886)	(1,147)
Purchase of property and equipment	(37)	(136)
Proceeds from sale of assets	33	16
Net cash used in investing activities	(890)	(1,267)
Cash flows from financing activities:		
Preferred stock issuance costs	—	(116)
Payments on capital lease obligations	(12)	(3)
Proceeds from sale of Series A-1 preferred stock	—	10,000
Net cash (used in) provided by financing activities	(12)	9,881
Net increase (decrease) in cash and cash equivalents	(8,045)	7,309
Cash and cash equivalents at beginning of period	14,537	2,312
Cash and cash equivalents at end of period	$ 6,492	$ 9,621
Supplemental schedule of noncash investing activities:		
Equipment acquired under capital lease	$ 22	—

See accompanying notes to financial statements.

Xencor, Inc.

Notes to Financial Statements

1. Basis of Presentation

The accompanying balance sheet as of September 30, 2013, and the statements of operations and cash flows for the nine months ended September 30, 2013 and 2012 and statements of mezzanine equity and stockholders' deficit are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments which include only normal reoccurring adjustments, necessary to present fairly our financial position as of September 30, 2013, and the statements of operations and cash flows for the nine months ended September 30, 2013 and 2012 and statements of mezzanine equity and stockholders' deficit for the nine months ended September 30, 2013. The financial data and other information disclosed in these notes to the financial statements related to the nine-month periods are unaudited. The results for the nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the year ended December 31, 2013 or for any other interim period or for any other future year. These financial statements should be read in conjunction with our audited financial statements included elsewhere in this prospectus.

2. Capital Structure

Authorized Capital Stock

We are authorized to issue 77,765,553 shares of common stock and 69,219,264 shares of convertible preferred stock, of which 55,255,479 are shares of Series A-1 convertible preferred stock (Series A-1) and 13,963,785 are shares of Series A-2 convertible preferred stock (Series A-2).

Rights of Convertible Preferred Stock

Anti-Dilution

In the event we sell or issue additional shares of preferred or common stock at a price less than the original conversion price of the convertible preferred stock of $1.36 per share, the conversion price shall be reduced pursuant to a weighted-average anti-dilution adjustment set forth in our amended and restated certificate of incorporation.

Conversion

Each share of convertible preferred stock is convertible, at the stockholder's option, into one share of common stock. Additionally, each share of convertible preferred stock will be automatically converted into common stock, at the then-effective conversion rate, upon (i) written consent of 70% of the holders of the then outstanding shares of all convertible preferred stock voting together, (ii) in the event of a public offering of our equity securities resulting in gross proceeds to us of $25.0 million or more and (iii) upon the effective date of any registration statement filed with the SEC under the Securities Act or Exchange Act.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, including any merger, consolidation or similar transaction:

- the holders of Series A-1 are entitled to receive preference to Series A-2 and common stockholders to any distribution of any assets of the Company in an amount per share equal to the sum of (a) $150,000,000, which amount shall increase by 6% per year from the date of the

Xencor, Inc.

Notes to Financial Statements
(Continued)

2. Capital Structure (Continued)

filing of our amended and restated certificate of incorporation, compounded annually, divided by the aggregate number of shares of preferred stock outstanding following the final closing of the Series A-1 financing, plus (b) accrued and unpaid dividends (such per share amount referred to as the Series Preferred Liquidation Preference);

- the holders of Series A-2 are entitled to receive preference to common stockholders to any distribution of any assets of the Company in an amount per share equal to the Series Preferred Liquidation Preference; and

- the liquidation preference for the Series A-1 and A-2 Preferred Stock at September 30, 2013 was $146.8 million and $5.5 million, respectively.

After full payment of the Series A-1 and Series A-2 liquidation preference amounts, the remaining assets are distributed ratably to the holders of shares of common stock and convertible preferred stock on an as-converted to common stock basis.

The convertible preferred stock is classified as mezzanine equity outside stockholders' equity because each series of preferred stock is subject to a deemed liquidation clause that could potentially require redemption of the preferred shares for cash as a result of events outside the control of the Company.

We have not adjusted the carrying values of the convertible preferred stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock. Subsequent adjustments to increase the carrying values to the liquidation preferences will be made if and when it becomes probable that an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock.

Dividends

The holders of outstanding shares of convertible preferred stock are entitled to receive, when and if declared by our Board of Directors, a noncumulative dividend at an annual rate of 6% of the original issue price of $1.36 per share. Such dividend is payable in preference to any dividends payable to holders of shares of common stock declared by our Board of Directors. No dividends have been declared to date.

Voting

Each share of convertible preferred stock carries one vote for each share of common stock into which such shares of convertible preferred stock may be converted.

Redemption

The convertible preferred stock has no date-specific mandatory redemption feature.

Xencor, Inc.

Notes to Financial Statements
(Continued)

3. Series A-1 Preferred Stock Financing and Note Conversion Agreement

In 2009 and 2010, we sold a total of $15.1 million of convertible promissory notes (the Notes) to our existing preferred stockholders. In June 2013, our Board of Directors and the requisite holders of the Notes and requisite preferred stockholders agreed to a series of transactions as follows:

- an exchange of the outstanding principal due on the Notes for shares of Series A-1 convertible preferred stock and cancellation of the accrued and unpaid interest thereon, pursuant to a Note Conversion Agreement;
- an exchange of the then-outstanding shares of preferred stock (Preferred Series A – E) for Series A-1 convertible preferred stock pursuant to the operation of provisions in our certificate of incorporation which was amended and restated in connection with this series of transactions;
- the sale of an additional $7.6 million in Series A-1 convertible preferred stock to existing stockholders that closed in June 2013;
- the conversion of certain shares of Series A-1 convertible preferred stock into shares of Series A-2 convertible preferred stock at a conversion rate of 1 for 3, pursuant to a mandatory conversion provision in our amended and restated certificate of incorporation; and
- the sale of an additional $2.4 million in Series A-1 convertible preferred stock to existing stockholders that closed in September 2013.

The primary business purpose for this series of transactions was to raise an additional $10 million of capital from the sale of shares of our Series A-1 convertible preferred stock (the financing). The exchange of Notes, cancellation of interest, restatement of our certificate of incorporation to effect the exchange of Preferred Series A – E for Series A-1 convertible preferred stock and the conversion of certain shares of Series A-1 convertible preferred stock for shares of Series A-2 convertible preferred stock were each negotiated aspects of, and conditions to, the financing. When considering the terms for the financing, our Board of Directors took these conditions into account and, ultimately, determined that the financing was in the best interests of the Company and our stockholders. Subsequent to approval of the financing by our Board of Directors, the requisite stockholders and holders of the Notes also approved this series of transactions.

Under the terms of the Note Conversion Agreement, the total outstanding principal due on the Notes as of June 13, 2013 was exchanged for 45,902,321 shares of Series A-1 convertible preferred stock effective as of June 13, 2013, 5,303,597 of which were subsequently converted into 1,766,097 shares of Series A-2 convertible preferred stock. Since the exchange of the Notes was not a conversion into preferred shares under the original terms of the Notes, the exchange was an extinguishment of debt for accounting purposes, and we recognized a loss for the difference in the fair value of the shares issued and the carrying value of the Notes.

We determined that the per share fair value of the shares of Series A-1 convertible preferred stock issued under the Note Conversion Agreement was $1.54 and the total fair value of shares of Series A-1 convertible preferred stock was $70.7 million, and we recognized a loss on the exchange of $48.6 million for the difference in the fair value of the shares of Series A-1 convertible preferred stock and the carrying value of the Notes as of June 13, 2013. The $48.6 million loss is reported on our Statement of Operations as a Loss on Settlement of Notes as an Other Expense for the nine months

Xencor, Inc.

Notes to Financial Statements
(Continued)

3. Series A-1 Preferred Stock Financing and Note Conversion Agreement (Continued)

ended September 30, 2013. Associated transaction costs of $41,000 related to the exchange were expensed.

After the exchange of the Notes, all of the outstanding shares of Preferred Series A – E were exchanged for an aggregate of 1,977,137 shares of Series A-1 convertible preferred stock, 257,409 of which were subsequently converted into 85,717 shares of Series A-2 convertible preferred stock. We determined the fair value of the shares of Series A-1 convertible preferred stock issued to be $3.0 million and we recorded a deemed contribution to equity of $140.6 million equal to the difference in the fair value of the shares issued and the carrying value of the existing shares of Preferred Series A – E. We record issuance costs related to our preferred stock sales as a reduction to paid-in capital at the time the securities are issued. The deemed contribution has been reduced by $3.0 million of issuance costs.

We determined that the value of the Series A-2 convertible preferred stock to be $0.58 per share. A total of 1,851,814 shares of Series A-2 convertible preferred stock with a fair value of $1.1 million were issued in exchange for 5,561,006 shares of Series A-1 convertible preferred stock with the fair value of $8.6 million. We recognized a deemed contribution of $7.5 million for the difference in the fair value of the shares of Series A-2 convertible preferred stock issued in exchange for the shares of Series A-1 convertible preferred stock.

On June 26, 2013, we sold 5,586,510 shares of Series A-1 convertible preferred stock to existing stockholders at a purchase price of $1.36 per share, for an aggregate purchase price of $7.6 million. We determined that the fair value of the shares sold in June 2013 to be $8.6 million and we recorded a deemed dividend of $1.0 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. The $40,000 of transaction costs related to the sale was recorded against Additional Paid in Capital and the shares of Series A-1 convertible preferred stock issued were recorded at their fair value on our balance sheet as of September 30, 2013.

We determined that the fair value of the Series A-1 and Series A-2 convertible preferred stock as of June 26, 2013 to be $1.54 and $0.58, respectively. We used the probability-weighted expected return method (PWERM) to determine the fair value of the shares of the Series A-1 and Series A-2 convertible preferred stock. PWERM is a scenario-based analysis that estimates the value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.

On September 23, 2013 we sold 1,766,430 additional shares of Series A-1 convertible preferred stock for gross proceeds of $2.4 million at a purchase price of $1.36 per share. We determined the fair value of the shares of Series A-1 convertible preferred stock sold to be $4.7 million, based on a per share fair value of $2.69, determined using the PWERM, and we recorded a deemed dividend of $2.3 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. Transaction costs of $34,000 related to the sale were recorded against Additional Paid in Capital and the shares of Series A-1 convertible preferred stock were recorded at their fair value on our balance sheet as of September 30, 2013.

We determined that the fair value of the Series A-1 convertible preferred stock as of September 23, 2013 was $2.69. We used the PWERM to determine the fair value of the Series A-1 shares.

Xencor, Inc.

Notes to Financial Statements
(Continued)

4. Fair Value of Financial Instruments

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

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

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

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

Our Level 1 assets consist of highly liquid money market funds. The fair value of Level 1 assets has been determined using quoted prices in active markets for identical assets. There were no transfers between Level 1, Level 2 or Level 3 securities during the periods presented.

The assets we recorded at fair value at December 31, 2012 and September 30, 2013 are classified within the hierarchy as follows for the years reported (in millions):

	December 31, 2012		September 30, 2013	
	Total Fair Value	Level 1	Total Fair Value	Level 1
Money Market Funds	$ 2.3	$ 2.3	$ 6.9	$ 6.9

5. Net (Loss) Income Per Share of Common Stock

Basic net loss per common share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Potentially dilutive securities consisting of stock options and convertible preferred stock were not included in the diluted net loss per common share calculation because the inclusion of such shares would have had an antidilutive effect.

For the nine months ended September 30, 2012, the following securities were excluded from the calculation of diluted net loss per share as the effect would have been antidilutive (in thousands):

	September 30, 2012
Convertible preferred stock	37,785
Convertible promissory notes	8,412
Options to purchase common stock	4,045
	50,242

The loss for the period ended September 30, 2013 was adjusted, for purposes of the diluted net income per share calculation, to reflect the deemed contribution from the exchange of convertible preferred stock of $148.1 million. The loss was also adjusted to reflect the deemed dividends recorded for the sales of Series A-1 convertible preferred stock in June and September 2013. We determined that there was a deemed dividend of $1.0 million for the difference between the fair value of the shares of Series A-1 convertible preferred stock and the price at which additional shares were sold in the initial closing of the Series A-1 preferred stock financing. We determined that there was an additional

Xencor, Inc.

Notes to Financial Statements
(Continued)

5. Net (Loss) Income Per Share of Common Stock (Continued)

deemed dividend of $2.35 million for the difference between the fair value of the shares of series A-1 convertible preferred stock and the price at which additional shares were sold in the subsequent Series A-1 closing in September 2013.

The unaudited diluted (loss) income per share calculation assumes the conversion of outstanding shares of convertible preferred stock into common stock using the as-if converted method (following table in thousands, except share and per share data):

	Nine Months Ended September 30,	
	2012	2013
Basic:		
Numerator:		
Net Loss	$ (5,483)	$ (56,556)
Deemed contribution, net of deemed dividends	—	144,765
Net (loss) income attributable to common stockholders for basic income per share	$ (5,483)	$ 88,209
Denominator:		
Weighted-average common shares outstanding	224,319	224,319
Basic net (loss) income per common share	$ (24.44)	$ 393.23
Diluted:		
Numerator:		
Net (loss) income attributable to common stockholders for basic net loss per share	$ (5,483)	$ 88,209
Deemed contribution, net of deemed dividends	—	(144,765)
Net loss attributable to common stockholders for diluted net loss per share	$ (5,483)	$ (56,556)
Denominator:		
Weighted average number of common shares outstanding used in computing basic net (loss) income per common share	224,319	224,319
Dilutive effect of conversion of convertible Preferred stock	—	42,361,008
Weighted average number of common shares outstanding used in computing net loss per common share	224,319	42,585,327
Diluted net loss per common share	$ (24.44)	$ (1.33)

The convertible preferred stock and options were not included in the computation of diluted loss per share for 2012 as the effect of doing so would have been antidilutive.

The convertible promissory notes were not included because the contingency was not met and, even had the contingency been satisfied under the if-converted method, inclusion would have been antidilutive.

Xencor, Inc.

Notes to Financial Statements
(Continued)

6. Equity Incentive Plans

The following summarizes option activity under our stock plans:

	Number of Options Available for Grant	Options Outstanding	Weighted-Average Exercise price
Balances at December 31, 2012	2,336,458	4,045,172	$ 0.19
Increase in shares available	1,940,340	—	—
2013 forfeitures	10,000	(10,000)	0.19
2013 option grants	(1,556,440)	1,556,440	1.37
Balances at September 30, 2013	2,730,358	5,591,612	$ 0.52

Stock Based Compensation

Employee stock-based compensation expense recognized was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Total stock-based compensation expense recognized was as follows (in thousands):

	Nine Months Ended September 30,	
	2012	2013
Research and development	$ 8.0	$ 28.1
General and administrative	14.2	26.3
Total	$ 22.2	$ 54.4

Information with respect to stock options outstanding is as follows:

	September 30, 2013
Exercisable options	3,686,670
Weighted average price per share of exercisable options	$ 0.19
Weighted average grant date fair value per share of options granted during the nine months ended September 30, 2013	$ 1.54
Options available for future grants	2,730,358
Weighted average remaining contractual life	7.86

We estimated the fair value of employee and non-employee awards using the Black-Scholes valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards.

For the options granted in the nine-month period ended September 30, 2013 we used an estimated fair value per share of $1.37, originally determined by our Board of Directors as of the grant date. We used the PWERM to determine fair value with the following key assumptions: junior nature of the common stock to outstanding convertible preferred stock and convertible promissory notes, conversion dilution, minority status and the illiquid nature of our common stock.

Xencor, Inc.

Notes to Financial Statements
(Continued)

6. Equity Incentive Plans (Continued)

The fair value of employee and non-employee stock options was estimated using the following weighted average assumptions for the nine months ended September 30, 2013.

Common Stock fair value per share	$ 1.37
Volatility	56.8%
Risk-free interest rate	1.96%
Dividend yield	—%
Expected term (in years)	5.4

The expected term of stock options represents the average period of stock options are expected to remain outstanding. The expected stock price volatility for our stock options for the nine months ended September 30, 2013 was determined by examining the historical volatilities for industry peers and adjusting for differences in the life cycle and financing leverage. Industry peers consist of several public companies in the biopharmaceutical industry.

We determined the average expected life of stock options based on the simplified method because our common stock has not been publicly traded to date.

The risk-free interest rate is based on the U.S. Treasury instruments whose term was consistent with the expected term of our stock options.

The expected dividend assumption is based on our history and expectation of dividend payments.

For the nine months ended September 30, 2013, stock-based compensation expense amounted to $54,400.

At September 30, 2013 unamortized compensation expense related to unvested options was $1.9 million. The remaining unamortized expense will be recognized over the next four years.

7. Collaborative Research and Licensing Agreements

MorphoSys Ag

In June 2010, we entered into a Collaboration and License Agreement with MorphoSys AG (MorphoSys), which we subsequently amended in March 2012. The agreement provided us an upfront payment in exchange for an exclusive worldwide license to our patents and know-how to research, develop and commercialize our XmAb5574 product candidate with the right to sublicense under certain conditions and we are eligible to receive future milestones upon further development by MorphoSys of the compound and royalties. Under the agreement, we agreed to collaborate with MorphoSys to develop and commercialize XmAb5574. We determined that the arrangement was one with multiple deliverables and we identified the multiple elements in the agreement as the license of XmAb5574/MOR208 and the research and development services provided by us for the initial Phase 1 clinical trial. We determined that the future milestone payments were substantive and contingent and we did not allocate any of the upfront consideration to these. In April and May 2013, MorphoSys initiated two Phase 2 clinical trials and we received a milestone payment of $3.0 million. We have recognized the payment under the milestone method and recorded it into income during the period that the milestone event occurred.

Xencor, Inc.

Notes to Financial Statements
(Continued)

7. Collaborative Research and Licensing Agreements (Continued)

Alexion Pharmaceuticals, Inc.

In January 2013, we entered into an Option and License Agreement with Alexion Pharmaceuticals, Inc. (Alexion). Under the terms of the agreement, we provided Alexion with an exclusive research license to one of our technologies over a five-year period and the rights for Alexion to take an exclusive commercial option to one or more compounds. We determined that the future milestones and related payments were substantive and contingent and we did not allocate any of the upfront consideration to the milestones. In 2013, we received an upfront payment of $3.0 million and will receive annual license fees during the license term. Upon exercise of an option to take a commercial license we are eligible to receive future licensing and option fees.

We evaluated the proper accounting treatment for this agreement and determined that the deliverables under the agreement were the research license and the option. Since the option payment is substantive and contingent and there is no assurance we will receive it, we determined that it should not be considered a deliverable at inception and the full upfront payment should be allocated to the research license. We determined that the future milestones and related payments were substantive and contingent and we did not allocate any of the upfront consideration to milestones. Accordingly, we concluded that the arrangement should be accounted for as a single unit of accounting and that the arrangement consideration including the upfront payment should be recognized over the research term of the agreement which is five years.

Total revenue recognized under this agreement was $0.7 million for the nine months ended September 30, 2013. As of September 30, 2013 we have deferred revenue related to this agreement of $2.3 million.

CSL Limited

In March 2013, we entered into a License Agreement with CSL Limited (CSL). Under the terms of the agreement, we provided CSL with a non-exclusive commercial license to apply our technology to one of their compounds. The agreement provided for upfront payment of $0.5 million and we are eligible to receive future milestones as CSL advances the compound into clinical development.

We determined that the deliverables under this agreement were the non-exclusive commercial license. We determined that the future milestones and related payments were substantive and contingent and we did not allocate any of the upfront consideration to the milestones. We recognized $0.5 million in revenue under this arrangement for the nine months ended September 30, 2013.

In May 2013, we entered into an amendment to a February 2009 Research License and Commercialization Agreement with CSL, which amendment eliminated a contingent milestone and reduced the royalty rate on net sales for the licensed product CSL362. The amendment provided for a payment upon signing of $2.5 million. We determined that the amendment was a material modification to the original agreement and evaluated the remaining deliverables at the date of the amendment. We determined that the remaining deliverables were the research license which expires in February 2014 and four additional options to take commercial licenses through the term of the research period. The options are considered to be substantive and contingent and we did not allocate any of the proceeds received in the amendment to the options. The amendment proceeds are being recognized into income

Xencor, Inc.

Notes to Financial Statements
(Continued)

7. Collaborative Research and Licensing Agreements (Continued)

over the remaining research term. We recognized $1.3 million in income for the nine months ended September 30, 2013 and we have deferred revenue related to this agreement of $1.3 million.

Merck

In July 2013, we entered into a License Agreement with Merck Sharp Dohme Corp (Merck). Under the terms of the agreement, we provided Merck with a non-exclusive commercial license to certain patent rights to our Fc domains to apply to one of their compounds. We also provided Merck with contingent options to take additional non-exclusive commercial licenses. The contingent options provide Merck an opportunity to take non-exclusive commercial licenses at an amount less than the amount paid for the original license. The agreement provided for an upfront payment of $1.0 million and annual maintenance fees totaling $0.5 million. We are also eligible to receive future milestones and royalties as Merck advances the compound into clinical development.

We determined that the deliverables under this agreement were the non-exclusive commercial license and the options. The options are considered substantive and contingent and no amount of the upfront payment was allocated to these options. We also determined that the future milestones and related payments were substantive and contingent and did not allocate any of the upfront payment to the milestones.

We recognized $1.0 million in revenue under this arrangement for the nine months ended September 30, 2013.

As of September 30, 2013, the Company may be eligible to receive the following maximum payments from its collaborative partners and licensees based upon contractual terms in the agreements assuming all options are exercised and all milestones are achieved:

	Potential Milestones (in millions)			
Partner	Development-based	Regulatory-based	Sales-based	Total Milestones
MorphoSys(2)	$ 62.0	$ 187.0	$ 50.0	$ 299.0
Amgen(1)	62.0	150.0	225.0	437.0
Alexion(2)	51.0	168.0	180.0	399.0
BI(2)	9.0	6.0	12.0	27.0
CSL 2009(2)	38.0	20.0	31.0	89.0
CSL 2013(2)	8.0	4.0	24.5	36.5
Janssen(2)	6.0	—	4.0	10.0
Merck(2)	4.0	6.0	—	10.0
Total	$ 240.0	$ 541.0	$ 526.5	$ 1,307.5

(1) These potential milestones include milestones that were determined to be substantive because they require the company to devote substantial effort to perform services for the benefit of the counterparty prior to achievement of the milestone and the payments due upon achievement of the milestone are reasonable in connection with the services provided and the remainder of the milestones in the arrangement.

(2) The payments are solely dependent upon activities of the collaborative partner or licensee.

Xencor, Inc.

Notes to Financial Statements
(Continued)

8. Subsequent Events

The Company evaluates subsequent events in accordance with ASC 855, *Subsequent Events.* The Company evaluated subsequent events through October 25, 2013, which is when these financial statements were available to be issued.


Xencor

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by Xencor, Inc. (the Registrant or we) in connection with the sale of the common stock being registered. All amounts shown are estimates except for the Securities and Exchange Commission (SEC) registration fee, the FINRA filing fee and the NASDAQ Global Market filing fee.

	Amount
SEC registration fee	$ 8,887
FINRA filing fee	*
NASDAQ Global Market listing fee	*
Blue-sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be provided by amendment.

Item 14. Indemnification of Directors and Officers.

The Registrant is incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify any persons who were, are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who were, are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to the corporation's best interests, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses (including attorneys' fees) actually and reasonably incurred.

The Registrant's amended and restated certificate of incorporation and amended and restated bylaws, each of which will become effective upon the closing of this offering, provide for the

indemnification of its directors and officers to the fullest extent permitted under the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

The Registrant's amended and restated certificate of incorporation includes such a provision. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by the Registrant upon delivery to it of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Registrant.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

As permitted by the Delaware General Corporation Law, the Registrant has entered into indemnity agreements with each of its directors and executive officers, that require the Registrant to indemnify such persons against any and all costs and expenses (including attorneys', witness or other professional fees) actually and reasonably incurred by such persons in connection with any action, suit or proceeding (including derivative actions), whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director or officer or is or was acting or serving as an officer, director, employee or agent of the Registrant or any of its affiliated enterprises. Under these agreements, the Registrant is not required to provided indemnification for certain matters, including:

- indemnification beyond that permitted by the Delaware General Corporation Law;
- indemnification for any proceeding with respect to the unlawful payment of remuneration to the director or officer;
- indemnification for certain proceedings involving a final judgment that the director or officer is required to disgorge profits from the purchase or sale of the Registrant's stock;
- indemnification for proceedings involving a final judgment that the director's or officer's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct or a breach of his or her duty of loyalty, but only to the extent of such specific determination;
- indemnification for proceedings or claims brought by an officer or director against us or any of the Registrant's directors, officers, employees or agents, except for claims to establish a right of indemnification or proceedings or claims approved by the Registrant's board of directors or required by law;

- indemnification for settlements the director or officer enters into without the Registrant's consent; or

- indemnification in violation of any undertaking required by the Securities Act or in any registration statement filed by the Registrant.

The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

Except as otherwise disclosed under the heading "Legal Proceedings" in the "Business" section of this registration statement, there is at present no pending litigation or proceeding involving any of the Registrant's directors or executive officers as to which indemnification is required or permitted, and the Registrant is not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

The Registrant has an insurance policy in place that covers its officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act of 1933, as amended (the Securities Act) or otherwise.

The Registrant plans to enter into an underwriting agreement which provides that the underwriters are obligated, under some circumstances, to indemnify the Registrant's directors, officers and controlling persons against specified liabilities, including liabilities under the Securities Act.

Item 15. Recent sales of unregistered securities.

Set forth below is information regarding securities issued and options granted by us since January 1, 2010 that were not registered under the Securities Act. Also included is the consideration, if any, received by us for such securities and options and information relating to the Securities Act section, or rule of the SEC, under which exemption from registration was claimed.

(1) In December 2010, we issued convertible promissory notes in an aggregate principal amount of $7,500,000 to accredited investors pursuant to a note purchase agreement. These notes converted into 22,727,279 shares of Series A-1 convertible preferred stock in June 2013.

(2) In June 2013 and September 2013, pursuant to the Series A-1 Purchase Agreement, we issued and sold an aggregate of 7,352,940 shares of Series A-1 convertible preferred stock to accredited investors at a purchase price of $1.36 per share, for an aggregate purchase price of $9,999,998.

(3) From January 1, 2010 to date, we granted stock options under our 2010 Plan to purchase an aggregate of 1,363,631 shares of common stock at an exercise price of $0.19 per share and an aggregate of 1,556,440 shares of common stock at an exercise price of $1.37 per share to certain directors, officers, employees and consultants.

(4) In July 2010, our Board of Directors approved an option re-pricing program pursuant to which holders of existing stock options with exercise prices above $0.19 per share were offered the ability to exchange those stock options for new stock options with an exercise price of $0.19 per share.

The offers, sales and issuances of the securities described in paragraphs (1) and (2) were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) (or Regulation D promulgated thereunder), in that the issuance of securities to the accredited investors did not involve a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited investor under Rule 501 of Regulation D. No underwriters were involved in these transactions.

The offers, sales and issuances of the securities described in paragraphs (3) and (4) were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were our employees, directors or bona fide consultants and received the securities under our 2010 Equity Plan.

Item 16. Exhibits and financial statement schedules.

(a) Exhibits.

Exhibit number	Description of document
1.1	Form of Underwriting Agreement.
3.1#	Sixth Amended and Restated Certificate of Incorporation, as currently in effect.
3.2#	Form of Amended and Restated Certificate of Incorporation to become effective upon the closing of this offering.
3.3#	Bylaws, as currently in effect.
3.4#	Form of Amended and Restated Bylaws to become effective upon the closing of this offering.
4.1	Form of Common Stock Certificate of the Registrant.
4.2#	Third Amended and Restated Investor Rights Agreement, dated June 26, 2013, among the Registrant and certain of its stockholders.
5.1†	Opinion of Cooley LLP.
10.1+#	Form of Indemnity Agreement by and between the Registrant and its directors and officers.
10.2+#	Xencor, Inc. 2010 Equity Incentive Plan and Forms of Option Agreement, Notice of Exercise and Stock Option Grant Notice thereunder.
10.3+#	Xencor, Inc. 2013 Equity Incentive Plan and Forms of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice thereunder.
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10.5+#	Xencor, Inc. Non-Employee Director Compensation Policy.
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10.7+#	Offer Letter, dated January 12, 2010, by and between the Registrant and Dr. Edgardo Baracchini, Jr.
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10.19*	Collaboration and License Agreement, dated June 27, 2010, by and between the Registrant and MorphoSys AG.
10.20*	First Amendment to the Collaboration and License Agreement, dated March 23, 2012, by and between the Registrant and MorphoSys AG.
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10.26*#	Cross-License Agreement, dated December 19, 2012, by and between the Registrant and MedImmune, LLC.
21.1#	Subsidiaries of the Registrant.
23.1	Consent of BDO USA LLP, an Independent Registered Public Accounting Firm.
23.2†	Consent of Cooley LLP. Reference is made to Exhibit 5.1.
24.1#	Power of Attorney.

† To be filed by amendment.

+ Indicates management contract or compensatory plan.

* Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

Previously filed.

(b) Financial statement schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Monrovia, State of California, on the 25th day of October, 2013.

XENCOR, INC.

By: /s/ BASSIL I. DAHIYAT, PH.D.

Bassil I. Dahiyat, Ph.D.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ BASSIL I. DAHIYAT, PH.D. Bassil I. Dahiyat, Ph.D.	President, Chief Executive Officer and Member of the Board of Directors (Principal Executive Officer)	October 25, 2013
/s/ JOHN J. KUCH John J. Kuch	Vice President, Finance (Principal Financial and Accounting Officer)	October 25, 2013
/s/ BRUCE L.A. CARTER, PH.D.* Bruce L.A. Carter, Ph.D.	Chairman of the Board of Directors	October 25, 2013
/s/ JONATHAN FLEMING* Jonathan Fleming	Member of the Board of Directors	October 25, 2013

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Signature	Title	Date
/s/ ATUL SARAN*		
Atul Saran	Member of the Board of Directors	October 25, 2013
/s/ JOHN S. STAFFORD III*		
John S. Stafford III	Member of the Board of Directors	October 25, 2013
/s/ HAROLD R. WERNER*		
Harold R. Werner	Member of the Board of Directors	October 25, 2013

*Pursuant to power of attorney

By: /s/ BASSIL I. DAHIYAT, PH.D.

Bassil I. Dahiyat, Ph.D.

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23.2†	Consent of Cooley LLP. Reference is made to Exhibit 5.1.
24.1#	Power of Attorney.

† To be filed by amendment.

+ Indicates management contract or compensatory plan.

* Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

Previously filed.

Exhibit 1.1

[Number] Shares

Xencor, Inc.

COMMON STOCK, PAR VALUE $0.01 PER SHARE

UNDERWRITING AGREEMENT

[Date], 2013

CREDIT SUISSE SECURITIES (USA) LLC
LEERINK SWANN, LLC,
As Representatives of the Several Underwriters,

c/o Credit Suisse Securities (USA) LLC,
Eleven Madison Avenue,
New York, NY 10010-3629

c/o Leerink Swann, LLC
201 Spear Street, 16th Floor
San Francisco, CA 94105

Dear Sirs:

1. *Introductory*. Xencor, Inc., a Delaware corporation (the "**Company**"), agrees with the several Underwriters named in Schedule A hereto (the "**Underwriters**"), for whom Credit Suisse Securities (USA) LLC and Leerink Swann, LLC are acting as representatives (the "**Representatives**") to issue and sell to the several Underwriters [ ] shares (the "**Firm Securities**") of its common stock, par value $0.01 per share (the "**Securities**") and also proposes to issue and sell to the Underwriters, at the option of the Underwriters, an aggregate of not more than [ ] additional shares (the "**Optional Securities**") of its Securities as set forth below. The Firm Securities and the Optional Securities are herein collectively called the "**Offered Securities.**"

2. *Representations and Warranties of the Company*. The Company represents and warrants to, and agrees with, the several Underwriters that:

(a) *Filing and Effectiveness of Registration Statement; Certain Defined Terms*. The Company has filed with the Commission a registration statement on Form S-1 (No. 333-191689) covering the registration of the Offered Securities under the Act, including a related preliminary prospectus or prospectuses. At any particular time, this initial registration statement, in the form then on file with the Commission, including all information contained in the registration statement (if any) pursuant to Rule 462(b) and then deemed to be a part of the initial registration statement, and all 430A Information and all 430C Information, that in any case has not then been superseded or modified, shall be referred to as the "**Initial Registration Statement**". The Company may also have filed, or may file with the Commission, a Rule 462(b) registration statement covering the registration of Offered Securities. At any particular time, this Rule 462(b) registration statement, in the form then on file with the Commission, including the contents of the Initial Registration Statement incorporated by reference therein and including all 430A Information and all 430C Information, that in any case has not then been superseded or modified, shall be referred to as the "**Additional Registration Statement**".

As of the time of execution and delivery of this Agreement, the Initial Registration Statement has been declared effective under the Act and is not proposed to be amended. Any Additional Registration Statement has or will become effective upon filing with the Commission pursuant to Rule 462(b) and is not proposed to be amended. The Offered Securities all have been or will be duly registered under the Act pursuant to the Initial Registration Statement and, if applicable, the Additional Registration Statement.

For purposes of this Agreement:

"**430A Information**", with respect to any registration statement, means information included in a prospectus and retroactively deemed to be a part of such registration statement pursuant to Rule 430A(b).

"**430C Information**", with respect to any registration statement, means information included in a prospectus then deemed to be a part of such registration statement pursuant to Rule 430C.

"**Act**" means the Securities Act of 1933, as amended.

"**Applicable Time**" means [ ]:00 [a/p]m (New York time) on the date of this Agreement.

"**Closing Date"** has the meaning defined in Section (kk) hereof.

"**Commission**" means the Securities and Exchange Commission.

"**Effective Time**" with respect to the Initial Registration Statement or, if filed prior to the execution and delivery of this Agreement, the Additional Registration Statement, means the date and time as of which such Registration Statement was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c). If an Additional Registration Statement has not been filed prior to the execution and delivery of this Agreement but the Company has advised the Representatives that it proposes to file one, "**Effective Time**" with respect to such Additional Registration Statement means the date and time as of which such Registration Statement is filed and becomes effective pursuant to Rule 462(b).

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

"**Final Prospectus**" means the Statutory Prospectus that discloses the public offering price, other 430A Information and other final terms of the Offered Securities and otherwise satisfies Section 10(a) of the Act.

"**General Use Issuer Free Writing Prospectus**" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being so specified in Schedule B to this Agreement.

"**Issuer Free Writing Prospectus**" means any "issuer free writing prospectus," as defined in Rule 433, relating to the Offered Securities in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"**Limited Use Issuer Free Writing Prospectus**" means any Issuer Free Writing Prospectus that is not a General Use Issuer Free Writing Prospectus.

The Initial Registration Statement and the Additional Registration Statement are referred to collectively as the "**Registration Statements**" and individually as a "**Registration Statement**". A "**Registration Statement**" with reference to a particular time means the Initial Registration Statement and any Additional Registration Statement as of such time. A "**Registration Statement**" without reference to a time means such Registration Statement as of its Effective Time. For purposes of the foregoing definitions, 430A Information with respect to a Registration Statement shall be considered to be included in such Registration Statement as of the time specified in Rule 430A.

"**Rules and Regulations**" means the rules and regulations of the Commission.

"**Securities Laws**" means, collectively, the Sarbanes-Oxley Act of 2002 ("**Sarbanes-Oxley**"), the Act, the Exchange Act, the Rules and Regulations, the auditing principles, rules, standards and practices applicable to auditors of "issuers" (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and, as applicable, the rules of the NASDAQ Stock Market ("**Exchange Rules**").

"**Statutory Prospectus**" with reference to a particular time means the prospectus included in a Registration Statement immediately prior to that time, including any 430A Information or 430C Information with respect to such Registration Statement. For purposes of the foregoing definition, 430A Information shall be considered to be included in the Statutory Prospectus as of the actual time that form of prospectus is filed with the Commission pursuant to Rule 424(b) or Rule 462(c) and not retroactively.

"**Testing-the-Waters Communication**" means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act.

"**Written Testing-the-Waters Communication**" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act.

Unless otherwise specified, a reference to a "rule" is to the indicated rule under the Act. In the event that the Company has only one subsidiary, then all references herein to "subsidiaries" of the Company shall be deemed to refer to such single subsidiary, mutatis mutandis.

(b) *Compliance with Securities Act Requirements*. (i) (A) At their respective Effective Times, (B) on the date of this Agreement and (C) on each Closing Date, each of the Initial Registration Statement and the Additional Registration Statement (if any) conformed and will conform in all material respects to the requirements of the Act and the Rules and Regulations and did not and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) on its date, at the time of filing of the Final Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Time of the Additional Registration Statement in which the Final Prospectus is included, and on each Closing Date, the Final Prospectus will conform in all material respects to the requirements of the Act and the Rules and Regulations and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The preceding sentence does not apply to statements in or omissions from any such document based upon written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 8(b) hereof.

(c) *Ineligible Issuer Status*. (i) At the time of the initial filing of the Initial Registration Statement and (ii) at the date of this Agreement, the Company was not and is not an "ineligible issuer," as defined in Rule 405, including (x) the Company or any subsidiary of the Company in the preceding three years not having been convicted of a felony or misdemeanor or having been made the subject of a judicial or administrative decree or order as described in Rule 405 and (y) the Company in the preceding three years not having been the subject of a bankruptcy petition or insolvency or similar proceeding, not having had a registration statement be the subject of a proceeding under Section 8 of the Act and not being the subject of a proceeding under Section 8A of the Act in connection with the offering of the Offered Securities, all as described in Rule 405.

(d) *Emerging Growth Company Status.* From the time of the initial confidential submission of the Initial Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Act (an "**Emerging Growth Company**").

(e) *General Disclosure Package*. As of the Applicable Time, none of (i) the General Use Issuer Free Writing Prospectus(es) issued at or prior to the Applicable Time, the preliminary prospectus, dated [ ], 2013 (which is the most recent Statutory Prospectus distributed to investors generally) and the other information, if any, stated in Schedule B to this Agreement to be included in the General Disclosure Package, all considered together (collectively, the "**General Disclosure Package**"), (ii) any individual Limited Use Issuer Free Writing Prospectus, when considered together with the General Disclosure Package or (iii) any individual Written Testing-the-Waters Communication that has been authorized by the Company, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from any Statutory Prospectus or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 8(b) hereof.

(f) *Issuer Free Writing Prospectuses*. Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered Securities or until any earlier date that the Company notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information then contained in the Registration Statement or as a result of which such Issuer

Free Writing Prospectus, if republished immediately following such event or development, would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (i) the Company has promptly notified or will promptly notify the Representatives and (ii) the Company has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. This subsection (f) does not apply to statements in or omissions from any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 8(b) hereof.

(g) *Testing-the-Waters Communication.* The Company (a) has not alone engaged in any Testing-the-Waters Communication and (b) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communication. The Company has not distributed any Written Testing-the-Waters Communication.

(h) *Good Standing of the Company*. The Company has been duly incorporated and is existing and in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the General Disclosure Package and the Final Prospectus; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, result in a material adverse effect on the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries taken as a whole ("**Material Adverse Effect**").

(i) *Subsidiaries*. Each subsidiary of the Company has been duly incorporated and is existing and in good standing under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the General Disclosure Package and the Final Prospectus; and each subsidiary of the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not, individually, or in the aggregate, result in a Material Adverse Effect; all of the issued and outstanding capital stock of each subsidiary of the Company has been duly authorized and validly issued and is fully paid and nonassessable; and the capital stock of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects.

(j) *Offered Securities*. The Offered Securities and all other outstanding shares of capital stock of the Company have been duly authorized; the authorized equity capitalization of the Company is as set forth in the General Disclosure Package; all outstanding shares of capital stock of the Company are, and, when the Offered Securities have been delivered and paid for in accordance with this Agreement on each Closing Date, such Offered Securities will have been, validly issued, fully paid and nonassessable, will be consistent with the information in the General Disclosure Package and conform in all material respects to the description of such Offered Securities contained in the Final Prospectus; the stockholders of the Company have no preemptive rights with respect to the Securities that have not been duly waived or satisfied; and none of the outstanding shares of capital stock of the Company have been issued in violation of any preemptive or similar rights of any security holder.

(k) *No Finder's Fee*. Except as disclosed in the General Disclosure Package and the Final Prospectus, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with this offering.

(l) *Registration Rights*. Except as disclosed in the General Disclosure Package, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to a Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act (collectively, "**registration rights**"), and any person to whom the Company has granted registration rights has agreed not to exercise such rights until after the expiration of the Lock-Up Period referred to in Section 5(l) hereof.

(m) *Listing*. The Offered Securities have been approved for listing on the NASDAQ Global Market, subject to notice of issuance.

(n) *Absence of Further Requirements*. No consent, approval, authorization, or order of, or filing or registration with, any person (including any governmental agency or body or any court) is required to be obtained or made by or on behalf of the Company for the consummation of the transactions contemplated by this Agreement in connection with the offering, issuance and sale of the Offered Securities by the Company, except such as have been obtained, or made and such as may be required under state securities laws.

(o) *Title to Property*. Except as disclosed in the General Disclosure Package and the Final Prospectus or as would not, individually or in the aggregate, result in a Material Adverse Effect, the Company and its subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, charges, encumbrances and

defects that would materially affect the value thereof or materially interfere with the use made or to be made thereof by them and, except as disclosed in the General Disclosure Package and the Final Prospectus, the Company and its subsidiaries hold any leased real or personal property under valid and enforceable leases with no terms or provisions that would materially interfere with the use made or to be made thereof by them.

(p) *Absence of Defaults and Conflicts Resulting from Transaction*. The execution, delivery and performance of this Agreement, and the issuance and sale of the Offered Securities will not result in a breach or violation of any of the terms and provisions of, or constitute a default or a Debt Repayment Triggering Event (as defined below) under, or result in the imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, (i) the charter or by-laws of the Company or any of its subsidiaries, (ii) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (iii) any agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the properties of the Company or any of its subsidiaries is subject, except, in the case of each of clauses (ii) and (iii), where such breach, violation or default would not, individually or in the aggregate, have a Material Adverse Effect; a "**Debt Repayment Triggering Event**" means any event or condition that gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture, or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(q) *Absence of Existing Defaults and Conflicts*. Neither the Company nor any of its subsidiaries is in violation of its respective charter or by-laws or in default (or with the giving of notice or lapse of time would be in default) under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject, except such defaults that would not, individually or in the aggregate, result in a Material Adverse Effect.

(r) *Authorization of Agreement*. This Agreement has been duly authorized, executed and delivered by the Company.

(s) *Possession of Licenses and Permits*. The Company and its subsidiaries (i) possess, and are in compliance with the terms of, all certificates, authorizations, franchises, licenses and permits ("Licenses"), including, without limitation, from the U.S. Food and Drug Administration ("FDA") and equivalent foreign regulatory authorities, in each case that are necessary or material to the conduct of the business now conducted or proposed in the General Disclosure Package and the Final Prospectus to be conducted by them, except where failure to so possess or be in compliance with would not be reasonably expected to have a Material Adverse Effect, and (ii) have not received any notice of proceedings relating to the revocation or modification of any Licenses, in each case such that, if determined adversely to the Company or any of its subsidiaries, the events would individually or in the aggregate have a Material Adverse Effect.

(t) *Absence of Labor Dispute*. No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent that would reasonably be expected to have a Material Adverse Effect.

(u) *Intellectual Property*. The Company and its subsidiaries own, possess or can acquire on reasonable terms sufficient rights to all trademarks, trade names, patent rights, copyrights, domain names, licenses, approvals, trade secrets, inventions, technology, know-how and other intellectual

property and similar rights, including registrations and applications for registration thereof (collectively, "**Intellectual Property Rights**") necessary or material to the conduct of the business now conducted or proposed in the General Disclosure Package or the Final Prospectus to be conducted by them. Except as disclosed in the General Disclosure Package and the Final Prospectus (i) there are no rights of third parties to any of the Intellectual Property Rights owned or purported to be owned by the Company or its subsidiaries; (ii) there is no infringement, misappropriation, breach, default or other violation by any third party of any of the Intellectual Property Rights of the Company or any of its subsidiaries; (iii) there is no pending or threatened action, suit, proceeding or claim by any third party challenging the Company's or any of its subsidiaries' rights in or to, or the violation of any of the terms of, any of their Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (iv) there is no pending or threatened action, suit, proceeding or claim by any third party challenging the validity, enforceability or scope of any Intellectual Property Rights of the Company or any of its subsidiaries, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (v) there is no pending or threatened action, suit, proceeding or claim by any third party that the Company or any of its subsidiaries infringes, misappropriates or otherwise violates or conflicts with any Intellectual Property Rights or other proprietary rights of any third party and the Company is unaware of any other fact which would form a reasonable basis for any such claim; (vi) none of the Intellectual Property Rights used or held for use by the Company or any of its subsidiaries in their businesses has been obtained or is being used or held for use by the Company or any of its subsidiaries in violation of any contractual obligation binding on the Company or any of its subsidiaries or in violation of any rights of any third party; and (vii) the Company and its subsidiaries have taken reasonable steps in accordance with normal industry practice to maintain the confidentiality of all Intellectual Property Rights the value of which to the Company or any subsidiary is contingent upon maintaining the confidentiality thereof, except in each case covered by clauses (i) — (vii) such as would not, if determined adversely to the Company or any of its subsidiaries, individually or in the aggregate, have a Material Adverse Effect.

(v) *Environmental Laws*. Except as disclosed in the General Disclosure Package and the Final Prospectus, neither the Company nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**environmental laws**"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim.

(w) *Accurate Disclosure*. The statements in the General Disclosure Package and the Final Prospectus under the captions "Material U.S. Federal Income Tax Consequences to Non-U.S. Holders of Our Common Stock", "Description of Capital Stock", "Business — Regulatory Overview" and "Risk Factors — Risks Relating to Our Intellectual Property", insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are accurate in all material respects and fair summaries of such legal matters, agreements, documents or proceedings and present the information required to be shown.

(x) *Absence of Manipulation*. The Company has not taken, directly or indirectly, any action that is designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Offered Securities.

(y) *Statistical and Market-Related Data*. Any third-party statistical and market-related data included in a Registration Statement, a Statutory Prospectus, the General Disclosure Package or any Written Testing-the-Waters Communication is based on or derived from sources that the Company believes to be reliable and accurate.

(z) *Internal Controls and Compliance with the Sarbanes-Oxley Act*. Except as set forth in the General Disclosure Package and the Final Prospectus, the Company, its subsidiaries and the Company's Board of Directors (the "**Board**") are in compliance with applicable provisions of Sarbanes-Oxley and all applicable Exchange Rules. The Company maintains a system of internal controls, including, but not limited to, disclosure controls and procedures, internal controls over accounting matters and financial reporting, an internal audit function and legal and regulatory compliance controls (collectively, "**Internal Controls**") that comply with the Securities Laws and are sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. General Accepted Accounting Principles ("**GAAP**") and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Internal Controls are, or upon consummation of the offering of the Offered Securities will be, overseen by the Audit Committee (the "**Audit Committee**") of the Board in accordance with Exchange Rules. The Company has not publicly disclosed or reported to the Audit Committee or the Board, and within the next 135 days the Company does not reasonably expect to publicly disclose or report to the Audit Committee or the Board, a significant deficiency, material weakness, change in Internal Controls or fraud involving management or other employees who have

a significant role in Internal Controls (each, an "**Internal Control Event**"), any violation of, or failure to comply with, the Securities Laws, or any matter which, if determined adversely, would have a Material Adverse Effect.

(aa) Not used.

(bb) *Litigation*. Except as disclosed in the General Disclosure Package and the Final Prospectus, there are no pending actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) against or affecting the Company, any of its subsidiaries or any of their respective properties that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under this Agreement, or which are otherwise material in the context of the sale of the Offered Securities; and no such actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) are to the Company's knowledge, threatened or contemplated.

(cc) *Financial Statements*. The financial statements included in each Registration Statement, the General Disclosure Package and the Final Prospectus present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with GAAP applied on a consistent basis; and the assumptions used in preparing the pro forma financial information included in each Registration Statement and the General Disclosure Package provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma columns therein reflect the proper application of those adjustments to the corresponding historical financial statement amounts.

(dd) *No Material Adverse Change in Business*. Except as disclosed in the General Disclosure Package and the Final Prospectus, since the end of the period covered by the latest audited financial statements included in the General Disclosure Package and the Final Prospectus (i) there has been no change, nor any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries, taken as a whole that is material and adverse, (ii) except as disclosed in or contemplated by the General Disclosure Package and the Final Prospectus, there

has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock and (iii) except as disclosed in or contemplated by the General Disclosure Package and the Final Prospectus, there has been no material adverse change in the capital stock, short-term indebtedness, long-term indebtedness, net current assets or net assets of the Company and its subsidiaries

(ee) *Investment Company Act*. The Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the General Disclosure Package and the Final Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

(ff) *Ratings*. No "nationally recognized statistical rating organization" as such term is defined in Rule 3(a)(62) under the Exchange Act (i) has imposed (or has informed the Company that it is considering imposing) any condition (financial or otherwise) on the Company's retaining any rating assigned to the Company or any securities of the Company or (ii) has indicated to the Company that it is considering any of the actions described in Section 7(c)(ii) hereof.

(gg) *Taxes*. The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof (except where the failure to file would not, individually or in the aggregate, have a Material Adverse Effect) and have paid all taxes required to be paid thereon (except for cases in which the failure to file or pay would not have a Material Adverse Effect, or, except as currently being contested in good faith and for which reserves required by GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had (nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its subsidiaries and which could reasonably be expected to have) a Material Adverse Effect.

(hh) *Insurance*. The Company and its subsidiaries are insured by insurers of recognized financial responsibility in such amounts as are reasonably prudent and customary for the businesses in which they are engaged; all material policies of insurance and material fidelity or surety bonds insuring the Company or any of its subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect; the Company and its subsidiaries are in compliance with the terms of such policies and instruments in all material respects; and there are no material claims by the Company or any of its subsidiaries under any of the Company's insurance policies or instruments as to which any insurance company is denying liability or defending under a reservation of rights clause; neither the Company nor any such subsidiary has been refused any material insurance coverage sought or applied for; neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect, except as set forth in or contemplated in the General Disclosure Package and the Final Prospectus; and the Company will obtain directors' and officers' insurance in such amounts as is customary for issuers in the Company's industry of similar size and stage as the Company, who are conducting an initial public offering.

(ii) *Anti-Corruption.* Neither the Company nor any of its subsidiaries, nor any director or officer, nor to the Company's knowledge any of its other affiliates, employees, agents or representatives, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international

organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(jj) *Anti-Money Laundering.* The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no

action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(kk) *Regulatory Matters: Products and Product Candidates.* The Company and its subsidiaries (i) have operated and currently operate their respective businesses in compliance in all material respects with all statutes, rules and regulations applicable to the ownership, testing, development, manufacture, packaging, processing, use, distribution, storage, import, export or disposal of any of the Company's product candidates or any product manufactured or distributed by the Company, including, without limitation, requirements under the U.S. Federal Food, Drug and Cosmetic Act and rules and regulations thereunder, regulations relating to Good Clinical Practices and Good Laboratory Practices, and the U.S. Animal Welfare Act and rules and regulations thereunder (collectively, "**Applicable Laws**"), and (ii) have not received any FDA Form 483, written notice of adverse finding, warning letter, untitled letter or other correspondence or written notice from any court or arbitrator or governmental or regulatory authority alleging or asserting non-compliance with (A) any Applicable Laws or (B) any permits required by any such Applicable Laws.

(ll) *Economic Sanctions.* (i) Neither the Company nor any of its subsidiaries, nor any director or officer, nor to the Company's knowledge any employee, agent, other affiliate or representative of the Company or any of its subsidiaries, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "**Sanctions**"), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan and Syria).

(ii) The Company will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) For the past five years, the Company and its subsidiaries have not knowingly engaged in, are not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(mm) *Regulatory Matters: Manufacturing.* To the Company's knowledge, the manufacturing facilities and operations of its suppliers are operated in compliance in all material respects with all applicable statutes, rules, regulations and policies of the FDA and comparable regulatory agencies outside of the United States to which the Company is subject (collectively, the "**Regulatory Authorities**").

(nn) *Regulatory Matters: Clinical Trials.* None of the Company's product candidates have received marketing approval from any Regulatory Authority. All clinical and preclinical studies and trials conducted by or on behalf of or sponsored by the Company, or in which the Company participated, with respect to the Company's product candidates, including any such studies and trials that are described in the Registration Statement, the General Disclosure Package and the Final Prospectus, or the results of which are referred to in the Registration Statement, the General Disclosure Package and the Final Prospectus, as applicable (collectively, "**Company Trials**"), were, and if still pending are, being conducted in all material respects in accordance with all applicable statutes, rules, regulations and policies of the Regulatory Authorities and current good clinical practices and good laboratory practices, standard medical and scientific research procedures and any applicable rules, regulations and policies of the jurisdiction in which such trials and studies are being conducted; the descriptions in the Registration Statement, the General Disclosure Package and the Final Prospectus of the results of any Company Trials are accurate and complete descriptions in all material respects and fairly present the data derived therefrom; the Company has no knowledge of any other studies or trials not described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, the results of which are inconsistent with or call into question the results described or referred to in the Registration Statement, the Time of Sale Prospectus and the Prospectus; the Company has operated at all times and is currently in compliance in all material respects with all applicable statutes, rules, regulations and policies of the Regulatory Authorities; the Company has not received, nor does it have knowledge after due inquiry that any of its collaboration partners has received, any written notices, correspondence or other communications from the Regulatory Authorities or any other governmental agency requiring or threatening the termination, material modification or suspension of Company Trials, other than ordinary course communications with respect to modifications in connection with the design and implementation of such studies or trials, and, to the Company's knowledge, there are no reasonable grounds for the same. The Company has obtained (or caused to be obtained) informed consent by or on behalf of each human subject who participated in a Company Trial. In using or disclosing patient information received by the Company in connection with a Company Trial, the Company has complied in all material respects with all applicable laws and regulatory rules or requirements, including, without limitation, the Health Insurance Portability and Accountability Act of 1996 and the rules and regulations thereunder. To the Company's knowledge, none of the Company Trials involved any investigator who has been disqualified as a clinical investigator or has been found by the FDA to have engaged in scientific misconduct.

3. *Purchase, Sale and Delivery of Offered Securities*. On the basis of the representations, warranties and agreements and subject to the terms and conditions set forth herein, the Company agrees to sell to the several Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price of $[ ] per share, the respective number of shares of Firm Securities set forth opposite the names of the Underwriters in Schedule A hereto.

The Company will deliver the Firm Securities to or as instructed by the Representatives for the accounts of the several Underwriters in a form reasonably acceptable to the Representatives against payment of the purchase price by the Underwriters in Federal (same day) funds by wire transfer to an account at a bank acceptable to the Representatives drawn to the order of the Company at the office of Davis Polk & Wardwell LLP, 1600 El Camino Real, Menlo Park, California, 94025, at [ ] a.m., New York time, on [ ], 2013, or at such other time not later than seven full business days thereafter as the Representatives and the Company determine, such time being herein referred to as the "**First Closing Date**". For purposes of Rule 15c6-1 under the Exchange Act, the First Closing Date (if later than the otherwise applicable settlement date) shall be the settlement date for payment of funds and delivery of securities for all the Offered Securities sold pursuant to the offering. The Firm Securities so to be delivered or evidence of their issuance will be made available for checking at the above office of Davis Polk & Wardwell LLP at least 24 hours prior to the First Closing Date.

In addition, upon written notice from the Representatives given to the Company from time to time not more than 30 days subsequent to the date of the Final Prospectus, the Underwriters may purchase all or less than all of the Optional Securities at the purchase price per Security to be paid for the Firm Securities, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Securities but not payable on the Optional Securities. The Company agrees to sell to the Underwriters the number of shares of Optional Securities specified in such notice and the Underwriters agree, severally and not jointly, to purchase such Optional Securities. Such Optional Securities shall be purchased for the account of each Underwriter in the same proportion as the number of shares of Firm Securities set forth opposite such Underwriter's name bears to the total number of shares of Firm Securities (subject to adjustment by the Representatives to eliminate fractions) and may be purchased by the Underwriters only for the purpose of covering over-allotments made in connection with the sale of the Firm Securities. No Optional Securities shall be sold or delivered unless the Firm Securities previously have been, or simultaneously are, sold and delivered. The right to purchase the Optional Securities or any portion thereof may be exercised from time to time and to the extent not previously exercised may be surrendered and terminated at any time upon notice by the Representatives to the *C*ompany.

Each time for the delivery of and payment for the Optional Securities, being herein referred to as an "**Optional Closing Date**", which may be the First Closing Date (the First Closing Date and each Optional Closing Date, if any, being sometimes referred to as a "**Closing Date**"), shall be determined by the Representatives but, unless the Optional Closing Date is the First Closing Date or as otherwise mutually agreed between the Company and the Representatives, shall be not earlier than two full business days nor later than five full business days after written notice of election to purchase Optional Securities is given. The Company will deliver the Optional Securities being purchased on each Optional Closing Date to or as instructed by the Representatives for the accounts of the several Underwriters in a form reasonably acceptable to the Representatives against payment of the purchase price therefor in Federal (same day) funds by wire transfer to an account at a bank acceptable to the Representatives drawn to the order of the Company, at the above office of Davis Polk & Wardwell LLP. The Optional Securities being purchased on each Optional Closing Date or evidence of their issuance will be made available for checking at the above office of Davis Polk & Wardwell LLP at a reasonable time in advance of such Optional Closing Date.

4. *Offering by Underwriters*. It is understood that the several Underwriters propose to offer the Offered Securities for sale to the public as set forth in the Final Prospectus.

5. *Certain Agreements of the Company*. The Company agrees with the several Underwriters that:

(a) *Additional Filings*. Unless filed pursuant to Rule 462(c) as part of the Additional Registration Statement in accordance with the next sentence, the Company will file the Final Prospectus, in a form approved by the Representatives, with the Commission pursuant to and in accordance with subparagraph (1) (or, if applicable and if consented to by the Representative (which consent shall not be unreasonably withheld, conditioned or delayed), subparagraph (4)) of Rule 424(b) not later than the earlier of (A) the business day following the execution and delivery of this Agreement or (B) the fifteenth business day after the Effective Time of the Initial Registration Statement. The Company will advise the Representatives promptly of any such filing pursuant to Rule 424(b) and provide satisfactory evidence to the Representatives of such timely filing. If an Additional Registration Statement is necessary to register a portion of the Offered Securities under the Act but the Effective Time thereof has not occurred as of the execution and delivery of this Agreement, the Company will file the Additional Registration Statement or, if filed, will file a post-effective amendment thereto with the Commission pursuant to and in accordance with Rule 462(b) on or prior to 10:00 P.M., New York time, on the date of this Agreement or, if earlier, on or prior to the time the Final Prospectus is finalized and distributed to any Underwriter, or will make such filing at such later date as shall have been consented to by the Representatives.

(b) *Filing of Amendments; Response to Commission Requests*. The Company will promptly advise the Representatives of any proposal to amend or supplement at any time the Initial Registration Statement, any Additional Registration Statement or any Statutory Prospectus and will not effect such amendment or supplementation without the Representatives' consent (which consent shall not be unreasonably withheld, conditioned or delayed); and the Company will also advise the Representatives promptly of (i) the effectiveness of any Additional Registration Statement (if its Effective Time is subsequent to the execution and delivery of this Agreement), (ii) any amendment or supplementation of a Registration Statement or any Statutory Prospectus, (iii) any request by the Commission or its staff for any amendment to any Registration Statement, for any supplement to any Statutory Prospectus or for any additional information, (iv) the institution by the Commission of any stop order proceedings in respect of a Registration Statement or the threatening of any proceeding for that purpose, and (v) the receipt by the Company of any notification with respect to the suspension of the qualification of the Offered Securities in any jurisdiction or the institution or threatening of any proceedings for such purpose. The Company will use its reasonable best efforts to prevent the issuance of any such stop order or the suspension of any such qualification and, if issued, to obtain as soon as possible the withdrawal thereof. If, at any time prior to the filing of the Final Prospectus pursuant to Rule 424(b), any event occurs as a result of which the General Disclosure Package would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made at such time not misleading, the Company will (x) promptly notify the Representatives so that any use of the General Disclosure Package may cease until it is amended or supplemented; (y) amend or supplement the General Disclosure Package to correct such statement or omission; and (z) supply any amendment or supplement to the Representatives in such quantities as the Representatives may reasonably request.

(c) *Continued Compliance with Securities Laws*. If, at any time when a prospectus relating to the Offered Securities is (or but for the exemption in Rule 172 would be) required to be delivered under the Act by any Underwriter or dealer, any event occurs as a result of which the Final Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Registration Statement or supplement the Final Prospectus to comply with the Act, the Company will promptly notify the Representatives of such event and will promptly prepare and file with the Commission and furnish, at its own expense, to the Underwriters and the dealers and any other dealers upon request of the Representatives, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither

the Representatives' consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 7 hereof.

(d) *Testing-the-Waters Communication.* If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such statement or omission.

(e) *Rule 158*. As soon as practicable, but not later than the Availability Date (as defined below), the Company will make generally available to its securityholders an earnings statement covering a period of at least 12 months beginning after the Effective Time of the Initial Registration Statement (or, if later,

the Effective Time of the Additional Registration Statement) which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act. For the purpose of the preceding sentence, "**Availability Date**" means the day after the end of the fourth fiscal quarter following the fiscal quarter that includes such Effective Time on which the Company is required to file its Form 10-Q for such fiscal quarter except that, if such fourth fiscal quarter is the last quarter of the Company's fiscal year, "**Availability Date**" means the day after the end of such fourth fiscal quarter on which the Company is required to file its Form 10-K.

(f) *Furnishing of Prospectuses*. The Company will furnish to the Representatives copies of each Registration Statement (which will be signed and will include all exhibits), each related Statutory Prospectus, and, so long as a prospectus relating to the Offered Securities is (or but for the exemption in Rule 172 would be) required to be delivered under the Act, the Final Prospectus and all amendments and supplements to such documents, in each case in such quantities as the Representatives reasonably request. The Final Prospectus shall be so furnished on or prior to 3:00 P.M., New York time, on the second business day following the execution and delivery of this Agreement. All other documents shall be so furnished as soon as available. The Company will pay the expenses of printing and distributing to the Underwriters all such documents.

(g) *Blue Sky Qualifications*. The Company will arrange for the qualification of the Offered Securities for sale under the laws of such jurisdictions as the Representatives reasonably designate and will continue such qualifications in effect so long as required for the distribution of the Offered Securities as contemplated hereby; provided that the Company will not be required to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or file a general consent to service of process in any such jurisdiction or take any action that would subject it to taxation in respect of doing business in any such jurisdiction where it is not then so subject.

(h) *Reporting Requirements*. During the period of three years hereafter, the Company will furnish to the Representatives and, upon request, to each of the other Underwriters, as soon as practicable after the end of each fiscal year, a copy of its annual report to stockholders for such year; and, the Company will furnish to the Representatives (i) as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to stockholders, and (ii) from time to time, such other information concerning the Company as the Representatives may reasonably request, as permitted by applicable law. However, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act and is timely filing reports with the Commission on its Electronic Data Gathering, Analysis and Retrieval system (or any successor system), it is not required to furnish such reports or statements to the Underwriters.

(i) *Payment of Expenses*. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including but not limited to any filing fees and other expenses (including reasonable fees and disbursements of counsel to the Underwriters) incurred in connection with qualification of the Offered Securities for sale under the laws of such jurisdictions as the Representatives designate and the preparation and printing of memoranda relating thereto, costs and expenses related to the review by the Financial Industry Regulatory Authority, Inc. ("**FINRA**") of the Offered Securities (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such review) in an amount not to exceed $35,000, costs and expenses relating to investor presentations or any "road show" in connection with the offering and sale of the Offered Securities including, without limitation, one half of the cost of any aircraft chartered in connection with any roadshow, all other travel expenses of the Company's officers and employees and all other expenses of the Company, fees and expenses incident to listing the Offered Securities on the NASDAQ Global Market, fees and expenses in connection with the registration of the Offered Securities under the Exchange Act, and expenses incurred in distributing preliminary prospectuses and the Final Prospectus (including any amendments and supplements thereto) to the Underwriters and for expenses incurred for preparing, printing and distributing any Issuer Free Writing Prospectuses to investors or prospective investors.

(j) *Use of Proceeds*. The Company will use the net proceeds received by it in connection with this offering in the manner described in the "Use of Proceeds" section of the General Disclosure Package and, except as disclosed in the General Disclosure Package and the Final Prospectus, the Company does not intend to use any of the proceeds from the sale of the Offered Securities hereunder to repay any outstanding debt owed to any Underwriter or affiliate of any Underwriter.

(k) *Absence of Manipulation*. The Company will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Offered Securities; provided that no representation is made with regard to the Underwriters.

(l) *Restriction on Sale of Securities.* For the period specified below (the "**Lock-Up Period**"), the Company will not, directly or indirectly, take any of the following actions with respect to its Securities or any securities convertible into or exchangeable or exercisable for any of its Securities ("**Lock-Up Securities**"): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) file with the Commission a registration statement under the Act relating to Lock-Up Securities (other than registration statements on Form S-8 relating to Lock Up Securities granted or to be granted pursuant to the terms of a plan disclosed in the General Disclosure Package), or publicly disclose the intention to take any such action, without the prior written consent of the Representatives, except (A) pursuant to this Agreement, (B) issuances of Lock-Up Securities pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date hereof, (C) grants of employee stock options or other securities pursuant to the terms of a plan in effect on the date hereof or as described in the General Disclosure Package or the Final Prospectus or issuances of Lock-Up Securities pursuant to the exercise of such options, and (D) issuances of Lock Up Securities or securities exercisable for, convertible into or exchangeable for Lock Up Securities in connection with any acquisition, collaboration, merger, licensing or other joint venture or strategic transaction involving the Company; provided that in the case of clause (D), that such issuances shall not be greater than 5% of the total outstanding shares of the Company immediately following the initial closing hereunder and the recipients of such Lock Up Securities agree to be bound by a lockup letter in the form

executed by directors, officers and shareholders pursuant to Section 7(h) hereof. The Lock-Up Period will commence on the date hereof and continue for 180 days after the date hereof or until such earlier date that the Representatives consent to in writing.

(m) *Agreement to Announce Lock-Up Waiver.* If the Representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 7(h) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver at least two business days before the effective date of the release or waiver by (i) a press release substantially in the form of Exhibit B hereto through a major news service or (ii) in a registration statement publicly filed with the Securities and Exchange Commission in connection with a secondary offering; *provided* that such announcement satisfies the requirements of FINRA Rule 5131 (or any successor rule).

(n) *Emerging Growth Company Status.* The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Offered Securities within the meaning of the Act and (ii) completion of the Lock-Up Period (as defined in Section 5(l) hereof).

6. *Free Writing Prospectuses*. The Company represents and agrees that, unless it obtains the prior consent of the Representatives, and each Underwriter represents and agrees that, unless it obtains the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Offered Securities that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405, required to be filed with the Commission. Any such free writing prospectus consented to by the Company and the Representatives is hereinafter referred to as a "**Permitted Free Writing Prospectus**." The Company represents that it has treated and agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rules 164 and 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping. The Company represents that it has satisfied and agrees that it will satisfy the conditions in Rule 433 to avoid a requirement to file with the Commission any electronic road show.

7. *Conditions of the Obligations of the Underwriters*. The obligations of the several Underwriters to purchase and pay for the Firm Securities on the First Closing Date and the Optional Securities to be purchased on each Optional Closing Date will be subject to the accuracy of the representations and warranties of the Company herein (as though made on such Closing Date), to the accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) *Accountants' Comfort Letter*. The Representatives shall have received letters, dated, respectively, the date hereof and each Closing Date, of BDO USA, LLP confirming that they are a registered public accounting firm and independent public accountants within the meaning of the Securities Laws and in form and substance satisfactory to the Representatives (except that, in any letter dated a Closing Date, the specified date referred to in such letter hereto shall be a date no more than three days prior to such Closing Date).

(b) *Effectiveness of Registration Statement*. If the Effective Time of the Additional Registration Statement (if any) is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or, if earlier, the time the Final Prospectus is finalized and distributed to any Underwriter, or shall have occurred at such later time as shall have been consented to by the Representatives. The Final Prospectus shall have been filed with the Commission in accordance

with the Rules and Regulations and Section 5(a) hereof. Prior to such Closing Date, no stop order suspending the effectiveness of a Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the Representatives, shall be contemplated by the Commission.

(c) *No Material Adverse Change*. Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries taken as a whole which, in the judgment of the Representatives, is material and adverse and makes it impractical or inadvisable to market the Offered Securities; (ii) any downgrading in the rating of any debt securities of the Company by any "nationally recognized statistical rating organization" (as defined in Section 3(a)(62) under the Exchange Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls the effect of which is such as to make it, in the judgment of the Representatives, impractical to market or to enforce contracts for the sale of the Offered Securities, whether in the primary market or in respect of dealings in the secondary market; (iv) any suspension or material limitation of trading in securities generally on the New York Stock Exchange or the NASDAQ Stock Market, or any setting of minimum or maximum prices for trading on such exchange; (v) or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (vi) any banking moratorium declared by any U.S. federal or New York authorities; (vii) any major disruption of settlements of securities, payment, or clearance services in the United States or any other country where such securities are listed or (viii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of the Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency is such as to make it impractical or inadvisable to market the Offered Securities or to enforce contracts for the sale of the Offered Securities.

(d) *Opinion of Counsel for Company*. The Representatives shall have received an opinion, dated such Closing Date, of Cooley LLP, counsel for the Company, in form and substance previously agreed to among the parties hereto.

(e) *Opinion of Intellectual Property Counsel for Company.* The Representatives shall have received an opinion, dated such Closing Date, of Morgan, Lewis & Bockius LLP, intellectual property counsel for the Company, in form and substance previously agreed to among the parties hereto.

(f) *Opinion of Counsel for Underwriters.* The Representatives shall have received from Davis Polk & Wardwell LLP, counsel for the Underwriters, such opinion or opinions, dated such Closing Date, with respect to such matters as the Representatives may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(g) *Officer's Certificate*. The Representatives shall have received a certificate, dated such Closing Date, of an executive officer of the Company and a principal financial or accounting officer of the Company in which such officers shall state that: the representations and warranties of the Company in this Agreement are true and correct; the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; no stop order suspending the effectiveness of any Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the best of their

knowledge, are contemplated by the Commission; the Additional Registration Statement (if any) satisfying the requirements of subparagraphs (1) and (3) of Rule 462(b) was timely filed pursuant to Rule 462(b), including payment of the applicable filing fee in accordance with Rule 111(a) or (b) of Regulation S-T of the Commission; and, subsequent to the date of the most recent financial statements in the General Disclosure Package, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries taken as a whole except as set forth in the General Disclosure Package and the Final Prospectus or as described in such certificate.

(h) *Lock-up Agreements*. On or prior to the date hereof, the Representatives shall have received lock-up agreements in the form set forth on Exhibit A hereto from each executive officer, director, stockholder and other equity holder of the Company.

The Company will furnish the Representatives with such conformed copies of such opinions, certificates, letters and documents as the Representatives reasonably request. The Representatives may in their sole discretion waive on behalf of the Underwriters compliance with any conditions to the obligations of the Underwriters hereunder, whether in respect of an Optional Closing Date or otherwise.

8. *Indemnification and Contribution*. (a) *Indemnification of Underwriters*. The Company will indemnify and hold harmless each Underwriter, its partners, members, directors, officers, employees, agents, affiliates and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, an "**Indemnified Party**"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject, under the Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any part of any Registration Statement at any time, any Statutory Prospectus as of any time, the Final Prospectus, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Indemnified Party for any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending against any loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Indemnified Party is a party thereto), whether threatened or commenced, and in connection with the enforcement of this provision with respect to any of the above as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (b) below.

(b) *Indemnification of Company*. Each Underwriter will severally and not jointly indemnify and hold harmless the Company, each of its directors and each of its officers who signs a Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, an "**Underwriter Indemnified Party**"), against any losses, claims, damages or liabilities to which such Underwriter Indemnified Party may become subject, under the Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any part of any Registration Statement at any time, any Statutory Prospectus as of any time, the Final Prospectus, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication, or arise out of or are based upon the omission or the alleged omission of a material fact required to be stated therein or necessary to make the statements therein

not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by such Underwriter Indemnified Party in connection with investigating or defending against any such loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Underwriter Indemnified Party is a party thereto), whether threatened or commenced, based upon any such untrue statement or omission, or any such alleged untrue statement or omission as such expenses are incurred, it being understood and agreed that the only such information furnished by any Underwriter consists of the following information in the Final Prospectus furnished on behalf of each Underwriter: the concession [and reallowance] figure[s] appearing in the 5th paragraph under the caption "Underwriting" and the information contained in the 8th paragraph under the caption "Underwriting" regarding sales to accounts over which the Underwriters exercise discretionary authority and the 15th paragraph under the caption "Underwriting" regarding stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making.

(c) *Actions against Parties; Notification*. Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve it from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (x) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (y) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) *Contribution*. If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to

reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Securities or (ii) if the allocation provided by clause(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things,

whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the underwriting discount or commission applicable to the Securities purchased by such Underwriter hereunder exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 8(d).

9. *Default of Underwriters*. If any Underwriter or Underwriters default in their obligations to purchase Offered Securities hereunder on either the First or any Optional Closing Date and the aggregate number of shares of Offered Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date, the Representatives may make arrangements satisfactory to the Company for the purchase of such Offered Securities by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities that such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of shares of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date and arrangements satisfactory to the Representatives and the Company for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company, except as provided in Section 10 (provided that if such default occurs with respect to Optional Securities after the First Closing Date, this Agreement will not terminate as to the Firm Securities or any Optional Securities purchased prior to such termination). As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

10. *Survival of Certain Representations and Obligations*. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, the Company or any of their respective representatives, officers or directors or any controlling person, and will

survive delivery of and payment for the Offered Securities. If the purchase of any of the Offered Securities by the Underwriters is not consummated for any reason other than solely because of the termination of this Agreement pursuant to Section 9 hereof or due to the failure to satisfy any condition under Section 7(c)(iii), (iv), (vi) or (viii) hereof, the Company will reimburse the Underwriters for all out-of-pocket expenses (including reasonably documented fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities not so purchased, and the respective obligations of the Company and the Underwriters pursuant to Section 8 hereof shall remain in effect.

11. *Notices*. All communications hereunder will be in writing and, if sent to the Underwriters, will be mailed, delivered or telegraphed and confirmed to the Representatives, c/o Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: LCD-IBD and c/o Leerink Swann, LLC, 201 Spear Street, 16th Floor, San Francisco, CA 94105, Attention: Jack Fitzgerald or, if sent to the Company, will be mailed, delivered or telegraphed and confirmed to it at 111 West Lemon Avenue, Monrovia, California 91016, Attention: Chief Executive Officer; provided, however, that any notice to an Underwriter pursuant to Section 8 will be mailed, delivered or telegraphed and confirmed to such Underwriter.

12. *Successors*. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 8, and no other person will have any right or obligation hereunder.

13. *Representation of Underwriters*. The Representatives will act for the several Underwriters in connection with this financing, and any action under this Agreement taken by the Representatives will be binding upon all the Underwriters.

14. *Counterparts*. This Agreement may be executed in any number of counterparts (which may be delivered by facsimile or other form of electronic transmission), each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

15. *Absence of Fiduciary Relationship*. The Company acknowledges and agrees that:

(a) *No Other Relationship*. The Representatives have been retained solely to act as underwriters in connection with the sale of Offered Securities and that no fiduciary, advisory or agency relationship between the Company and the Representatives has been created in respect of any of the transactions contemplated by this Agreement or the Final Prospectus, irrespective of whether the Representatives have advised or are advising the Company on other matters;

(b) *Arms' Length Negotiations*. The price of the Offered Securities set forth in this Agreement was established by the Company following discussions and arms-length negotiations with the Representatives and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) *Absence of Obligation to Disclose*. The Company has been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that the Representatives have no obligation to disclose such interests and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; and

(d) *Waiver*. The Company waives, to the fullest extent permitted by law, any claims it may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty in connection with the transactions contemplated hereby and agrees that the Representatives shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company.

16. *Applicable Law*. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company irrevocably and unconditionally waives any objection to the laying of venue of any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in Federal and state courts in the Borough of Manhattan in The City of New York and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum.

17. *Waiver of Jury Trial.* Each of the Company and the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

[*Signature page follows*]

If the foregoing is in accordance with the Representatives' understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

XENCOR, INC.

By: _____
Name:
Title:

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE SECURITIES (USA) LLC

By: _____
Name:
Title:

By LEERINK SWANN, LLC

By: _____
Name:
Title:

Acting on behalf of themselves and as the Representatives of the several Underwriters.

[*Signature page to Underwriting Agreement*]

SCHEDULE A

Underwriter	Number of Firm Securities
Credit Suisse Securities (USA) LLC	[$]
Leerink Swann, LLC	[$]
Wedbush Securities Inc.	[$]
[Others]	[$]
Total	[$]

SCHEDULE B

1. General Use Free Writing Prospectuses (included in the General Disclosure Package)

"General Use Issuer Free Writing Prospectus" includes each of the following documents:

1. [ ]

2. Other Information Included in the General Disclosure Package

The following information is also included in the General Disclosure Package:

1. The initial price to the public of the Offered Securities.

Exhibit A

Form of Lock-Up Agreement

[ ], 2013

Xencor, Inc.
111 West Lemon Avenue
Monrovia, California 91016

Credit Suisse Securities (USA) LLC
Leerink Swann, LLC,
As Representatives of the Several Underwriters,

c/o Credit Suisse Securities (USA) LLC,
Eleven Madison Avenue,
New York, New York 10010-3629

c/o Leerink Swann, LLC
201 Spear Street, 16th Floor
San Francisco, California 94105

Dear Sirs:

As an inducement to the Underwriters to execute the Underwriting Agreement (the "**Underwriting Agreement**"), pursuant to which an offering (the "**Offering**") will be made that is intended to result in the establishment of a public market for the common stock, par value $0.001 per share (the "**Securities**") of Xencor, Inc., a Delaware corporation, and any successor (by merger or otherwise) thereto, (the "**Company**"), the undersigned hereby agrees that during the period specified in the following paragraph (the "**Lock-Up Period**"), the undersigned will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Securities or securities convertible into or exchangeable or exercisable for any Securities, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Securities, whether any such aforementioned transaction is to be settled by delivery of the Securities or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC ("**Credit Suisse**") and Leerink Swann, LLC (together with Credit Suisse, the "**Representatives**"). In addition, the undersigned agrees that, without the prior written consent of the Representatives, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any Securities or any security convertible into or exercisable or exchangeable for the Securities.

The Lock-Up Period will commence on the date of this letter agreement (this "**Lock-Up Agreement**") and continue and include the date that is 180 days after the public offering date set forth on the final prospectus used to sell the Securities (the "**Public Offering Date**") pursuant to the Underwriting Agreement, to which you are or expect to become parties.

Any Securities received upon exercise of options granted to the undersigned or upon conversion of convertible securities held by the undersigned will also be subject to this Lock-Up Agreement. Any Securities or other securities of the Company acquired by the undersigned in the open market (other than Securities

acquired in the Offering referred to below) will not be subject to this Lock-Up Agreement; provided, however, that, with respect to any sale or other disposition during the Lock-Up Period of such securities acquired in the open market, no filing or public announcement by any party under the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise shall be required or shall be voluntarily made in connection with such sale or disposition (other than a filing on a Form 5 made after the expiration of the Lock-Up Period).

Notwithstanding anything herein to the contrary, the restrictions contained in this Lock-Up Agreement shall not apply to any of the following: (i) transfers of Securities or other securities of the Company as a bona fide gift or gifts, (ii) transfers of Securities or other securities of the Company to an immediate family member or a trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the transfer shall not involve a disposition for value, (iii) transfers of Securities or other securities of the Company by will, other testamentary document or intestate succession to the legal representative, heir, beneficiary or a member of the immediate family of the undersigned, (iv) the exercise, including by "net" exercise, of any stock options granted pursuant to the Company's equity incentive plans, which equity incentive plans exist at the time of or immediately following the Public Offering Date and are also described in the final prospectus used to sell the Securities, or the conversion of any convertible security outstanding on the date hereof into Securities, (v) if the undersigned is a trust, transfers or dispositions of Securities or other securities of the Company as a distribution to the beneficiaries thereof, (vi) if the undersigned is an individual, the transfer of Securities or other securities of the Company solely by operation of law, such as pursuant to a qualified domestic order or in connection with a divorce settlement, (vii) transfers or distributions of Securities or other securities of the Company to members, limited partners, stockholders or affiliates of, or any investment fund or other entity that controls or manages, the undersigned, provided that the transfer or distribution shall not involve a disposition for value, (viii) transfers of Securities or other securities of the Company to the Company either (a) pursuant to any contractual arrangement in effect on the date of this Lock-Up Agreement that provides for the repurchase of the undersigned's Securities or such other securities by the Company or (b) in connection with the termination of the undersigned's employment with the Company, (ix) transfers or distributions in connection with a merger or sale of all or substantially all of the Company, regardless of how such a transaction is structured (it being further understood that this Lock-Up Agreement shall not restrict the undersigned from entering into any agreement or arrangement in connection therewith, including an agreement to vote in favor of, or tender Securities or other securities of the Company in, any such transaction or taking any other action in connection with any such transaction) or (x) the entering into by the undersigned of a written trading plan pursuant to Rule 10b5-1 of the Exchange Act during the Lock-Up Period, provided that no sales of the undersigned's Securities shall be made pursuant to such Plan prior to the expiration of the Lock-Up Period; provided further that, with respect to clauses (i), (ii), (iii), (v), (vi) and (vii), each transferee or distributee agrees to be bound in writing by the terms of this Lock-Up Agreement, and, with respect to clauses (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (x), no filing or public announcement by any party (donor, donee, transferor, transferee, distributor or distributee) under the Exchange Act shall be required or shall be voluntarily made in connection with such transfer, conversion, exercise or distribution (other than a filing on a Form 5 made after the expiration of the Lock-Up Period).

In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of shares of Securities if such transfer would constitute a violation or breach of this Lock-Up Agreement.

If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing restrictions in this Lock-Up Agreement shall be equally applicable to any Securities, including any issuer-directed Securities, the undersigned or his or her affiliates may purchase in the Offering.

If the undersigned is an officer or director of the Company, (i) the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of Securities, the Representatives will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective

date of the release or waiver. Any release or waiver granted by the Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this Lock-Up Agreement to the extent and for the duration that such terms remain in effect at the time of the transfer.

This Lock-Up Agreement shall be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned. This Lock-Up Agreement shall lapse and become null and void if (i) the Public Offering Date shall not have occurred on or before June 30, 2014 (provided that the Company may by written notice to the undersigned prior to June 30, 2014, extend such date for a period of up to an additional three months), (ii) if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Securities to be sold thereunder or (iii) the Company notifies the Representatives in writing that it does not intend to proceed with the Offering. **This Lock-Up Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.**

[*Signature page follows*]

Very truly yours,

IF AN INDIVIDUAL:

By: _____
(duly authorized signature)

Name: _____
(please print full name)

Address:

_____

_____

IF AN ENTITY:

_____
(please print complete name of entity)

By: _____
(duly authorized signature)

Name: _____
(please print full name)

Title: _____

Address:

_____

_____

[*Signature page to Lock-up Agreement*]

Exhibit B

Form of Press Release

Xencor, Inc.
[Date]

Xencor, Inc. (the "Company") announced today that Credit Suisse Securities (USA) LLC and Leerink Swann, LLC, the lead book-running managers in the Company's recent public sale of [ ] shares of common stock, [are] [waiving] [releasing] a lock-up restriction with respect to [ ] shares of the Company's common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on [ ], 201[ ], and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

COMMON STOCK

PAR VALUE $0.01

COMMON STOCK

THIS CERTIFICATE IS TRANSFERABLE IN CANTON, MA, JERSEY CITY, NJ AND COLLEGE STATION, TX

Certificate Number

Xencor

Shares

XENCOR, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT

CUSIP

SEE REVERSE FOR CERTAIN DEFINITIONS

is the owner of

FULLY-PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF

Xencor, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, as amended, and the By-Laws, as amended, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

President and Chief Executive Officer

Thomas A. Gall

Secretary

SEAL

DATED

COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR,

By_____
AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE

1234567

XENCOR, INC.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH SHAREHOLDER WHO SO REQUESTS, A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE CERTIFICATE OF INCORPORATION OF THE COMPANY, AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT	- .....(Cust).....Custodian .....(Minor)..... under Uniform Gifts to Minors Act.....(State).....
TEN ENT	- as tenants by the entireties		
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT	- .....(Cust).....Custodian (until age .....) .....(Minor).....under Uniform Transfers to Minors Act .....(State).....

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

For value received, _____hereby sell, assign and transfer unto

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

_____

_____

_____ Shares

of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said stock on the books of the within-named Company with full power of substitution in the premises.

Dated: _____20_____

Signature: _____

Signature: _____

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit 10.17

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

GPEx®-DERIVED CELL LINE SALE AGREEMENT

by and between

Catalent Pharma Solutions LLC

and

Xencor, Inc.

GPEx®-DERIVED CELL LINE SALE AGREEMENT

THIS GPEx®-Derived Cell Line Sale Agreement (this "**Agreement**") is made and is effective this day of December, 2011, ("**Effective Date**") by and between Catalent Pharma Solutions LLC, a Delaware Limited Liability company, having a place of business at 8137 Forsythia Street, Middleton, Wisconsin 53562 USA ("**Catalent**"), and Xencor, Inc., a Delaware corporation, having a place of business at 111 West Lemon Avenue, Monrovia, California 91016 USA ("**Xencor**").

WHEREAS, Catalent has developed and owns certain proprietary cell line engineering and gene expression technology enabling the engineering of mammalian cell lines for the expression of recombinant proteins (the "GPEx **Technology**", as further defined below);

WHEREAS, Catalent has, prior to the date hereof and pursuant to that certain Development and Manufacturing Service Agreement dated September 15, 2005 between Cardinal Health and Xencor (the "**DMA**"), together with the Statement of Work attached as Appendix A which is attached hereto as ***Exhibit A***, developed for Xencor through the application of the GPEx Technology a cell line (the "**GPEx® Cell Line**", as more fully defined below and in ***Exhibit C***) expressing the Gene Expression Product(s) (as defined below); and

WHEREAS, Xencor wishes to purchase and Catalent is willing to sell the GPEx® Cell Line on the terms and conditions set forth below.

NOW, THEREFORE, for and in consideration of the mutual covenants, conditions and undertakings hereinafter set forth, it is agreed by and among the parties, as follows:

1. DEFINITIONS

1.1 "**Affiliate(s)**" means with respect to Xencor or a third party, any corporation, firm, partnership or other entity that controls, is controlled by or is under common control with a such entity; and with respect to Catalent, Catalent Pharma Solutions Inc. ("Catalent Inc.") and any corporation, firm, partnership or other entity controlled by Catalent Inc.. For purposes of this definition, "control" shall mean the ownership of at least fifty percent (50%) of the voting share capital of such entity or any other comparable equity or ownership interest.

1.2 "**Agreement**" has the meaning set forth in the introductory paragraph, and includes all its Attachments and other appendices (all of which are incorporated herein by reference) and any amendments to the foregoing made as provided herein or therein.

1.3 "**BLA**" shall mean a Biologics License Application (as more fully defined in Part 601 of Title 21 of the United States Code of Federal Regulations (or its successor regulation)) filed with the FDA or, if initial marketing approval is not sought in the United States, the corresponding application for regulatory approval required before commercial sale of Product in the corresponding regulatory jurisdiction.

1.4 […***…] shall mean […***…]

1.5 "**Catalent** " has the meaning set forth in the introductory paragraph, or any successor or permitted assign. Catalent shall have the right to cause any of its Affiliates to perform any of its obligations hereunder, and Xencor shall accept such performance as if it were performance by Catalent.

1.6 "**cGMP**" shall mean current good manufacturing practice for biologicals as set forth in the United States Food, Drug and Cosmetics Act and applicable regulations and guidance promulgated thereunder (and any successor regulations thereto), each as in effect from time to time.

1.7 "**Dispute**" means any dispute, controversy or disagreement between the parties in connection with this Agreement.

1.8 "**Effective Date**" shall mean the date first above written.

1.9 "**FDA**" shall mean the U.S. Federal Food and Drug Administration and any successor agency thereof, or the relevant regulatory authority in another regulatory jurisdiction, as appropriate.

1.10 "**Gene Expression Product**" […***…]

1.11 "**GPEx® Cell Line**" shall mean the cell line described in ***Exhibit C*** to this Agreement, […***…].

1.12 "**Know-How**" as used herein shall mean any and all unpatented know-how, methods, processes and/or technical data, including, but not limited to, test results and procedures, manufacturing processes and techniques, current Good Manufacturing Practices, biological materials (including, but not limited to, production cell lines) or knowledge which relate to the GPEx® Cell Line, Product(s), the GPEx Technology or the manufacture, marketing, use, regulatory approval, registration, purity, quality, safety or efficacy of Product(s).

1.13 "**Net Sales**" means, for the measured period, the gross invoiced amounts for Products sold or commercially disposed of for value by Xencor or its permitted sublicensees (including its Affiliates), less the following:

A. […***…];

B. […***…];

C. […***…];

D. […***…];

E. […***…]:

F. […***…].

Sales of Products between Xencor and its permitted sublicensees (including its Affiliates) shall be disregarded for the purposes of calculating Net Sales, and in such case Net Sales shall include only subsequent sales by the relevant sublicensee to a third party. Subject to the foregoing sentence, if any Products are sold or disposed of by Xencor or its permitted sublicensees other than in a bona fide arm's length sale exclusively for money, then Net Sales for such products shall be deemed to be the price at which Xencor could have sold such Products in a separate arm's length transaction to a willing purchaser at the relevant time in the relevant country.

The amount of any reduction or reversal of any accrual or reserve related to any deduction from the amount invoiced for Products shall be included in Net Sales in the quarter in which such reduction or reversal occurs. All calculations shall be made in accordance with GAAP.

1.14 "**Patent Rights**", as used herein means rights to U.S. Patent No, […***…], U.S. Patent No. […***…] and, as may be required, rights in U.S. Patent Nos. […***…]; […***…]; and […***…];; and continuing applications of all the foregoing including divisions and substitutions and continuation-in-part applications (but only to the extent that those continuation-in-part applications are enabled by the parent application); and any patents issuing on said applications including reissues, reexaminations and extensions; and any corresponding foreign applications or patents.

1.15 "**Party**" as used herein shall mean Catalent or Xencor, as the case may be, and "Parties" shall mean Catalent and Xencor collectively.

1.16 "**Phase III**" shall mean a human clinical trial that would satisfy the requirements for a Phase 3 study as defined in Part 312.21(c) of Title 21 of the United States Code of Federal Regulations (or its successor regulation) or, if initial marketing approval is not sought in the United States, the corresponding application for regulatory approval required before commercial sale of Product in the corresponding regulatory jurisdiction.

1.17 "**Product**", as used herein means any product (including a Gene Expression Product), reagent, or part thereof, whose manufacture, use, or sale utilizes or is derived from the GPEx® Cell Line.

1.18 "**Regulatory Approval**" means any approvals, product and/or establishment licenses, registrations or authorizations, including approvals pursuant to U.S. Investigational New Drug ("**IND**") applications, New Drug Applications and Abbreviated New Drug Applications, as applicable (or equivalent non-U.S. filings, such as European marketing authorization applications) of any Regulatory Authorities that are necessary for the development, manufacture, use, storage, exportation, importation, transport, promotion, marketing, distribution or sale of Products anywhere in the world, excluding Pricing Approvals.

1.19 "**Regulatory Authorities**" means the international, federal (including the FDA), state or local governmental or regulatory bodies, agencies, departments, bureaus, courts or other entities

in any jurisdiction in the world responsible for (A) the regulation (including pricing) of pharmaceutical or medicinal products intended for human use or (B) health, safety or environmental matters generally

1.20 "**GPEx Technology**", as used herein means Catalent's proprietary technology, including, without limitation, the Patent Rights and Know-How, useful in the creation and use of […***…].

1.16 "**Territory**" means all countries in the world.

2. SALE OF GPEx® CELL LINE

2.1 Catalent hereby sells and transfers to Xencor the GPEx® Cell Line; provided that Xencor shall use the GPEx® Cell Line solely for developing, manufacturing, testing, seeking regulatory approvals for, marketing and otherwise commercially exploiting Product(s) throughout the Territory. Such sale is and shall remain contingent upon the continued observance by Xencor of the terms of this Agreement, including, without limitation, the terms of this Section 2.1 and Article 3 below.

2.2 The sale of the GPEx® Cell Line to Xencor shall not be construed as a license or as permission to (i) independently make or utilize the GPEx Technology other than as specifically contemplated hereby or (ii) modify (or derive portions of) the GPEx® Cell Line for the development of products other than the Products.

2.3 The GPEx® Cell Line shall be made immediately available to Xencor upon payment of the fee described in Section 3.1 by Xencor to Catalent (Incoterms 2000) the Catalent site, as follows: within […***…] following such payment, Catalent shall tender […***…] of the GPEx Cell Line ([…***…]) to Client's designated common carrier; and within […***…] following such payment, Catalent shall tender the balance. Title to and risk in the GPEx Cell Line shall pass to […***…] when […***…]. […***…]

***** Confidential Treatment Requested**

[…***…]. Commencing promptly after the Effective Date, Catalent shall disclose to Xencor and/or a third party contract manufacturer ("CMO") selected by Xencor such GPEx Technology and Know-How necessary for manufacturing Product and provide such technical assistance as is reasonably necessary to enable Xencor and/or the CMO to use the GPEx® Cell Line for the purposes permitted by Section 2.1 hereof and to replicate the process used by Catalent to make and release Products using the GPEx® Cell Line in accordance with cGMP. Without limiting the generality of the foregoing, promptly following the Effective Date, Catalent shall transfer to Xencor and/or the CMO (as requested by Xencor) the GPEx retrovector component testing protocol and any materials required in the protocol that are not commercially available, described in ***Exhibit D*** hereto. For purposes of clarity, it is the intention of the parties that Xencor or the CMO be able to initiate and continue the production and testing of Products using the GPEx® Cell Line in accordance with cGMP as promptly as practicable after the Effective Date, and therefore, that pursuant to this paragraph, Xencor and/or the CMO, as applicable, shall have access to and the right to use any and all GPEx Technology that is reasonably required to do so. Xencor shall reimburse Catalent for the performance of the technology transfer contemplated by this Section 2.3 as more fully described in Section 3.2. ***Exhibit E*** defines the scope and anticipated timing for the technical transfer services being provided by Catalent.

2.4 Xencor shall comply with all applicable laws and regulations, as well as all published governmental guidelines, pertaining to the use, storage, transportation, disposition, containment and other handling of the GPEx Cell Line and all Products. In particular, Client acknowledges that the manufacture, transfer, sale and/or export of the GPEx Cell Line or any Product may require a license or approval from an agency of the United States government. Xencor shall be solely responsible for obtaining all licenses, permits or authorizations required from the United States and any other government for any manufacture, transfer, sale and/or use of the GPEx Cell Line and any Product, including Regulatory Approvals. To the extent not inconsistent with this Agreement, Catalent agrees to provide Xencor (at Xencor's expense) with such assistance as Xencor may reasonably request in obtaining such licenses, permits, or authorizations. Such services shall be provided in accordance with a separate service agreement to be agreed upon by the parties.

***** Confidential Treatment Requested**

2.5 Xencor and Catalent agree to cooperate in preparing and making any required submissions to any Regulatory Authority in respect of the GPEx Cell Line or Products, including Regulatory Approvals; provided, that Catalent shall not be required to incur any material expense, whether internal or out-of-pocket, in connection therewith, unless otherwise expressly agreed in writing by Catalent in advance. Catalent expressly agrees that Xencor shall have the right to reference any drug master files maintained by Catalent in the ordinary course of business relating to any Product or GPEx Technology covered by this Agreement insofar as such information is necessary or desirable in connection with obtaining any Regulatory Approval.

3. PAYMENTS FOR PURCHASE

3.1 Xencor agrees to make the following payments in consideration for the GPEx® Cell Line; provided, however, that the one time milestone payments shall only be payable with respect to the first Product to achieve such event. If this Agreement is entered into after one of the milestones indicated below has already been completed […***…], the payments associated with that milestone will not be due. This does not include the initial non-refundable payment due upon execution of this Agreement, which will be due under any circumstances. The terms below are intended to supersede the terms described in the DMA and the GPEx® Cell Line will not count as a cell line licensed under the terms described in the DMA .Payment for any development milestone that is bypassed for any reason, including but not limited to an abbreviated regulatory process, shall be due upon completion of the next milestone for which payment is due to Catalent.

OPTION 1. Xencor contracts for production of protein from cell line at third party CMO

Milestone	Payment
Upon execution of this Agreement	$ 125,000
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]

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[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]		[…***…]

3.2 Xencor shall compensate Catalent for the technology transfer services provided by Catalent personnel pursuant to Section 2.3 at the rate of $[…***…] per person-hour. In addition, Xencor shall reimburse Catalent for Catalent's pre-approved travel and related expenses incurred in providing such assistance and for the direct material costs of the materials provided pursuant to ***Exhibit D*** (without mark-up or profit margin). Such amounts shall be invoiced by Catalent on a monthly basis, and Xencor shall make payment for such invoiced amounts within […***…] following Xencor's receipt of each such invoice.

3.3 Xencor shall make payments as directed in the applicable invoice, if any, or otherwise as Catalent may direct from time to time. All payments hereunder shall be payable in U.S. dollars. If conversion of foreign currency to United States dollars is required in connection withy payments pursuant to Section 3.1, such conversion shall be made at the exchange rate reported in the Wall Street Journal on the last business day of the quarterly reporting period to which any payment relates. All payments owed under this Agreement shall be made by check or wire transfer to a bank and account designated in writing by Catalent, unless otherwise specified in writing by Catalent. Xencor shall inform Catalent in writing of the achievement of each milestone no later than […***…] following such occurrence and such milestone payments shall be due and paid by Xencor within […***…] of the achievement thereof.

3.4 Catalent will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are required to be withheld by Xencor, Xencor will (a) deduct such taxes from the payment made to Cardinal Health Catalent , (b) timely pay the taxes to the proper taxing authority, and (c) send proof of payment to Catalent and certify its receipt by the taxing authority within […***…] following such payment.

3.5 Xencor shall have the right to sell or transfer its rights to the GPEx® Cell Line to Third Parties provided, that (i) Xencor provides written notice of such proposed sale or transfer to Catalent at least […***…] in advance and (ii) such Third Party agrees in writing to assume Xencor's obligations under this Agreement, including Xencor's payment obligations hereunder. Notwithstanding any such subsequent sale or transfer, unless otherwise agreed in writing by

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Catalent, Xencor shall remain obligated with respect to milestone payments becoming due and payable under this Article 3 following the date of any such sale or transfer.

3.6 Xencor shall have the right to transfer the GPEx® Cell Line to a CMO provided that such party agrees in advance in writing reasonably acceptable to Catalent not to transfer the GPEx® Cell Line or any Product to any party other than Xencor or Xencor's designated recipients.

3.7 In the event any undisputed payments due from Xencor are not paid on the date such payments are due under this Agreement, Catalent may (A) charge interest at the prime rate as reported by the Wall Street Journal on the date such payment is due, plus an additional […***…] ([…***…]%) per […***…] (or, if lower, the highest rate permitted by law), calculated […***…]; or (B) terminate this Agreement pursuant to Section 4.3.

3.8 Xencor will keep complete and accurate books and records relating to its calculation of Net Sales (including all relevant deductions) and is achievement of the milestone events referred to in Section 3.1 for at least […***…] after the expiration of the year to which they relate. Upon the written request and […***…], Catalent shall be entitled to audit, or to have an independent accountant audit, such books and records. Xencor shall provide the auditors with access during normal business hours to appropriate space at Xencor's relevant location and to such of the pertinent books and records of Xencor as may be reasonably necessary to verify the matters in question; *provided*, that such auditors shall be subject to the obligations of confidentiality at least as strict as those set forth in this Agreement. Prior to disclosing the results of any such audit to Catalent, the auditors shall present Xencor with a preliminary report of findings and provide Xencor with an opportunity to respond to any questions raised or issues identified. If an audit discloses an underpayment by Xencor of any amounts paid pursuant to any provision of this Agreement, such amounts shall be paid to Catalent within […***…] after the date Xencor receives the auditors' final written report. Any fees and expenses of the audit shall be paid by Catalent unless the audit discloses an understatement by Xencor of more than […***…]% of the aggregate amounts payable pursuant to this Agreement, in which case Xencor shall bear the responsibility for any such reasonable fees and expenses.

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4. TERM AND TERMINATION

4.1 This Agreement shall be in full force and effect from the Effective Date and shall remain in effect unless and until terminated in accordance with the provisions of this Article 4.

4.2 Xencor shall have the right to terminate this Agreement without cause by giving notice in writing to Catalent at least […***…] in advance of the termination date.

4.3 Either party shall have the right to immediately terminate this Agreement if (a) the other party files a petition in bankruptcy, or enters into an agreement with its creditors, or applies for or consents to the appointment of a receiver or trustee, or makes an assignment for the benefit of creditors, or suffers or permits the entry of any order adjudicating it to be bankrupt or insolvent and such order is not discharged within […***…], or takes any equivalent or similar action in consequence of debt in any jurisdiction; or (b) if the other party materially breaches any of the provisions of this Agreement, and such breach is not cured within […***…] after the giving of written notice; provided, that in the case of a failure of Xencor to make payments in accordance with the terms of this Agreement, Catalent may terminate this Agreement if such payment breach is not cured within […***…] of reeipt of notice of non-payment from Catalent.

4.4 Upon any termination pursuant to the above paragraphs 4.2 and 4.3(b), if Xencor is the breaching party, Xencor's ownership rights in the GPEx® Cell Line shall automatically terminate and title thereto shall revert to Catalent; provided, however, that at Xencor's option, Xencor and each third party to whom Xencor has sold or transferred the GPEx® Cell Line in accordance with this Agreement shall promptly destroy (and certify to Catalent that is has destroyed) all

remaining stores of the GPEx® Cell Line (including any cells or cell lines derived therefrom) in its possession,. Upon termination of this Agreement, Xencor shall have a period of no more than […***…] to sell any remaining inventories of Product(s) subject to the terms of this Agreement.

4.5 Any termination pursuant to the above paragraph shall not relieve either Party of any obligation or liability accrued hereunder prior to such termination nor shall it affect in any manner any rights of either Party arising under this Agreement prior to such termination.

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4.6 Upon the termination of this Agreement, each provision of this Agreement which, by its nature is intended to survive the termination or expiration of this Agreement, shall continue in force and effect.

5. REPRESENTATIONS AND WARRANTIES

5.1 . Catalent represents and warrants that it has all necessary ownership or use rights to the GPEx Technology for the purposes of fulfilling its obligations under this Agreement and the lawful right to sell the GPEx® Cell Line hereunder. Catalent warrants that Xencor shall not incur any license fee, royalty, milestone or other obligation to any third party as a result of Xencor's use of the GPEx Technology in accordance with this Agreement and Catalent shall hold Xencor harmless from any claims, including claims of infringement of patents, copyrights or trade secrets resulting solely from Xencor's use of the Technology pursuant to this Agreement.

OTHER THAN THE FOREGOING, CATALENT MAKES NO (AND HEREBY DISCLAIMS ANY) EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE GPEX® CELL LINE OR THE PRODUCTS, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

5.2 . Xencor represents and warrants to Catalent that (a) the GPEx® Cell Line along with all Product delivered to Xencor by Catalent will be held, used and/or disposed of by Xencor in accordance with all applicable laws, specifically, Xencor shall not permit the human consumption of any Products, except to the extent such consumption occurs in the course of clinical studies that expressly permit such use and that have been approved by appropriate Regulatory Authorities or following receipt of all necessary Regulatory Approvals for commercial use and sale; (b) Xencor will comply with all applicable laws and regulations applicable to Xencor's performance under this Agreement;.

OTHER THAN THE FOREGOING, XENCOR MAKES NO (AND HEREBY DISCLAIMS ANY) EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

5.3 **Mutual**. Each party hereby represents and warrants to the other party that:

A. **Existence and Power**. Such party (i) is duly organized, validly existing and in good standing under the laws of the state in which it is organized, (ii) has the power and authority and the legal right to own and operate its property and assets, and to carry on its business as it is now being conducted, and (iii) is in compliance with all requirements of Applicable Laws, except to the extent that any noncompliance would not materially adversely affect such party's ability to perform its obligations under the Agreement;

B. **Authorization and Enforcement of Obligations**. Such party (i) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (ii) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder.

C. **Execution and Delivery**. This Agreement has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms;

D. **No Consents**. All necessary consents, approvals and authorizations of all Regulatory Authorities and other persons required to be obtained by such party in connection with the execution, delivery and performance of this Agreement have been obtained; and

E. **No Conflict**. The execution and delivery of this Agreement and the performance of such party's obligations hereunder (i) do not conflict with or violate any requirement of Applicable Laws; and (ii) do not materially conflict with, or constitute a material default or require any consent under, any contractual obligation of such party.

6. GOVERNMENT COMPLIANCE

6.1 The manufacture, transfer, sale and/or export of the GPEx® Cell Line or Product(s) may require a license or approval from an agency of the United States government. Xencor shall be solely responsible for obtaining all licenses, permits, or authorizations required from the United States and any other government for any use or sale of the GPEx® Cell Line and/or Product(s). To the extent not inconsistent with this Agreement, Catalent agrees to provide Xencor (at Xencor's expense) with such assistance as Xencor may reasonably request in obtaining such licenses, permits, or authorizations. Such services shall be provided in accordance with the terms set forth in a separate service agreement to be agreed upon by the parties.

6.2 Xencor and Catalent agree to cooperate in making required submissions to the U.S. Food and Drug Administration (FDA) and/or other regulatory agencies. Catalent expressly agrees that Xencor shall have the right to reference any and all Drug Master Files relating to any Product or Technology covered by this Agreement insofar as such information is necessary or desirable in the prosecution of any submission to the FDA and/or other regulatory agencies.

7. PUBLICITY

7.1 Neither Party shall use the name, trademarks, trade names or other recognizable marks of the other Party or inventors of the GPEx Technology in any advertising, promotion, or sales without the prior written consent of the other Party in each case, except that Xencor may state that the Products have been manufactured utilizing a GPEx® Cell Line produced under one or more of the patents and/or applications comprising the Patent Rights; provided, however, that each Party may use the other Party's name without such prior written consent to the extent that such use is required by any applicable law, rule or regulation now in effect or promulgated hereafter or by any governmental agency or by the rules of any stock exchange on which the securities of the disclosing party are listed, in which case the party required to make the press release or public disclosure shall use commercially reasonable efforts to obtain the approval of the other party as to the form, nature and extent of the press release or public disclosure prior to issuing the press release or making the public disclosure.

7.2 Xencor agrees to allow Catalent to use data obtained from Catalent's development of the GPEx® Cell Line, provided such data is not identifiable to Xencor, the GPEx® Cell Line or any Product, for marketing and demonstration of the Technology to Third Parties.

7.3 Neither Catalent nor Xencor will, without the express prior written consent of the other, such consent not to be unreasonably withheld, issue any press release or make any other public announcement or furnish any statement to any person or entity (other than either Parties' respective Affiliates and potential partners who have signed a confidentiality agreement with terms no less restrictive than those contained herein) concerning the existence of this Agreement, its terms and the transactions contemplated hereby, except for (i) an initial press release mutually agreed upon by the Parties, and (ii) disclosures made in compliance with Section 7.1 or Article 9.

8. PATENT PROTECTION AND INFRINGEMENT

8.1 **Maintenance of the Patent Rights**. Catalent shall pay all prosecution, renewal and other fees necessary to maintain the Patent Rights in force for the maximum legally permitted period during the term of this Agreement.

8.2 **Third Party Infringement**. If, at any time during the term of this Agreement, either Party shall become aware of any Third Party infringement or threatened infringement of any of the Patent Rights relating to GPEx® Cell Line, the following provisions shall apply:

A. The Party becoming so aware shall forthwith give written notice to the other of such infringement.

B. If there is disagreement as to whether the act complained of is in fact an infringement of any of the Patent Rights or whether such infringement proceedings stand a reasonable chance of success, the Parties shall refer such issue to a mutually agreed independent and experienced patent counsel, and the costs incurred in this regard shall be borne by the party whose view does not prevail. In the event that the Parties cannot agree on a suitable independent patent counsel within thirty days of a nomination of such counsel by a Party, the Parties shall submit such impasse to CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017 which shall designate such independent counsel and under whose auspices the independent counsel shall render a decision.

C. With or without the advice of the independent patent counsel, Catalent shall have the right to litigate such alleged third party infringement in such country. Catalent shall notify Xencor within […***…] after the written notice described in (1) above (or, if later, […***…] after the decision of the patent counsel described in clause (2) above) whether it intends to so litigate. Xencor shall, upon request of Catalent and at Catalent's expense, provide Catalent with all such assistance as it may reasonably require in the conduct of such claims or proceedings. Catalent shall bear the cost of such proceedings and shall be entitled to retain all sums recovered in such action for its own account; provided, however, that to the extent such recovery represents lost profits on Product sales arising from such infringement, […***…] ([…***…]%) of such amount shall be paid to Xencor

D. If Catalent (i) determines not to litigate in accordance with clause (C) above and the patent counsel described in clause (B) above has opined that the act complained of is, or most

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likely is, an infringement in such country or (ii) fails to reasonably pursue such litigation, then Xencor may, in its sole discretion and expense, bring suit in its name to restrain such Third Party infringement. In such event Xencor shall conduct such proceedings properly and diligently and shall keep Catalent timely apprised of the course of such litigation. The net proceeds of such action will be retained by Xencor.

E. In the event of any action permitted under this Section 8.2 by either party, the other party will provide the necessary and timely assistance in such action on reasonable terms and conditions to be agreed on at such time. In connection with any deliberations concerning the prospects for successfully bringing suit to enjoin such infringement, the parties shall promptly and fully make available to each other their information concerning the validity and enforceability of the relevant Patent Rights and any other relevant information.

F. For the avoidance of doubt and notwithstanding any other provision of this Agreement to the contrary, as between the Parties, Xencor shall have the sole right to institute infringement actions with respect to any allegedly infringing activity involving a Product other than any such activity that infringes or is alleged to infringe the Patent Rights, and to retain all recoveries from such actions.

8.3 **Notice of Infringement**. Each party hereto shall notify the other promptly in the event of the receipt of notice of any action, suit or claim alleging infringement by the manufacture, development, use and sale of the GPEx® Cell Line or any Product of any third party intellectual property rights. The parties shall meet promptly to discuss an appropriate response.

9. CONFIDENTIALITY

9.1 **Mutual Obligation**. Catalent and Xencor agree that they will not disclose the other party's Confidential Information (defined below) to any third party without the prior written consent of the other party except as required by law, regulation or court or administrative order; provided, however, that prior to making any such legally required disclosure, the party making such disclosure shall give the other party as much prior notice of the requirement for and contents of such disclosure as is practicable under the circumstances. Notwithstanding the foregoing, each party may disclose the other party's Confidential Information to any of its Affiliates and potential partners that (a) need to know such Confidential Information for the purpose of performing under this Agreement, (b) are advised of the contents of this Article, and (c) agree to be bound by the terms of this Article 9. Notwithstanding the foregoing, prior to or

immediately following execution of this Agreement, Catalent and Xencor shall agree upon the substance of information that can be used as a routine reference in the usual course of business to described the terms of this transaction, and Catalent and Xencor may disclose such information, as modified by mutual agreement from time to time, without the other party's consent.

9.2 **Definition**. As used in this Agreement, the term "Confidential Information" includes all such information furnished by Catalent or Xencor, or any of their respective representatives or Affiliates, to the other or its representatives or Affiliates, whether furnished before, on or after the date of this Agreement and furnished in any form, including but not limited to written, verbal, visual, electronic or in any other media or manner. Confidential Information includes all proprietary technologies, know-how, trade secrets, discoveries, inventions and any other intellectual property (whether or not patented), analyses, compilations, business or technical information and other materials prepared by either party, or any of their respective representatives, containing or based in whole or in part on any such information furnished by the other party or its representatives. Confidential Information also includes the existence of this Agreement and its terms.

9.3 **Exclusions**. Notwithstanding Section 9.2, Confidential Information of a party does not include information that the other party (the "receiving party") can demonstrate by competent evidence (a) is or becomes generally available to the public or within the industry to which such information relates other than as a result of a breach of this Agreement, or (b) is already known by the receiving party at the time of disclosure as evidenced by the receiving party's written records, or (c) becomes available to the receiving party on a non-confidential basis from a source that is entitled to disclose it on a non-confidential basis, or (d) was or is independently developed by or for the receiving party without reference to the Confidential Information, as evidenced by the receiving party's written records.

9.4 **No Implied License**. The receiving party will obtain no right of any kind or license under any patent application or patent by reason of this Agreement. All Confidential Information will remain the sole property of the party disclosing such information or data.

9.5 **Return of Confidential Information**. Upon termination of this Agreement, the receiving party shall, upon request, promptly return within […***…] all such information, including any copies thereof, and cease its use or, at the request of the disclosing party, shall promptly destroy the same and certify such destruction to the disclosing party; except for a single

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copy thereof, which may be retained for the sole purpose of determining the scope of the obligations incurred under this Agreement.

9.6 **Survival**. The obligations of this Article 9 will terminate […***…] from the expiration or termination of this Agreement.

10. INDEMNIFICATION

10.1 **Indemnification by Catalent**. Catalent shall indemnify and hold harmless Xencor, its affiliates, directors, officers, employees and agents ("**Xencor Indemnitees**") from and against any suits, claims, losses, demands, liabilities, damages, costs and expenses (including costs, reasonable attorney's fees and reasonable investigative costs) in connection with any suit, demand or action by any third party ("**Losses**") arising out of or resulting from (a) any breach by Catalent of its representations, warranties or obligations set forth in this Agreement; (b) any negligence or willful misconduct by Catalent; or (c) a claim that the use of the Technology in accordance with this Agreement infringes the intellectual property rights of a third party; except to the extent that any such Loss arises out of or results from the breach of this Agreement by Xencor or the negligence or willful misconduct of Xencor Indemnitees.

10.2 **Indemnification by Xencor**. Xencor shall indemnify, defend and hold harmless Catalent, its affiliates, directors, officers employees and agents("**Catalent Indemnitees**") from and against all Losses arising out of or resulting from (a) any breach of its representations, warranties or obligations set forth in this Agreement; (b) Xencor's or its CMO's, Affiliate's or licensee's manufacture, sale, promotion, distribution, use of or exposure to the GPEx® Cell Line or Product, including, without limitation, product liability or strict liability; (c) the conduct of any clinical trials relating to any Product; (d) a claim that the manufacture, sale, promotion, distribution or use of a Product (excluding the practice of the GPEx Technology in connection with any of the foregoing) infringes the intellectual property rights of a third party; or (e) any negligence or willful misconduct by Xencor; except to the extent that any such Losses arise out of or results from the breach by Catalent of this Agreement, or the negligence or willful misconduct of Catalent Indemnitees.

10.3 […***…]

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10.4 **Indemnification Procedures**. All indemnification obligations in this Agreement are conditioned upon the party seeking indemnification (A) promptly notifying the indemnifying party of any claim or liability of which the party seeking indemnification becomes aware (including a copy of any related complaint, summons, notice or other instrument), provided, that failure to provide such notice within a reasonable period of time shall not relieve the indemnifying party of any of its obligations hereunder except to the extent the indemnifying party is prejudiced by such failure, (B) allowing the indemnifying party, if the indemnifying party so requests, to conduct and control the defense of any such claim or liability and any related settlement negotiations (at the indemnifying party's expense; (C) cooperating with the indemnifying party in the defense of any such claim or liability (at the indemnifying party's expense), and (D) not compromising or settling any claim or liability without prior written consent of the indemnifying party.

11. NOTICES

All notices and other communications hereunder shall be in writing and shall be deemed given: (a) when delivered personally; (b) when delivered by facsimile transmission (receipt verified); (c) when received or refused, if mailed by registered or certified mail (return receipt requested), postage prepaid; or (d) when

delivered if sent by express courier service, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof):

If to Xencor:	Xencor, Inc, 111 West Lemon Avenue Monrovia, California 91016 USA Attention: John Kuch Facsimile: (626) 256-3562
With a copy to:	Xencor, Inc. 111 West Lemon Avenue Monrovia, California 91016 USA Attn: Bassil Dahiyat President & CEO Facsimile: (626) 256-3560
If to Cardinal Health:	Catalent Pharma Solutions, LLC 8137 Forsythia Street Middleton, Wisconsin 53562 USA

	Attention: President Facsimile: (608) 824-9930
With a copy to:	Catalent Pharma Solutions, LLC. 14 Schoolhouse Road Somerset, NJ 08873 Attention: General Counsel, Facsimile: 732-537-6491

12. LIMITATIONS OF LIABILITY

12.1 CATALENT'S TOTAL LIABILITY UNDER THIS AGREEMENT SHALL IN NO EVENT […***…].

12.2 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSS OF REVENUES, PROFITS OR DATA ARISING OUT OF PERFORMANCE UNDER THIS AGREEMENT, WHETHER IN CONTRACT OR IN TORT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES

13. MISCELLANEOUS

13.1 **Entire Agreement; Amendments**. This Agreement, the Exhibits hereto, the DMA and the Exhibits to the DMA, and any amendments thereto constitute the entire understanding between the parties and supersede any contracts, agreements or understanding (oral or written) of the parties with respect to the subject matter hereof. For the avoidance of doubt, this Agreement does not supersede any existing generally applicable confidentiality agreement between the parties as it relates to time periods prior to the date hereof or to business dealings not covered by this Agreement. No term of this Agreement may be amended except upon written agreement of both parties, unless otherwise provided in this Agreement.

13.2 **Captions**. The captions in this Agreement are for convenience only and are not to be interpreted or construed as a substantive part of this Agreement

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13.3 **Further Assurances**. The parties agree to execute, acknowledge and deliver such further instruments and to take all such other incidental acts as may be reasonably necessary or appropriate to carry out the purpose and intent of this Agreement.

1.4 **No Waiver.** Failure by either party to insist upon strict compliance with any term of this Agreement in any one or more instances will not be deemed to be a waiver of its rights to insist upon such strict compliance with respect to any subsequent failure.

13.5 **Severability**. If any term of this Agreement is declared invalid or unenforceable by a court or other body of competent jurisdiction, the remaining terms of this Agreement will continue in full force and effect.

13.6 **Independent Contractors**. The relationship of the parties is that of independent contractors, and neither party will incur any debts or make any commitments for the other party except to the extent expressly provided in this Agreement. Nothing in this Agreement is intended to create or will be construed as creating between the parties the relationship of joint ventures, co-partners, employer/employee or principal and agent.

13.7 **Successors and Assigns**. This Agreement will be binding upon and inure to the benefit of the parties, their successors and permitted assigns. Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either party without the prior written consent of the other party (which consent shall not be unreasonably withheld); *provided, however*, that either party may assign this Agreement and its rights and obligations hereunder without such consent (but subject to prior written notice) in connection with the transfer or sale of all or substantially all of its business to which this Agreement relates to a third party, whether by merger, sale of stock, sale of assets or otherwise or to the assigning party's business unit responsible for performance under this Agreement..

13.8 **Governing Law**. This Agreement shall be governed by and construed under the laws of the State of Delaware, excluding its conflicts of law provisions. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

13.9 **Alternative Dispute Resolution**. If any Dispute arises between the parties, such Dispute shall be presented to the respective presidents or senior executives of Catalent and Xencor for their consideration and resolution for a period of up to […***…]. If such parties cannot

reach a resolution of the Dispute within such period, then at either party's request (the "Requesting Party"), such Dispute shall be resolved by binding alternative dispute resolution in accordance with the then existing commercial arbitration rules of CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017, and judgment on the arbitration award may be entered in any court having jurisdiction thereof; *provided*, *however*, that no Dispute concerning the validity or infringement of any intellectual property of either party shall be subject to the provisions of this Section 12.9. Any such arbitration shall be conducted before a panel of three neutral and experienced arbitrators, one chosen by Catalent, one chosen by Xencor and the third chosen by the foregoing two arbitrators. The parties shall be entitled to conduct reasonable discovery, within limitations to be established by the arbitrators. Arbitration shall be conducted in the jurisdiction of the non-Requesting Party. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a party's compensatory damages. Except to the extent necessary to confirm an award or as may be required by law, neither a party nor any arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable statute of limitations. Each party shall bear its own attorneys' fees, costs and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; *provided*, *however*, that the arbitrators shall be authorized to determine whether a party is the prevailing party, and if so, to award to that prevailing party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.) and/or the fees and costs of the arbitrators. Each party shall fully perform and satisfy any monetary component of the arbitration award within […***…] of the service of the award. By agreeing to this binding arbitration provision, the parties understand that they are waiving certain rights and protections which may otherwise be available if a dispute between the parties were determined by litigation in court, including, without limitation, the right to seek or obtain certain types of damages precluded by this provision, the right to a jury trial, certain rights of appeal and a right to invoke formal rules of procedure and evidence. Notwithstanding the foregoing provisions of this Section 12.9, each party acknowledges and agrees that, due to the unique and valuable nature of the other party's intellectual property and Confidential Information, there can be no adequate remedy at law for any breach by such party of the provisions of this Agreement, that any such breach may result in irreparable harm to the other party for which monetary damages would be inadequate to compensate such party and that the other party shall have the right, in addition to any other rights available under applicable law, to obtain from any court of competent jurisdiction injunctive relief to restrain any breach or

threatened breach of, or otherwise to specifically enforce, any covenant or obligation of such party under such provisions, without the necessity of posting any bond or security.

13.10 **Prevailing Party**. In any dispute resolution proceeding between the parties in connection with this Agreement, the prevailing party will be entitled to recover its reasonable attorney's fees and costs in such proceeding from the other party.

13.11 **Counterparts**. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of the executed Agreement shall constitute an original.

13.12 **Survival**. The rights and obligations of the parties shall continue under Articles 4, 6, 7, 9, 10, 11 and 12 notwithstanding expiration or termination of this Agreement.

13.13 **Force Majeure**. Except as to payments required under this Agreement, neither party shall be liable in damages for, nor shall this Agreement be terminable or cancelable by reason of, any delay or default in such party's performance hereunder if such default or delay is caused by events beyond such party's reasonable control including, but not limited to, acts of God, regulation or law or other action or failure to act of any government or agency thereof, war or insurrection, civil commotion, destruction of production facilities or materials by earthquake, fire, flood or storm, labor disturbances, epidemic, or failure of suppliers, public utilities or common carriers; provided however, that the party seeking relief hereunder shall immediately notify the other party of such cause(s) beyond such party's reasonable control. The party that may invoke this section shall use all reasonable endeavors to reinstate its ongoing obligations to the other. If the cause(s) shall continue unabated for […***…], then both parties shall meet to discuss and negotiate in good faith what modifications to this Agreement should result from this force majeure.

13.14. **Right to Dispose and Settle**. If Catalent requests in writing from Client direction with respect to disposal of any inventories of materials, samples or other items belonging to Client and is unable to obtain a response from Client within a reasonable time period after making reasonable efforts to do so, Catalent shall be entitled in its sole discretion to (A) dispose of all such items and (B) set-off any and all amounts due to Catalent or any of its Affiliates from Client against any credits Client may hold with Catalent or any of its Affiliates.

IN WITNESS WHEREOF, both Catalent and Xencor have executed this Agreement, in duplicate originals, by their respective officers hereunto duly authorized, on the day and year hereinafter written.

Agreed to and accepted by:

Xencor, Inc. **Catalent Pharma Solutions LLC**

By:	/s/ Bassil Dahiyat	By:	/s/ Michael Jenkins
Name:	Bassil Dahiyat, PhD	Name:	Michael Jenkins
Its:	President and CEO	Its:	General Manager
Date:	December 21, 2011	Date:	December 21, 2011

Exhibit A

[…***…]

***** Confidential Treatment Requested**

Exhibit B

[…***…]

***** Confidential Treatment Requested**

Exhibit C

"GPEx® Cell Line" shall mean the cell line described in Exhibit C to this Agreement, including any cell lines derived in whole or part therefrom.

Exhibit D

GPEx retrovector component testing protocol and any materials required in the protocol that are not commercially available, described in ***Exhibit D*** hereto.

Exhibit E

Xencor shall reimburse Catalent for the performance of the technology transfer contemplated by this Section 2.3 as more fully described in Section 3.2. ***Exhibit E*** defines the scope and anticipated timing for the technical transfer services being provided by Cardinal Health.

Exhibit 10.18

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

DEVELOPMENT AND MANUFACTURING SERVICES AGREEMENT

This Development and Manufacturing Services Agreement ("**Agreement**") is made as of this 15th day of September, 2005 ("**Effective Date**"), by and between Xencor, Inc., a Delaware corporation, with a place of business at 111 West Lemon Avenue, Monrovia, CA 91016 (hereinafter "**Xencor**") and Cardinal Health PTS, LLC, a Delaware limited liability company, by and through its Gala Biotech business unit with a place of business at 8137 Forsythia Street, Middleton, Wisconsin 53562 (hereinafter "**Cardinal Health**").

RECITALS

A. Xencor is a pharmaceutical company that is developing the Product (as defined below) which is the subject of this Agreement; and

B. Cardinal Health provides a complete range of analytical, development and clinical services to the pharmaceutical industry, including, without limitation, mammalian cell line engineering and development, protein manufacturing, and finished product manufacturing services; and

C. Cardinal Health has developed a proprietary Gene Product Expression ("**GPEx™**") technology for the expression of proteins through retrovector transduction of cell lines; and

D. If the outcome of the cell line development Services under this Agreement is successful, the parties anticipate that they will enter into a license of the GPEx™ technology to Xencor on terms to be agreed upon by the parties; and

E. Xencor and Cardinal Health desire to enter into this Agreement to provide the terms and conditions upon which Xencor may engage Cardinal Health to provide Product development and manufacturing services as described in individual SOWs (as defined below) specifying the details of the services and the related terms and conditions.

THEREFORE, in consideration of the mutual covenants, terms and conditions set forth below, the parties agree as follows:

ARTICLE 1
DEFINITIONS

The following terms have the following meanings in this Agreement:

1.1 "**Affiliate(s)**" means any corporation, firm, partnership or other entity that controls, is controlled by or is under common control with a party. For purposes of this definition, "control" shall mean (i) the ownership of at least fifty percent (50%) of the voting share capital of such entity or any other comparable equity or ownership interest, or (ii) the power to appoint fifty percent (50%) or more of the directors, managers or general partners of such entity.

1.2 "**API**" or "**Active Pharmaceutical Ingredient**" means any substance identified in an SOW as intended to be used in the manufacture of a drug (medicinal) product, and that, when used in the production of a drug, becomes an active ingredient of the drug product.

1.3 "**Applicable Laws**" means all laws, ordinances, rules and regulations within the Territory applicable to the Processing of the Product or any aspect thereof and the obligations of Cardinal Health or Xencor, as the context requires under this Agreement, including, without limitation, (A) all applicable federal, state and local laws and regulations of each Territory; (B) the U.S. Federal Food, Drug and Cosmetic Act, and (C) FDA guidance documents (to the extent applicable), current Good Manufacturing Practices ("**cGMPs**") and current Good Laboratory Practices ("**cGLPs**") promulgated by the Regulatory Authorities, as amended from time to time, as applicable to the Project.

1.4 "**Batch**" means Product resulting from (i) a single Cardinal Health Product production run or (ii) any other specific quantity of Product to be produced by Cardinal Health agreed upon in writing by the parties.

1.5 "[…***…]" shall mean U.S. Patent No. […***…] ([…***…]), issued to […***…], Inc., divisionals and continuations-in-part thereof, and any foreign equivalents of the foregoing.

1.6 "**Confidential Information**" has the meaning set forth in Section 6.2.

1.7 "**Critical cGMP Deficiency**" has the meaning set forth in Section 7.3(B).

1.8 "**Delivery**" has the meaning set forth in Section 3.5.

1.9 "**Dispute**" means any dispute, controversy or disagreement between the parties in connection with this Agreement.

1.10 "**Facility**" means the Cardinal Health facility defined in the applicable SOW.

1.11 "**Fill Finish**" means the compounding, filling, producing and primary packaging in accordance with the Manufacturing Specifications and the terms and conditions set forth in the Agreement and any applicable SOW.

1.12 "**GPEx Technology**'' means Cardinal Health's proprietary GPEx™ gene product expression technology.

1.13 "**Intellectual Property**" means all intellectual property (whether or not patented), including, without limitation, patents, patent applications, know-how, trade secrets, copyrights, trademarks, designs, concepts, registered and unregistered design rights, data, work product, results, reports, improvements, inventions,

developments, technologies; technical information, compounds, composites of genes and gene constructs, cell lines, assays, antibodies and other proteins or biological materials, and other manuals, standard operating procedures, instructions or specifications.

1.14 "**Invention**" has the meaning set forth in Section 7.2.

1.15 "**Manufacturing**" means all operations required pursuant to an SOW for the production of Product from a mammalian cell line, including receipt of materials, growth of the mammalian cell line to produce the Product, production of the Product, the subsequent purification, packaging, repackaging, labeling, relabeling, quality control, release, storage, and distribution of the Product and the related controls.

1.16 "**Packaging Cell Line**" means a cell line created primarily for the purpose of producing a […***…], typically a […***…], which also yields […***…].

1.17 "**Process**", "**Processed**", or "Processing" has the meaning set forth in the applicable SOW.

1.18 "**Product**" means the gene expression products specified in a SOW and any proteins produced as a result of the use of any Vector derived from genetic constructs for genes described in the SOW, and the same as further Processed.

1.19 "**Production Cell Line**" means a cell line created primarily for the purpose of producing Product.

1.20 "**Quality Agreement**" means a written agreement substantially in the form set forth on Appendix A that is a required and integral part of this Agreement, outlining the respective roles and responsibilities of Cardinal Health and its Affiliates and Xencor with respect to the quality assurance of the API Manufacturing activities outlined in this Agreement and the SOW(s).

1.21 "**Regulatory Authority**" means any governmental regulatory authority within the Territory involved in regulating any aspect of the development, manufacture, market approval, sale, distribution, packaging or use of the Product.

1.22 "**Services**" means all work performed by Cardinal Health for Xencor pursuant to this Agreement, as described more specifically in each SOW.

1.23 "**SOW**" means a separate quotation or Statement of Work agreed to by the parties in writing and specifically incorporating by reference this Agreement pursuant to the language set forth on Appendix B and that defines the scope of the services to be performed by Cardinal Health and the responsibilities of the parties with respect to such services. The SOW for the initial Project to be undertaken pursuant to this Agreement is attached hereto as **Appendix B-1**. The SOW(s) for any subsequent Project(s) hereunder shall be numbered sequentially as **AppendixB-2**, **Appendix B-3**, etc. and, upon execution by the parties, be deemed incorporated into this Agreement.

1.24 "**Specifications**" means all written specifications agreed to by the parties in the SOW, and applicable master batch records, protocols, or standard operating procedures.

1.25 "**Territory**" means The United States of America and the European Union.

1.26 "**Vector**" shall mean a […***…].

1.27 "**Xencor-Supplied Materials**" means any cDNA, mammalian cell line, API or other materials provided by Xencor to Cardinal Health.

ARTICLE 2
SCOPE

2.1 Definition of Scope. Cardinal Health will perform the Services in accordance with the specific terms set forth in each applicable SOW and the Quality Agreement. Each SOW shall clearly define the undertakings, tasks, objectives and expected deliverables (including Product(s)) for each project contemplated in such SOW (each, a "**Project**") and the responsibilities of the parties with respect to such Project. A separate SOW shall be prepared for each Xencor project. Each SOW will include, as appropriate, the scope of work, pricing and payment schedule. Each SOW shall be subject to all of the terms and conditions of this Agreement, in addition to the specific details set forth in the SOW. To the extent any terms or conditions of a SOW conflict with any terms and conditions of this Agreement, the terms and conditions of this Agreement shall control, except to the extent that the applicable SOW expressly and specifically states an intent to supersede this Agreement on a specific matter. This Agreement shall also supersede the terms of any purchase order, acknowledgement, delivery document or any oral communication or writing between the parties. No SOW shall be effective or binding upon either party unless and until such SOW is executed by both parties.

2.2 Amendments to Scope/Change Orders. Either party may request a change in the details of a SOW, or the assumptions-upon which the SOW is based (including, but not limited to, suspension of a Project and/or changes in a projected starting date, pricing and/or time lines). All SOW changes require a written amendment to the SOW (each, a "**Change Order**"). Each Change Order shall detail the requested changes to the applicable task, responsibility, duty, pricing, time line or other matter. A Change Order will become effective only upon its execution by both parties. Cardinal Health will be given a reasonable period of time within which to implement the changes. Each party agrees to act in good faith and promptly when considering a Change Order requested by the other party. Without limiting the foregoing, each party agrees that it will not unreasonably withhold approval of a Change Order if the proposed changes result from, among other appropriate reasons, forces outside the reasonable control of a party or changes in Applicable Law or the assumptions upon which the initial pricing, time lines or other terms of the SOW were based, Cardinal Health reserves the right to postpone effecting material changes in the Project's scope until such time as the parties agree to and execute the corresponding Change Order.

2.3 Xencor Obligations. Unless otherwise agreed by the parties in writing or in the SOW, Xencor will: (1) provide Cardinal Health with accurate and necessary scientific data reasonably available to Xencor regarding each Project and Xencor's requirements for each Project, including, without limitation, test methods and development, formulation, Fill Finish of the Product if applicable, (2) provide Cardinal Health with accurate and necessary information reasonably available to Xencor

to develop the scope of work, and estimated or fixed costs for the Projects, (3) review and approve all Specifications, (4) if applicable, review and approve all in-process and

finished Product test results to ensure conformity of such results with the Specifications, regardless of which party is responsible for finished Product release, and (5) if applicable, prepare all Product submissions to Regulatory Authorities.

2.4 Cardinal Health Obligations. Cardinal Health will: (1) perform the Services in accordance with all Applicable Laws, including, without limitation, the then-current state of the U.S. Food and Drug Administration's (FDA's) current Good Manufacturing Practice (cGMP) as outlined in 21 CFR Sections 210-211 and the International Committee for Harmonization (ICH) Guidance for Industry Q7A, "Good Manufacturing Practice for Active Pharmaceutical Ingredients" (for manufacture of Phase I clinical supplies Section XIX of the aforementioned document shall apply); (2) provide to Xencor upon request written reports documenting development of analytical methods, production processes, and storage conditions for Product (including the rationale for selection of methods, processes, unit operations, operating parameters, and conditions) as necessary to support regulatory filings for investigational use or marketing of Product; (3) use its best efforts to assist Xencor in obtaining and maintaining regulatory approvals for Products in the Territory, at the reasonable request and expense (to the extent of any out-of-pocket expenses) of Xencor; and (4) cooperate with any inspection by the FDA or other regulatory agency, including, but not limited to, any inspection prior to approval of Xencor's BLA for any Product. In addition, at Xencor's option, Xencor may contract with third parties to conduct cell banking, cell bank testing, viral clearance testing and/or testing of non-cGMP or cGMP material, in which event Cardinal Health shall promptly package and ship the applicable test materials to Xencor or its designee, for which Xencor shall pay Cardinal Health a fee not to exceed […***…] ([…***…]%) of the cost of such third party services.

ARTICLE 3
PRICING AND PAYMENT TERMS

3.1 Price and Price Changes.

A. Price. Xencor shall pay for the Services as provided in this Agreement and all SOWs.

B. Price Changes. Cardinal Health may propose to Xencor in writing revisions to the prices provided in a SOW if (1) the parties agree to revise a protocol, (2) any information relating to a Project which is provided by Xencor is inaccurate or incomplete, (3) Xencor revises Cardinal Health's responsibilities, the Specifications, applicable test methods, final review of test methods, procedures, assumptions, development processes, test methods or analytical requirements, (4) Xencor requests an alternate report format, (5) Xencor requests revisions to laboratory reports, (6) Xencor requests copies of laboratory records (excluding a single copy of batch records which will be provided for each batch manufactured hereunder) or (7) unforeseen circumstances affect the work required to complete the Project. All such proposed price changes must be submitted as a Change Order pursuant to Section 2.2. Notwithstanding anything to the contrary expressed or implied herein, no proposed price change shall be effective or binding upon either party, unless and until both parties have executed a Change Order with respect thereto.

C. Retesting. All retesting performed that is not directly due to Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or a SOW will be billed to the Xencor. All required investigational studies or additional Xencor requests not outlined in the SOW will be invoiced for the cost of performance at the current standard hourly rate; plus any associated fees.

D. Deviation Investigations. Cardinal Health reserves the right to expend up to […***…] per Critical Deviation (as defined in the Quality Agreement) to complete all required investigational work (such as OOS investigations, trouble shooting chromatographic methods, etc.) without prior approval from the Xencor. If the additional work requires going beyond […***…], the Xencor will be contacted prior to continuation. The additional work will be performed based on verbal agreement from the Xencor and will be documented on a Cardinal Health Telephone Conversation Record (TCR). Cardinal Health shall […***…], in which case Xencor shall […***…] within thirty (30) days after receipt of an invoice and appropriate supporting documentation from Cardinal Health.

E. Cancellations and Postponements. If Xencor cancels or postpones any portion of a Project or if Cardinal Health terminates any portion of a Project pursuant to Section 3.3, Xencor shall pay Cardinal Health for all work completed through the date of such cancellation, postponement or termination in accordance with this Agreement and the applicable SOW, including reasonable and documented out-of-pocket expenses incurred by Cardinal Health, any non-cancelable commitments incurred by Cardinal Health in accordance with this Agreement and such SOW up to the date of such cancellation, or postponement or termination, and with respect to any unperformed cGMP batches anticipated by such SOW, Xencor will pay to Cardinal Health the following charges:

Notice of Cancellation, Postponement or Termination in Days from the Date Scheduled for Commencement of cGMP Production	**Charge as a Percentage of Total Production Fee**
[…***…] or less	[…***…]%
[…***…] days	[…***…]%
[…***…] days and over	[…***…]%

provided, however, that if Cardinal Health secures new business that utilizes the slot in the manufacturing schedule with respect to the cGMP manufacturing space that would have been occupied by Xencor, it will […***…].

Notwithstanding the foregoing, no such payments shall be due in the event that such cancellation; postponement or termination is due to Cardinal Health's breach of this Agreement, the Quality Agreement or the applicable SOW.

3.2 Invoicing. Cardinal Health shall invoice Xencor as set forth in the applicable SOW.

3.3 Payment Terms. In the event payment is not received by Cardinal Health on or before the […***…] day after the date of any invoice, then Cardinal Health may, at its option elect to: (i) charge a late payment fee on such unpaid amount equal to […***…] ([…***…]%) per month, or the highest amount allowed by applicable law, whichever is less, until paid in full; and/or (ii) suspend any further deliveries under the applicable SOW until such invoice is paid in full. If Xencor fails to pay any invoice (other than an invoice subject to a good-faith dispute) for more than […***…] following its due date, Cardinal Health shall also be entitled to terminate the applicable SOW and/or this Agreement on written notice to Xencor.

3.4 Taxes. All taxes, duties and other amounts assessed (excluding tax based on net income and franchise taxes) on the services, components, API or the Product prior to or upon sale to Xencor and on any Xencor owned tooling and equipment are the responsibility of Xencor, and Xencor shall reimburse Cardinal Health for any such taxes, duties or other expenses paid by Cardinal Health.

3.5 Shipments. All Batch shipments shall conform to the shipping and packaging instructions set forth in the Specifications or as otherwise provided in advance by Xencor to Cardinal Health in writing no later than […***…] prior to the contemplated delivery date of a shipment. All Batch shipments and deliveries (collectively, a "**Delivery**") shall be made FCA (Incoterms 2000) Cardinal Health's Facility. Cardinal Health shall be responsible for providing all quality and commercial shipping documentation set forth in the Specifications.

3.6 Certificate of Analysis. Each cGMP Delivery shall be accompanied by a written certification of Cardinal Health setting forth the measured and observable characteristics of the Delivery, as required by the Specifications, together with a certification of the Delivery's compliance with cGMPs, cGLPs and FDA guidance documents (to the extent applicable), and any description of any departures from any of the foregoing (the "**Certificate**"). Non-cGMP Deliveries shall be accompanied by a written product information sheet, the content of which shall be mutually agreed between the parties.

3.7 Inspection; Acceptance/Rejection. Xencor shall have […***…] from the date of receipt of each Delivery to evaluate the Product and accept or reject such Delivery. Xencor shall in good faith have the right to reject any Delivery if (i) a Batch does not meet the mutually agreed Specifications; or (ii) a cGMP Batch was not actually Processed in accordance with cGMPs or relevant FDA guidance documents. If Xencor does not notify Cardinal Health of its rejection of a Delivery within such […***…] period, the Delivery shall be deemed accepted. Notwithstanding the foregoing, if after Xencor's acceptance of a Delivery hereunder, […***…], Xencor shall so notify Cardinal Health within […***…] and […***…].

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ARTICLE 4
ADDITIONAL TERMS FOR MANUFACTURING, FILL/FINISH AND PACKAGING

4.1 Non-Conforming Product. If Cardinal Health agrees that a Batch rejected by Xencor pursuant to Section 3.7 is non-conforming and such non-conformity is determined to be the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW, Cardinal Health shall, within […***…] after receiving the non-conforming Batch, at its option and sole expense, either (i) re-perform the Services and replace the entire Delivery containing the non-conforming Batch with conforming Product in accordance with this Agreement, or (ii) refund to Xencor all payments made by Xencor for the Delivery containing the non-conforming Batch. If Cardinal Health in good faith does not agree with Xencor's determination that the rejected Batch is a non-conforming Batch, then after reasonable efforts to resolve the disagreement, not to exceed […***…] following such Batch's rejection by Xencor, either party may submit a sample of such Batch to […***…] or another mutually agreed upon independent third party laboratory to determine whether the Batch has been properly rejected under Section 3.7. The independent laboratory's determination shall be final and binding on both parties. If the independent laboratory determines that the Batch has been properly rejected under Section 3.7, but the parties do not agree on whether or not such failure is the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement; the Quality Agreement or the applicable SOW, the parties shall submit such dispute to arbitration in accordance with the terms of Section 14.9. Unless otherwise agreed to by the parties in writing, the costs associated with testing and review by the independent laboratory shall be borne by (i) Cardinal Health, if the non-conforming Batch is the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW, or (ii) Xencor, if the non-conforming Batch is not the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW.

4.2 Remedies for Non-Conforming Product. THE OBLIGATION OF CARDINAL HEALTH TO PROVIDE A REFUND FOR OR REPLACE NON-CONFORMING PRODUCT IN ACCORDANCE WITH THIS ARTICLE 4 SHALL BE XENCOR'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT FOR PRODUCT THAT DOES NOT CONFORM TO SPECIFICATIONS AND IS IN LIEU OF ANY OTHER WARRANTY, EXPRESS OR IMPLIED.

4.3 Initial Batches. The parties acknowledge that (i) information regarding the Manufacturing Process and the characteristics of each Product resulting therefrom is practically nonexistent at this point in time, as development of the Manufacturing Process and associated analytical methods has not yet commenced; (ii) the Preliminary Target Product Specifications (as defined in the applicable SOW) are deemed achievable based on the parties' respective experience with similar products, but subject to revision by mutual agreement of the parties prior to commencement of pilot and full-scale Manufacturing runs based on data from bench-scale runs; and (iii) Cardinal Health shall have primary responsibility for development of the Manufacturing Process for each Product, with appropriate input from Xencor. In consideration of the foregoing, the parties agree that […***…] of all Initial Batches (defined as the pilot-scale non-GMP and full-scale cGMP Batches outlined in the applicable SOW comprising the material used for GLP toxicology studies and initial clinical studies) that fail to meet the mutually-agreed Preliminary

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Target Product Specifications as outlined in (ii) above, unless the non-conformance was due to Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW in the manufacture of the out of Specification Batch; in which case, Cardinal Health shall bear […***…] ([…***…]%) of the cost of the out of Specification Batch. Cardinal Health and Xencor shall cooperate in good faith to identify and correct any technical or cGMP issues causing the out of Specification Batch.

4.4 Unlabeled Product. If Cardinal Health is to provide Xencor with Product which is not labeled, Xencor represents and warrants that it will comply with all applicable regulations, including, without limitation, 21 CFR§201.150.

4.5 Failure to Take Delivery. If Xencor fails to take delivery on any scheduled delivery date, Cardinal Health shall invoice Xencor for the stored Product and shall invoice Xencor on a monthly basis for reasonable administration and storage costs. For each such batch of undelivered Product, Xencor agrees that: (A) Xencor has made a fixed commitment to purchase such Product, (B) risk of ownership and storage for such Product passes to Xencor, (C) such Product shall be on a bill and hold basis for legitimate business purposes, (D) if no delivery date is determined at the time of billing, Cardinal Health shall have the right to ship the Product to Xencor within […***…] after billing, and (E) Xencor will be responsible for any decrease in market value of such Product that relates to factors and circumstances outside of Cardinal Health's control. Within […***…] following a written request from Cardinal Health, Xencor shall provide Cardinal Health with a letter confirming items (A) through (E) of this Article 4 for each Batch of undelivered Product.

ARTICLE 5
REGULATORY

5.1 Audit. Once […***…] during the Term, and subject to Cardinal Health's obligations of confidentiality to third parties, Cardinal Health will permit Xencor to conduct an audit of those portions of the Facility where Services are being conducted upon reasonable advance notice during regular business hours and at no cost to Xencor. Upon request, Xencor may conduct additional audits, provided that Xencor shall reimburse Cardinal Health for time and expenses reasonably incurred by Cardinal Health in connection with such additional audit.

5.2 Observation. Xencor may have up to two (2) representatives at the Facility to observe the Services, provided that Xencor provide Cardinal Health at least […***…] days advance written notice of the attendance of such Xencor representatives. Such representatives shall comply with Cardinal Health's rules and regulations. Xencor shall indemnify and hold harmless Cardinal Health for any action or activity of such representatives while on Cardinal Health's premises.

5.3 Regulatory Inspections. Each party shall: (1) notify the other party promptly of any inspection or inquiry by any Regulatory Authority concerning any Project or Product of Xencor; and (2) forward to the other party copies of any correspondence from any Regulatory Authority relating to such a Project or Product, including, but not limited to, Form FD-483 notices, FDA refusal to file, rejection or warning letters. Where reasonably practicable, each party will be given the opportunity to have a representative present during an inspection by a Regulatory Authority.

Each party acknowledges that it may not direct the manner in which the other party fulfills its obligations to permit inspection by a Regulatory Authority.

5.4 Record Retention. Unless the parties otherwise agree in writing, Cardinal Health will retain batch, laboratory and other technical records for the minimum period required by Applicable Laws and, after such period, shall not destroy or dispose of such without […***…] prior written notice to Xencor. At Xencor's election at any time during such […***…] period, Xencor shall have the right to cause Cardinal Health to ship all such manufacturing related records to Xencor at Xencor's reasonable expense. Cardinal Health will not be required to ship any GPEx related documents beyond the GPEx project report. Cardinal Health will include all reasonably requested information in the GPEx project report and will include all information requested by a regulatory agency.

5.5 Quality Agreement. Any Quality Agreement executed by the parties related to the Services shall in no way determine liability or financial responsibility of the parties for the responsibilities set forth therein. In the event of a conflict between the terms of this Agreement and the Quality Agreement, this Agreement shall control.

5.6 Regulatory Compliance. Xencor shall be solely responsible for all permits and licenses required by any Regulatory Authority with respect to the Product, including any Product licenses, applications and amendments in connection therewith. Cardinal Health will be responsible to maintain all permits and licenses required by any Regulatory Authority with respect to the Services and the Facility. During the Term, each party will assist the other party with all regulatory matters relating to Services and Product, at the other party's request. Each party intends and commits to cooperate to satisfy all Applicable Laws relating to Services and Products.

5.7 Waiver of In Process Quality Control Holds. Project scheduling may include certain FDA "Points to Consider" ("**PTC**") assays and other in-process assays, as set forth in a SOW. PTC and in-process assays are typically required in "quality control (QC) holds" and may prevent a Project from progressing to subsequent scheduled events until the results of said PTC and in-process assays are completed, documented and audited by the appropriate QC group. In the event that Xencor wishes to expedite a Project by proceeding to subsequent Project events, without waiting for PTC and/or assay results ("**QC Hold Waiver**"), Xencor shall be fully responsible for the cost of all Services performed with respect to such Project after the QC Hold Waiver, regardless of whether the results of the PTC and/or other in-process tests indicate a problem with the Project or Product, unless such problem was caused by Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW. Cardinal Health shall remain responsible for activities up to the QC Hold Waiver to the extent provided in this Agreement.

ARTICLE 6
CONFIDENTIALITY AND NON-USE

6.1 Mutual Obligation. Each party receiving Confidential Information (each, a "**Recipient**") from the other party (each, a "**Discloser"**), agrees that it will (i) only use Discloser's Confidential Information as specified herein, and for no other purpose whether for Recipient's own benefit or the

benefit of any third party and (ii) not disclose Discloser's Confidential Information to any third party without the prior written consent of the Discloser except to the limited extent required by Applicable Law or to enforce this Agreement; provided, however, that prior to making any such legally required disclosure, the Recipient shall give Discloser as much prior notice of the requirement for and contents of such disclosure as is practicable under the circumstances. Notwithstanding the foregoing, the Recipient may disclose the Discloser's Confidential Information to those of Recipient's employees or Affiliates that (A) need to know such Confidential Information for the purpose of performing this Agreement, and (B) are legally bound by obligations of confidentiality and non-use no less restrictive than the terms of this Article 6.

6.2 Definition. As used in this Agreement, the term "**Confidential Information**" includes all such information furnished by Cardinal Health or Xencor, or any of their respective representatives or Affiliates,, to the other party or its representatives or Affiliates, whether furnished before, on or after the date of this Agreement and furnished in any form, including, but not limited to, written, verbal, visual, electronic or in any other media or manner. Confidential Information includes all proprietary technologies, know-how, trade secrets, discoveries, inventions and any other Intellectual Property (whether or not patented), analyses, compilations, business or technical information and other materials prepared by either party, or any of its representatives or Affiliates, containing or based in whole or in part on any such information furnished by the other party or its representatives or Affiliates. Confidential Information also includes the existence of this Agreement and its terms, except that each

party may disclose this Agreement or its terms to any of its advisors, lawyers, accountants, investment bankers, or actual or potential investors, acquirors or merger parties, provided that such recipient is bound by contractual or other legal obligations of non-use and non-disclosure with respect to such Confidential information consistent with the terms of this Article 6.

6.3 Exclusions. Notwithstanding Section 6.2, Confidential Information does not include information that Recipient can demonstrate by competent evidence (A) is or becomes generally available to the public or within the industry to which such information relates other than as a result of a breach of this Agreement, or (B) is already known by the Recipient at the time of disclosure as evidenced by the Recipient's written records, or (C) becomes available to the Recipient on a non-confidential basis from a source that is entitled to disclose it on a non-confidential basis, or (D) was or is independently developed by or for the Recipient without use of or reference to the Confidential Information, as evidenced by the Recipient's written records.

6.4 No Implied License. Recipient will obtain no right of any kind or license under any patent application or patent by reason of this Agreement. All Confidential Information will remain the sole property of Discloser.

6.5 Return of Confidential Information. Upon termination of this Agreement, Recipient shall, upon Discloser's request, promptly return within […***…] all such information, including any copies thereof, and cease its use or, at the request of the disclosing party, shall promptly destroy the same and certify such destruction to the disclosing party; except for a single copy thereof, which may be retained for the sole purpose of determining the scope of the obligations incurred under this Agreement.

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6.6 Survival. The obligations of this Article 6 will terminate […***…] from the expiration or termination of this Agreement for any reason.

ARTICLE 7
INTELLECTUAL PROPERTY

7.1 Ownership of Existing Technologies.

A. All rights to and interests in Xencor's Intellectual Property, including, without limitation, all Intellectual Property covering or claiming the Products or any use thereof, and Xencor's Confidential Information shall remain vested solely in Xencor (or its licensors). No right or interest therein is transferred or granted to Cardinal Health under this Agreement.

B. All rights to and interests in Cardinal Health's Intellectual Property and Cardinal Health's Confidential Information, including, without limitation, Cardinal Health's GPEx Technology, shall remain vested solely in Cardinal Health. No right or interest therein is transferred or granted to Xencor under this Agreement, except as is specifically set forth in Section 7.3.

7.2 Improvements, Inventions & Developments. All Intellectual Property arising during the performance of any Project (an "**Invention**") shall be the property of the party whose employees conceive of or make the Invention; *except that* (a) all improvements in the process of gene expression in cells, vectors for gene expression, Packaging Cell Lines created for gene expression or to the GPEx Technology, Cardinal Health Intellectual Property or Cardinal Health Confidential Information made by either party or jointly by the parties shall be the property of Cardinal Health, and (b) all improvements to, new uses of, or any substance produced or isolated with or by use of, the Product, Xencor Intellectual Property or Xencor Confidential Information or cDNAs, genes, or cell lines provided by Xencor made by either party or jointly by the parties shall be the property of Xencor. If either party develops an Invention that is the property of the other party, such party (the "Inventing Party") shall promptly disclose such Invention to the other party (the "Owning Party") in writing and hereby assigns to the Owning Party all right, title and interest in and to such Invention, or if assignment is not permitted by law, waives such rights or grants to the Owning Party an exclusive, fully paid, perpetual, irrevocable, worldwide license under such rights for any and all purposes, and will execute any documents to this effect, if requested to do so by the Owning Party. In addition, at the Owning Party's request and expense (to the extent of any out of-pocket expenses), the Inventing Party agrees to cooperate with the Owning Party or its designee(s), both during and after the term of this Agreement, in the procurement and maintenance of the Owning Party's rights in such Invention and to assist the Owning Party in every proper way to obtain, and from time to time enforce, Intellectual Property rights relating to such Invention in any and all countries. To that end, the Inventing Party will execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as the Owning Party may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Intellectual Property rights in the Invention and the assignment thereof. Except as expressly provided above in this Section7.2, jointly-made Inventions shall be jointly owned by both parties, with each party having an undivided interest therein. The parties further agree to disclose to each other all Inventions that such party believes to be jointly invented. At the time of such disclosure, the parties shall designate patent counsel to file a patent application or applications on the jointly

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owned Invention, if applicable, with each party equally sharing the costs of applying for, prosecuting and maintaining patent rights for the jointly owned Invention. Either party mall be permitted to commercially exploit jointly owned Inventions without the written consent of the other party.

7.3 Research Rights and Portability.

A. Research Field of Use. If the scope of any Project includes development of one or more cell lines by Cardinal Health using its GPEx Technology, then, at Xencor's option, any resulting cell lines shall be licensed to Xencor or its Affiliates solely for non-cGMP research use, at a cost to Xencor of […***…] Dollars ($[…***…]) per year for a period of up to ten (10) years after the date of, in each case, the relevant SOW on commercially reasonable terms to be separately agreed upon by the parties in good faith within […***…] of Xencor's notice to Cardinal Health that it wishes to exercise such option. Without limiting the generality of the foregoing, such terms shall include the right of Xencor to transfer any licensed cell line to third party customers of Xencor for non-cGMP activities and evaluation purposes, at no additional cost to Xencor, on commercially reasonable terms to be separately agreed upon by the parties in good faith. Such option shall be exercisable within thirty-six (36) months after the date of the first delivery of each cell line (or any Product derived therefrom). For sake of clarity, […***…] which are being developed for the same Product application shall be subject to a single research license and will not require additional license fee payments.

B. Commercial Field of Use. Xencor shall also have the option to license (which option shall be exercisable with respect to each cell line developed hereunder for a period of ten (10) years after the date of, in each case, the relevant SOW), […***…], cell lines developed using GPEx Technology for use in the production of clinical and commercial supplies of Products by Xencor and/or any third party contract manufacturer of Xencor, subject to payment to Cardinal Health of

the applicable amounts set forth below in this Section 7.3(B) and another commercially reasonable terms to be separately agreed upon by the parties in good faith within […***…] of Xencor's notice to Cardinal Health that it wishes to exercise such option (it being understood that the payments set forth below in this Section 7.3(B) are the only payments that will be due under any such license, other than reimbursement of any reasonable and documented costs incurred by Cardinal Health in packaging and shipping such cell line and providing any other technology transfer in connection therewith that may be reasonably requested by Xencor).

(i) Upfront Fee. Xencor shall pay to Cardinal Health the applicable upfront fee set forth below (if any) for each cell line licensed by Xencor pursuant to this Section 7.3(B), with the amount of such upfront fee to be determined based on how many cell lines Xencor has licensed and on whether such cell line is used for cGMP manufacturing activities at (i) Xencor's or its licensee's cGMP manufacturing facility, or (ii) a third party's (other than a licensee of Xencor) cGMP manufacturing facility:

	Upfront Fee	
	cGMP manufacturing at third party site (other than a licensee of Xencor):	cGMP manufacturing at Xencor or its licensee site:
[…***…]	$ 250,000	$ 200,000
[…***…]	$ 225,000	$ 200,000
[…***…]	None	None

(ii) Annual License Maintenance Fee. Xencor shall pay to, Cardinal Health an annual license maintenance fee for each cell line licensed of […***…] Dollars ($[…***…]) during the term of such license, payable on the anniversary of the date such cell line was licensed, with the first such fee due on the first anniversary of such license.

(iii) Milestone Payments. Xencor shall report to Cardinal Health once a year the status of each cell-line transferred to Xencor and pay to Cardinal Health the applicable milestone payments set forth below (if any) for each cell line transferred to Xencor pursuant to this Section 7.3(B) within […***…] after the achievement of each applicable milestone by a Product produced using such cell line, with the amounts of such milestones to be determined based on how many cell lines Xencor has licensed and on whether such cell line is to be used by Xencor or its designee:

	Milestone Payments	
Cell Line	If for use by CMO:	If for use by Xencor:
[…***…]	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]

provided, however, that if Xencor licenses a cell line pursuant to this Section 7.3(B) after the achievement of one or more milestones by a Product produced using such cell line, then the payment(s) associated with such previously-achieved milestone(s) under this subparagraph (iii) shall not be due for such cell line. Following conduct of an audit pursuant to Section 5.1 hereof of the Facility by qualified representatives of Xencor, Xencor shall promptly provide a written summary of any audit observations to Cardinal Health. Cardinal Health shall have […***…] from the time of receipt of such summary to resolve to Xencor's reasonable satisfaction any Critical cGMP Deficiencies (as defined below) specifically identified in such summary. If Cardinal Health fails to resolve any such Critical cGMP Deficiency to Xencor's

reasonable satisfaction within such […***…] period, then Xencor may elect to transfer such cGMP activities to a third party CMO, and each of the payment amounts set forth in subparagraphs (i), (ii), and (iii) of this Section 7.3(B) shall be reduced by […***…] ([…***…]%); *provided, however*, that such payments shall not be reduced in the event that Xencor elects to so transfer such cGMP activities during any period of time following the […***…] period for so long as Cardinal Health is continuing to diligently and timely pursue the resolution of the relevant Critical cGMP)Deficiency or has resolved such deficiency. If Cardinal Health and Xencor disagree as to whether any audit finding is a Critical cGMP Deficiency, then the parties shall appoint a qualified third party cGMP expert within […***…] after a written request by either party to the other party. The parties shall provide the expert with all relevant information on the disputed audit finding within […***…] following the appointment of such cGMP expert. The cGMP expert shall prepare and deliver to the parties a written, reasoned opinion conferring its decision within […***…] after receiving the information on the disputed audit finding from the parties. The opinion of such cGMP expert shall be final and binding on the parties. The fees and expenses of any cGMP expert appointed under this Section 7.3(B) shall be paid by the non-prevailing party.

For the purposes of this Agreement, the term "**Critical cGMP Deficiency**" shall mean a practice (or absence of a practice) that is a critical part of the Processing of Product that, if not corrected, would cause a Product Processed in such manner to not materially comply with applicable cGMPs (notwithstanding any reasonable rework, retesting or other remediation permitted by Applicable Laws) and that would justify the recall of such Product under Applicable Laws, or in the case of Product used or proposed to be used under an Investigational New Drug Exemption (or its equivalent), that would justify placement of ongoing or proposed studies in human subjects on clinical hold.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES

8.1 Cardinal Health. Cardinal Health represents, warrants and covenants to Xencor that, unless otherwise agreed to by the parties in the SOW, for the duration of the Term: (i) Cardinal Health will perform each Project in accordance with all Applicable Laws, (ii) the Services hereunder shall be performed with requisite care, skill and diligence, in accordance with industry standards by individuals who are appropriately trained, experienced and qualified, (iii) when manufacturing Product under this Agreement, Cardinal Health will use reasonable commercial efforts to manufacture Product that complies with any Specifications agreed to by the parties, and (iv) none of the Cardinal Health personnel assigned to the Product have been subject to debarment under the Generic Drug Enforcement Act or any other penalty or sanction by FDA.

8.2 Xencor. Xencor represents, warrants and covenants to Cardinal Health for the duration of the Term that:

A. It has all necessary authority and all right, title and interest in and to any Intellectual Property related to each Product, or that is otherwise provided by Xencor, under this Agreement;

B. It has provided all safe handling instructions; health and environmental information and material safety data sheets applicable to the Product or to and any Xencor-Supplied Materials,

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except as disclosed to Cardinal Health in writing by Xencor in sufficient time for review and training by Cardinal Health prior to delivery;

C. All Product delivered to Xencor by Cardinal Health will be held, used and/or disposed of by Xencor in accordance with all Applicable Laws; and

D. Xencor will comply with all Applicable Laws applicable to Xencor's performance under this Agreement and its use of any materials or Products provided by Cardinal Health under this Agreement or any SOW.

8.3 Mutual. Each party hereby represents and warrants to the other party that:

A. Existence and Power. Such party (1) is duly organized, validly existing and in good standing under the laws of the state in which it is organized, (2) has the power and authority and the legal right to own and operate its property and assets, and to carry on its business as it is now being conducted, and (3) is in compliance with all requirements of Applicable Laws, except to the extent that any noncompliance would not materially adversely affect such party's ability to perform its obligations under the Agreement;

B. Authorization and Enforcement of Obligations. Such party (1) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (2) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

C. Execution and Delivery. This Agreement has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms;

D. No Consents. All necessary consents, approvals and authorizations of all Regulatory Authorities and other persons required to be obtained by such party in connection with the Agreement have been obtained; and

E. No Conflict. The execution and delivery of this Agreement and the performance of such party's obligations hereunder (1) do not conflict with or violate any requirement of Applicable Laws; and (2) do not materially conflict with, or constitute a material default or require any consent under, any contractual obligation of such party.

8.4 Limitations. THE REPRESENTATIONS AND WARRANTIS SET FORTH IN THIS ARTICLE 8 AND IN SECTIONS 4.1 AND 4.2 ARE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES MADE BY EITHER PARTY TO THE OTHER PARTY AND NEITHER PARTY MAKES ANY OTHER REPRESENTATIONS, WARRANTIES OR GUARANTEES OF ANY KIND WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE FOR THE AVOIDANCE OF DOUBT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, CARDINAL HEALTH MAKES NO REPRESENTATIONS OR WARRANTIES RESPECTING PRODUCT OR CELL LINE

CHARACTERIZATION, PERFORMANCE, PURITY, COMPARABILITY, BIO-SIMILARITY, POTENCY AND/OR EXPRESSION LEVELS.

ARTICLE 9
INDEMNIFICATION

9.1 Indemnification by Cardinal Health. Cardinal Health shall indemnify, defend and hold harmless Xencor, its Affiliates, and their respective directors, officers, employees and agents ("**Xencor Indemnitees**") from and against any and all suits, claims, losses, demands, liabilities, damages, costs and expenses (including reasonable attorneys' fees) in connection with any suit, demand or action by any third party ("**Losses**") arising out of or resulting from (A) any breach by Cardinal Health of its representations, warranties or obligations set forth in this Agreement, the Quality Agreement or any SOW; (B) any negligence or willful misconduct by Cardinal Health, except to the extent that any of the foregoing arises out of or results from any Xencor Indemnitee's negligence, willful misconduct or breach of this Agreement; or (C) a claim that Cardinal Health's use or practice of the GPEx™ Technology, Cardinal Health Confidential Information or Cardinal Health Intellectual Property hereunder infringe the Intellectual Property rights of a third party.

9.2 Indemnification by Xencor. Xencor shall indemnify, defend arid hold harmless Cardinal Health, its Affiliates, and their respective d1rectors, officers, employees and agents ("**Cardinal Health Indemnitees**") from and against all Losses arising out of or resulting from (A) any breach by Xencor of its representations, warranties or obligations set forth in this Agreement, the Quality Agreement or any SOW; (B) any manufacture (excluding the Services) by Xencor or any sublicensee, sale, promotion, distribution, use of or exposure to the Product or any Xencor-Supplied Materials, including, without limitation, product liability or strict liability;

(C) Xencor's exercise of control over the Project to the extent that Xencor's instructions or, directions violate Applicable Law; (D) the conduct of any clinical trials relating to any material or Product which is the subject of this Agreement or any SOW; (E) a claim that Cardinal Health's use or practice of any Intellectual Property provided by Xencor hereunder, including, without limitation, any cell line, raw material or process provided by Xencor, infringes the Intellectual Property rights of a third party; *provided, however*, that such use or practice are in accordance with the terms of this Agreement, the Quality Agreement and the applicable SOW and with Xencor's specific written instructions; or (F) any negligence or willful misconduct by Xencor, except to the extent that any of the foregoing arises out of or results from any Cardinal Health Indemnitee's negligence, willful misconduct or breach of this Agreement.

9.3 Exception to Indemnity Obligations. Notwithstanding the foregoing or any other provision of this Agreement, neither party shall have any obligation to indemnify the other party with respect to any claim of infringement under the Cabilly Patent relating to the manufacture, use or sale of any Products or to the performance of either party's obligations under this Agreement.

9.4 Indemnification Procedures. All indemnification obligations in this Agreement are conditioned upon the party seeking indemnification: (A) promptly notifying the indemnifying party of any claim or liability of which the party seeking indemnification becomes aware (including a copy of any related complaint, summons, notice or other instrument); *provided, however*, that failure to provide such notice within a reasonable period of time shall not relieve the indemnifying

party of any of its obligations hereunder, except to the extent the indemnifying party is prejudiced by such failure; (B) cooperating with the indemnifying party in the defense of any such claim or liability (at the indemnifying party's expense); and (C) not compromising or settling any claim or liability without prior written consent of the indemnifying party.

ARTICLE 10
LIMITATIONS OF LIABILITY

10.1 […***…] LIABILITY UNDER THIS AGREEMENT FOR ANY AND ALL CLAIMS, LOSSES OR DAMAGES, INCLUDING FOR LOST, DAMAGED OR DESTROYED API OR XENCOR-SUPPUED MATERIALS WHETHER OR NOT SUCH API OR XENCOR-SUPPLIED MATERIALS ARE INCORPORATED INTO FINISHED PRODUCT SHALL NOT EXCEED XENCOR'S ACTUAL COST FOR SUCH LOST, DAMAGED OR DESTROYED XENCOR SUPPLIED MATERIALS.

10.2 CARDINAL HEALTH'S TOTAL LIABILITY, WHETHER IN CONTRACT OR TORT, INCLUDING, WITHOUT LIMITATION, CARDINAL HEALTH'S INDEMNITY OR OTHER FINANCIAL OBLIGATIONS UNDER ARTICLE 9, SHALL:

(A) […***…]

(B) […***…]

10.3 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF PERFORMANCE UNDER THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, LOSS OF REVENUES, PROFITS OR DATA, WHETHER IN CONTRACT OR TORT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 11
INSURANCE

11.1 Cardinal Health

A. During the Term of this Agreement, Cardinal Health shall obtain and maintain the following insurance with limits not less than those specified below:

i. Commercial General Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence.

ii. Products and Completed Operations Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence.

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iii. Worker's Compensation and Employers Liability Insurance with statutory limits for Workers' Compensation and Employers' Liability limits of […***…] Dollars ($[…***…]) per accident.

iv. Professional Services Liability insurance with a limit of […***…] Dollars ($[…***…]) per claim.

B. Cardinal Health may self-insure any or a portion of the required insurance. In the event that any of the required policies of insurance are written on a claims made basis, then such policies shall be maintained during the entire term of this Agreement and for a period of not less than […***…] years following the termination or expiration of this Agreement.

C. Cardinal Health shall waive subrogation rights against Xencor for workers' compensation benefits and shall obtain a waiver from any insurance carriers with which Cardinal Health carries workers' compensation insurance releasing their subrogation rights against Xencor.

D. Xencor shall be named as an additional insured under the Commercial General Liability and Products and Completed Operations Liability insurance policies with respect to Xencor's liability for damages arising from the Services provided under this Agreement. Such additional insured status shall end upon the termination or expiration of this Agreement unless the policies are written on a claims made basis, in which case such additional insured status will continue for the period of time Cardinal Health is required to maintain such insurance under the terms of this Agreement.

E. Cardinal Health shall furnish certificates of insurance to Xencor evidencing the required insurance and additional insured status as soon as practicable after the Effective Date and within […***…] after renewal of such policies. Such certificates shall state that Cardinal Health's insurers will endeavor to provide […***…] written notice of any cancellation prior to the policy(ies) expiration date(s). Each insurance policy that is required under this Section 11.1 shall be obtained from an insurance carrier with an A.M. Best rating of at least A-VII.

11.2 Xencor.

A. During the Term of this Agreement, Xencor shall obtain and maintain the following insurance with limits not less than those specified below:

i. Commercial General Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence.

ii. Products and Completed Operations Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence (to be maintained only immediately prior to and during use of Product in humans).

iii. Worker's Compensation and Employers Liability Insurance with statutory limits for Workers' Compensation and Employers' Liability limits of […***…] Dollars ($[…***…]) per accident.

iv. All Risk Property Insurance, including transit coverage, in an amount equal to full replacement value covering Xencor's property while it is at Cardinal Health's facility or in transit to or from Cardinal Health's facility.

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B. In the event that any of the required policies of insurance are written on a claims made basis, then such policies shall be maintained during the entire period of this Agreement and for a period of not less than […***…] following the termination or expiration of this Agreement.

C. Xencor shall waive subrogation rights against Cardinal Health for Workers' compensation benefits and shall obtain a waiver from any insurance carriers with which Xencor carries workers' compensation insurance releasing their subrogation rights against Cardinal Health.

D. Cardinal Health, Inc. and its subsidiaries and affiliates shall be named as additional insureds under the Commercial General Liability and Products and Completed Operations Liability insurance policies. Xencor's Commercial General Liability and Products and Completed Operation Liability policies shall provide that Xencor's insurance is primary (with respect both to any insurance issued to Cardinal Health and to any self-insurance amount retained by Cardinal Health) with regard to Cardinal Health's liability for damages arising out of those Products for which they have been added as additional insureds. Such additional insured status shall end upon the termination or expiration of this Agreement unless the policies are written on a claims made basis, in which case such additional insured status will continue for the period of time Xencor is required to maintain such insurance under the terms of this Agreement.

E. Xencor shall furnish certificates of insurance to Cardinal Health evidencing the required insurance and additional insured status as soon as practicable after the Effective Date and within […***…] after renewal of such policies. Such certificates shall state that Xencor's insurers will endeavor to provide […***…] written notice of any cancellation prior to the policy(ies) expiration date(s). Each insurance policy which is required under this Section 11.2 shall be obtained from an insurance carrier with an A.M. Best rating of at least A-VII.

ARTICLE 12
TERM AND TERMINATION

12.1 Term. The term of this Agreement shall commence as of the Effective Date and shall continue until either party terminates this Agreement as set forth in Section 12.2 or Section 12.3 ("**Term**").

12.2 Termination. Xencor may terminate this Agreement or activities under any SOW associated with this Agreement without cause at any time during the Term of the Agreement on ninety (90) days prior written notice to Cardinal Health, subject to payment of any cancellation or other fees set forth in Article 3. Cardinal Health may terminate this Agreement without cause at any time during the Term of the Agreement on twenty-four (24) months prior written notice to Xencor; *provided, however*, that as of the effective date of any such termination Cardinal Health shall have completed all Deliveries required under all SOWs then in effect. Nothing contained in this Agreement shall be construed as requiring either party to enter into additional SOW's or to perform additional services other than such as are mutually agreed to by the parties in their sole discretions. […***…]

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12.3 Immediate Termination. Either party shall have the right to immediately terminate this Agreement effective on written notice to the other party if (A) the other party files a petition in bankruptcy, or enters into an agreement with its creditors; or applies for or consents to the appointment of a receiver or trustee, or makes an assignment for the benefit of creditors, or suffers or permits the entry of any order adjudicating it to be bankrupt or insolvent and such order is not discharged within thirty (30) days; or(B) if the other party materially breaches any of the provisions of this Agreement, and such breach is not cured within thirty (30) days after the giving of written notice of such breach to the breaching party.

12.4 Effect of Termination. Expiration or termination of this Agreement shall be without prejudice to any rights or obligations that accrued to the benefit of either party prior to such expiration or termination. In the event that this Agreement or any SOW is terminated, Xencor shall pay Cardinal Health for all Services performed in accordance with the applicable SOW up to the date of termination plus any additional amounts due pursuant to Section 3.1E, and will reimburse Cardinal Health for all costs and expenses incurred, and all non-cancelable commitments made, in the performance of Services pursuant to a SOW.

12.5 Second Source. Subject to the requirements of Section 7.3, in the event that Xencor wishes to manufacture, or have manufactured any Products after this Agreement expires or is terminated for any reason (other than due to Xencor's material breach), Cardinal Health shall, at Xencor's cost and expense, cooperate and participate with Xencor or its designee in enabling Xencor or its designee to perform such manufacturing. Such cooperation by Cardinal Health shall include providing to Xencor or its designee a copy of all manufacturing data and information generated during the performance of the Services as reasonably necessary or appropriate to make and have made Products; *provided, however*, that any such data, know how, technology or information that is Cardinal Health Intellectual Property or Cardinal Health Confidential Information shall continue to remain and be treated as such, but it may be disclosed to any bona fide designee of Xencor pursuant to a written agreement containing confidentiality, non-use and intellectual property provisions substantially similar to the ones set forth herein.

ARTICLE 13
NOTICE

All notices and other communications hereunder shall be in writing and shall be deemed given: (A) when delivered personally; (B) when delivered by facsimile transmission (receipt verified); (C) when received or refused, if mailed by registered or certified mail (return receipt requested), postage prepaid; or (D) when delivered if sent by express courier service, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof):

To Xencor:
Xencor, Inc.
111 W. Lemon Ave.
Monrovia, CA 91016
Attention: Senior Vice President, Business Development
Facsimile: (626) 256-3562

With a copy to:
Xencor, Inc:
111 W. Lemon Ave.
Monrovia, CA 91016
Attention: Vice President, Intellectual Property
Facsimile: (626) 256-3760

To Cardinal Health:
Cardinal Health PTS, LLC
8137 Forsythia Street
Middleton, Wisconsin 53562
Attention: President
Facsimile: (608) 824-9930

With a copy to:
Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Associate General Counsel,
Pharmaceutical Technologies and Services
Facsimile: (614) 757-5051

ARTICLE 14
MISCELLANEOUS

14.1 Entire Agreement; Amendments. This Agreement, Exhibit A hereto, all SOWs, the Quality Agreement, and any amendments to any of the foregoing, constitute the entire understanding between the parties and supersede any contracts, agreements or understanding (oral or written) of the parties with respect to the subject matter hereof including, without limitation, the Letter of Intent, dated November 30, 2004, which Letter of intent (including the Project Plan and Quotation attached thereto) is hereby terminated in its entirety. No term of this Agreement maybe amended, except upon written agreement of both parties, unless otherwise provided in this Agreement.

14.2 Captions. The captions in this Agreement are for convenience only and are not to be interpreted or construed as a substantive part of this Agreement.

14.3 Further Assurances. The parties agree to execute, acknowledge and deliver such further instruments and to take all such other incidental acts as may be reasonably necessary or appropriate to carry out the purpose and intent of this Agreement.

14.4 No Waiver. Failure by either party to insist upon strict compliance with any term of this Agreement in any one or more instances will not be deemed to be a waiver of its rights to insist upon such strict compliance with respect to any subsequent failure.

14.5 Severability. If any term of this Agreement is declared invalid or unenforceable by a court or other body of competent jurisdiction, the remaining terms of this Agreement will continue in full force and effect.

14.6 Independent Contractors. The relationship of the parties is that of independent contractors, and neither party will incur any debts or make any commitments for the other party, except to the extent expressly provided in this Agreement. Nothing in this Agreement is intended to create or will be construed as creating between the parties the relationship of joint ventures, co-partners, employer/employee or principal and agent.

14.7 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties, their successors and permitted assigns. Neither party may assign this Agreement, in whole or in part, without the prior written consent of the other party, except that either party may, without the other party's consent, assign this Agreement to an Affiliate or to a successor to substantially all of the business or assets of the assigning company to which this Agreement relates (or the assigning company's business unit responsible for performance under this Agreement), whether by acquisition, merger, sale of stock, sale of assets, change of control or otherwise.

14.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Ohio, excluding its conflicts of law provisions. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

14.9 Alternative Dispute Resolution. If any Dispute arises between the parties, such Dispute shall be presented to the respective presidents or senior executives of Cardinal Health and Xencor for their consideration and resolution for a period of up to thirty (30) days. If such parties cannot reach a resolution of the Dispute within such period, then at either party's request (the "**Requesting Party**"), such Dispute shall be resolved by binding alternative dispute resolution in accordance with the then existing commercial arbitration rules of CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017, and judgment on the arbitration award may be entered in any court having jurisdiction thereof; *provided, however*, that no Dispute concerning the validity or infringement of any Intellectual Property of either party shall be subject to the provisions of this Section 14.9. Any such arbitration shall be conducted before a panel of three neutral and experienced arbitrators, one chosen by Cardinal Health, one chosen by Xencor and the third chosen by the foregoing two arbitrators. The parties shall be entitled to conduct reasonable discovery, within limitations to be established by the arbitrators. Arbitration shall be conducted in the jurisdiction of the non-Requesting Party. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a party's compensatory damages. Except to the extent necessary to confirm an award or as may be required by law, neither a party nor any arbitrator may disclose the existence, content; or results of an arbitration without the prior written consent of both parties. In no

event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable Ohio statute of limitations. Each party shall bear its own attorneys' fees, costs and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; *provided*, *however*, that the arbitrators shall be authorized to determine whether a party is the prevailing party, and if so, to award to that prevailing party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.) and/or the, fees and costs of the arbitrators. Each party shall fully perform and satisfy the arbitration award within fifteen (15) days of the service of the award. By agreeing to this binding arbitration provision, the parties understand that they are waiving certain rights and protections which may otherwise be available if a dispute

between the parties were determined by litigation in court, including, without limitation, the right to seek or obtain certain types of damages precluded by this provision, the right to a jury trial, certain rights of appeal and a right to invoke formal rules of procedure and evidence. Notwithstanding the foregoing provisions of this Section 14.9, each party acknowledges and agrees that, due to the unique and valuable nature of the other party's Intellectual Property and Confidential Information, there can be no adequate remedy at law for any breach by such party of the provisions of this Agreement, that any such breach may result in irreparable harm to the other party for which monetary damages would he inadequate to compensate such party and that the other party shall have the right, in addition to any other rights available under applicable law, to obtain from any court of competent jurisdiction injunctive relief to restrain any breach or threatened breach of, or otherwise to specifically enforce, any covenant or obligation of such party under such provisions without the necessity of posting any bond or security.

14.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of the executed Agreement shall constitute an original.

14.11 Publicity. Neither party will make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other party's express prior written Consent, except as required under applicable law or by any governmental agency, in which case the party required to make the press release or public disclosure shall use commercially reasonable efforts to obtain the approval of the other party as to the form, nature and extent of the press release or public disclosure prior to issuing the press release or making the public disclosure.

14.12 Survival. The rights and obligations of the parties shall continue under Articles 1 (Definitions), 6 (Confidentiality), 7 (Intellectual Property), 9 (Indemnification), 10 (Limitations of Liability), 11 (Insurance), to the extent expressly stated therein, 13 (Notice), 14 (Miscellaneous) and Sections 12.4 (Effect of Termination) and 12.5 (Second Source), notwithstanding expiration or termination of this Agreement.

14.13 Force Majeure. Except as to payments required under this Agreement, neither party shall be liable in damages for; nor shall this Agreement be terminable or cancelable by reason of any delay or default in such party's performance hereunder if such default or delay is caused by events beyond such party's reasonable control, including, but not limited to, acts of God, regulation or law or other action or failure to act of any government or agency thereof, war or insurrection, civil commotion, destruction of production facilities or materials by earthquake, fire, flood or storm, labor disturbances, epidemic, or failure of suppliers, public utilities or common carriers; *provided*, *however*, that the party seeking relief hereunder shall immediately notify the other party of such cause(s) beyond such party's reasonable control. The party that may invoke this Section 14.13 shall use all reasonable endeavors to reinstate its ongoing obligations to the other party. If the cause(s) shall continue unabated for one hundred eighty (180) days, then both parties shall meet to discuss and negotiate in good faith what modifications to this Agreement should result from this force majeure.

IN WITNESS WHEREOF, the parties have caused their duly authorized representative to execute this Agreement effective as of the date first written above.

CARDINAL HEALTH PTS, LLC		**XENCOR, INC.**	
By:	/s/ Paul M. Weiss	By:	/s/ Bassil Dahiyat
Name:	Paul M. Weiss, PhD	Name:	Bassil Dahiyat, PhD
Its:	President, Gala Biotech business unit	Its:	President & CEO

Exhibit 10.19

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

CONFIDENTIAL
Execution Copy

COLLABORATION AND LICENSE AGREEMENT

This **COLLABORATION AND LICENSE AGREEMENT** (this "**Agreement**") is entered into as of June 27, 2010 (the "**Effective Date**") by and between **XENCOR, INC**., a Delaware corporation with its principal offices at 111 West Lemon Avenue, Monrovia, CA 91016 ("**Xencor**"), and **MORPHOSYS AG**, a German corporation with its principal offices at Lena-Christ-Strasse 48, 82152 Martinsried/Planegg, Germany ("**MorphoSys**").

BACKGROUND

1. Xencor has developed a proprietary monoclonal antibody to CD19 that has high ADCC activity, XmAb5574, more particularly defined below;

2. MorphoSys has expertise in the research, development, and partnering of antibody-based therapeutic products;

3. MorphoSys is interested in obtaining an exclusive license to further develop and commercialize Xencor's XmAb5574 (and certain related antibodies and products, more particularly defined below) worldwide; and

4. Xencor is willing to grant such license to MorphoSys on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and the covenants and obligations set forth in this Agreement, the Parties agree as follows:

AGREEMENT

ARTICLE 1

DEFINITIONS

The initially capitalized terms below in this Article have the following meanings as used throughout this Agreement. Derivative forms of these defined terms shall be interpreted accordingly. "Includes," "including" and all other conjugations of "to include" shall be deemed followed by "without limitation" regardless of whether "without limitation" is actually written there (and drawing no implications from inconsistent usage as to whether such phrase is or is not actually written).

1.1 "**ADCC**" means antibody-dependent cell-mediated cytotoxicity, which is an immune response, in which an Antibody coats a target-bearing cell and engages Fc receptors on immune effector cells and thereby activates the immune effector cells to lyse the target-bearing cells. For clarity, this is not restricted to effects mediated by natural killer cells, but includes e.g., other effector cells as well.

1.2 "**Affiliate**" means, with respect to a Party, any entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Party. For this purpose, "control" means the ownership of fifty percent (50%) or more of the voting securities entitled to elect the directors or management of the entity, or the actual power to elect or direct the management or policies of the entity, whether by law, contract or otherwise.

1.3 "**Affinity Constant of Binding**" means the affinity of an Antibody Fc to a Fcg receptor as determined using the protocol in Exhibit L. The Affinity Constant of Binding is increased, greater or higher if the K_A value is nominally increased; as an example a K_A of 10^7 1/M is increased, greater or higher than 10^6 1/M.

1.4 "**ALL**" means acute lymphoblastic leukemia.

1.5 "**Antibody**" means any antibody, whether naturally occurring, artificially produced, raised in an artificial system, or created through modification of another antibody or otherwise; any fragment of any of the foregoing; and any chemically modified versions of the foregoing antibodies (including versions that are conjugated with another chemical entity, such as a drug or toxin; pegylated versions (regardless of whether containing amino acid substitutions in order to achieve pegylation); and other chemically modified versions).

1.6 "**Autoimmune Indication**" shall mean the treatment or prophylaxis of any autoimmune disease or condition (i.e., any disease or condition that is caused by dis- or de-regulation of the immune system leading to tissue injury by a reaction to an endogenous antigen but that is not primarily a malignant neoplasia).

1.7 "**BLA**" means a Biologic License Application (as defined in the U.S. Federal Food, Drug and Cosmetics Act and the regulations promulgated thereunder (21 C.F.R. §§ 600-680) in the United States or a comparable filing in any other jurisdiction (i.e., a Marketing Authorization Application submitted to a Regulatory Authority that must be made prior to importing, marketing and selling a biological product).

1.8 **"Budget"** has the meaning set forth in Section 3.1.

1.9 **"Candidate-Specific Patent License"** has the meaning set forth in Section 4.1.

1.10 "**CDC**" means complement-dependent cytotoxicity.

1.11 "**CD19**" means CD19 (Cluster of Differentiation 19) protein, which includes human and other species homologues.

1.12 "**CDR**" means a complementarity determining region of an antibody.

1.13 "**Clinical Regulatory Filings**" means data, filings or materials relating to Licensed Antibody or Licensed Products submitted to the applicable Regulatory Authorities, including (a) data derived from non-clinical studies and clinical trials, and (b) data, filings or materials relating to or contained in any CMC or DMF.

1.14 "**CLL**" means chronic lymphocytic leukemia.

1.15 "**CMC**" means the Chemistry, Manufacturing and Controls (or equivalent) portion of any Licensed Product BLA in the United States, or equivalent or similar portion of a Marketing Authorization Application or Marketing Authorization in another regulatory jurisdiction.

1.16 "**Collaboration Confidential Information**" has the meaning set forth in Section 1.22.

1.17 **"Collaboration Term"** means the time starting from the Effective Date until the earlier of (i) the Ongoing Phase 1 Trial is Completed (Reporting Purposes) and (ii) Xencor's sponsorship of the Ongoing Phase 1 Trial has been transferred to MorphoSys.

1.18 "**Commercially Reasonable Efforts**" means the efforts required in order to carry out a task in a diligent and sustained manner without undue interruption, pause or delay; which level is at least commensurate with (i) the level of efforts that MorphoSys, Xencor or a similarly situated biopharmaceutical company and (ii) regarding MorphoSys's Sublicensee after the Pre-Sublicensing Term, the level of efforts a company that is similarly situated as the respective Sublicensee, would devote to a product of similar potential and having similar commercial and scientific advantages and disadvantages resulting from the company's own research efforts (i.e. explicitly ignoring the royalty, milestone and all other payments due to Xencor under this Agreement), taking into account the product's safety and efficacy; the competitiveness of alternative products; the product's proprietary position; pricing and reimbursement; market-specific factors; technical, scientific and regulatory matters including estimated probabilities of success for future development stages; and all other relevant commercial factors. Commercially Reasonable Efforts requires (without limitation) that the Party exerting such efforts (i) promptly assigns responsibility for its obligations to specific employee(s) who are held accountable for progress and monitor such progress, on an ongoing basis, (ii) set and continue to seek to achieve specific and meaningful objectives for carrying out such obligations, and (iii) make and implement decisions and allocate resources designed to advance progress with respect to such objectives, in each case in a commercially reasonable manner.

1.19 "**Competing Antibody**" means any anti-CD19 Antibody that has […***…] and "**Competing Product**" means any pharmaceutical composition that contains at least one Competing Antibody.

1.20 **"Completed (Reporting Purposes)"** means with respect to the Ongoing Phase 1 Trial the date of receipt of the final and signed clinical study report.

1.21 "**Completed (Performance Metric)**" means that the last patient in the Ongoing Phase 1 Trial has received such patient's last dose of Licensed Product.

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1.22 "**Confidential Information**" means all proprietary information, including scientific, technical and manufacturing information and plans, marketing and business plans, and financial and personnel matters relating to a Party or its present or future products, sales, suppliers, customers, employees, investors or business, received by either Party from the other Party or disclosed by either Party to the other Party pursuant to this Agreement, or pursuant to or that is otherwise subject to the Prior CDA; in each case, which information is disclosed under circumstances reasonably indicating that it is confidential. Notwithstanding the foregoing, Confidential Information shall not include information that, in each case as demonstrated by competent written documentation:

(a) is publicly disclosed and made generally available to the public by the disclosing Party, either before or after it becomes known to the receiving Party;

(b) was known to the receiving Party, without obligation to keep it confidential, prior to the date of disclosure by the disclosing Party;

(c) is subsequently disclosed to the receiving Party by a Third Party lawfully in possession thereof without obligation to keep it confidential and without a breach of such Third Party's obligations of confidentiality;

(d) has been publicly disclosed or made generally available to the public other than through any act or omission of the receiving Party in breach of this Agreement; or

(e) has been independently developed by the receiving Party without the aid, application or use of the disclosing Party's Confidential Information (the competent written proof of which must be contemporaneous with such independent development);

Notwithstanding all of the foregoing, all Know-how, data and results generated by or on behalf of either Party (or its Affiliates) under this Agreement during the Collaboration Term and related to Licensed Antibody and/or Licensed Product ("**Collaboration Confidential Information**") shall be regarded as Confidential Information of MorphoSys. All Know-how, data and results generated by or on behalf of Xencor (or its Affiliates) prior to the Effective Date in any pre-clinical studies and related to Licensed Antibody and/or Licensed Product ("**Xencor Pre-Clinical Confidential Information**") shall be regarded as Xencor Confidential Information.

For clarity, any further definition and/or description of Confidential Information stated in this Agreement shall also fall under this definition of Confidential Information.

1.23 **"Control"** means, with respect to any Know-How, Patent or other intellectual property right, possession (by means of ownership or license) by a Party, directly or through an Affiliate (other than pursuant to this Agreement), where the Party has the right to grant a license or sublicense as provided for in this Agreement. Any Patent, Know-How or other intellectual property right that is licensed or acquired by a Party following the Effective Date and that would otherwise be considered to be under the Control of a Party shall not be deemed to be under the Control of such Party if the application of such definition in the context of any licenses

or sublicenses granted to the other Party under this Agreement would require the granting Party to make any additional payments or royalties to a Third Party in connection with such license or

sublicense grants, unless the other Party agrees to pay the additional payments or royalties to the Third Party

1.24 "**Cover**" means, with respect to a particular item and a particular Patent, that such Patent claims (as opposed to merely disclosing) directly or indirectly: (a) the composition of such item, any of its ingredients or formulations or any product containing or that is made using such item (by virtue of such product containing or being made using such item); (b) a method of making or using any of the foregoing things referred to in (a); and/or (c) an item used or present in the manufacture of any of the foregoing things referred to in (a) (for example, with respect to a biologic, any vector, plasmid or cell line used to manufacture such product or item or any ingredient in either of them).

1.25 **"Data Escrow Agent"** has the meaning set forth in Section 7.7.

1.26 "**Distributor**" means any non-Sublicensee Third Party (i.e., any Third Party that is not granted a Sublicense) that all of (a) has been granted the right to distribute or resell in the MorphoSys Territory any quantities of Licensed Product, which quantities are provided by MorphoSys or its Affiliates or its Sublicensee(s); (b) pays MorphoSys or its Affiliate or its Sublicensee(s) a transfer price that is independent of resale price; (c) does not pay MorphoSys or its Affiliate or its Sublicensee(s) a royalty calculated as a percentage of sales or net sales; and (d) does not pay MorphoSys or its Affiliate or its Sublicensee(s) any other consideration in connection with Licensed Antibody or Licensed Product.

1.27 "**DMF**" means a Drug Master File in the United States or equivalent filing or filing serving a similar purpose in another regulatory jurisdiction.

1.28 "**EMA**" means the European Medicines Agency or any successor entity.

1.29 **"Escrow Agent"** has the meaning set forth in Section 4.3 (d)(i).

1.30 **"Excluded Antibodies**" means all Antibodies to CD19, other than Licensed Antibodies. Excluded Antibodies specifically include (a) XmAb5871 and (b) all XmAb5871 Program Antibodies. It is understood and agreed, and MorphoSys is fully aware, that XmAb5574 and XmAb5871 […***…].

1.31 "**Fc**" shall mean the complete constant region of an antibody (meaning, e.g., IgG_1 from residue Alanine 118 (or the analogous residue in any other IgG heavy chain) to the carboxy terminus thereof, where the sequence numbering is defined using the EU numbering system (Edelman, GE, et al., Proceedings of the National Academy of Sciences USA, vol. 63, p. 78, 1969) as applied in the Kabat antibody sequence database, and any fragment or portion thereof), including both naturally occurring such fragments, naturally occurring variants of such fragments, and non-naturally occurring variants of such fragments.

1.32 "**FDA**" means the United States Food and Drug Administration or any successor entity.

1.33 "**Field**" means all fields of use.

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1.34 **"First Major Indication"** means […***…].

1.35 "**FTE**" means the equivalent of one (1) person working full time for one (1) year (whether provided through the working time of one (1) individual or more individuals) which equates to a total of one thousand six hundred sixty four (1,664) hours per year of work.

1.36 "**FTE Rate**" means […***…] dollars ($[…***…]) per FTE, adjusted annually for inflation by the percent change in the Manufacturers Price Index as reported by the U.S. Department of Labor, using 2010 as the reference year.

1.37 "**GAAP**" means then-current applicable Internationally Accepted Accounting Principles, consistently applied.

1.38 "**IND**" means an Investigational New Drug application (as defined in the U.S. Federal Food, Drug and Cosmetics Act and the regulations promulgated thereunder (21 C.F.R. §312) in the United States or a comparable filing in any other jurisdiction (i.e., a filing with a Regulatory Authority or Ethics Committee that must be made prior to commencing clinical testing in humans).

1.39 **"Joint Collaboration Product Inventions"** means any and all Product Inventions, for which Xencor (or its Affiliate) and MorphoSys (or its Affiliate) both have (meaning that Xencor (or its Affiliate) and MorphoSys (or its Affiliate) both employ or have engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. patent claiming such invention, that were invented in the course of MorphoSys' (or its Affiliate's) or Xencor's (or its Affiliate's) anti-CD19 Antibody and/or product containing an anti-CD19 Antibody activities, other than any MorphoSys Core Improvement Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.40 **"Joint Collaboration Product Invention Patents"** means all Patents claiming Joint Collaboration Product Invention(s).

1.41 "**Joint Development Committee**" has the meaning given in Section 2.2(a) and "**JDC**" has the same meaning.

1.42 "**Know-How**" means (i) all information, techniques, data, inventions, practices, methods, processes, knowledge, know-how, skill, experience, technical data, test results (including pharmacological, toxicological, clinical, analytical and quality control data, regulatory submissions, correspondence and communications, and marketing, distribution, pricing, cost, manufacturing, patent and legal data or descriptions), and (ii) compositions of matter, assays, cell lines, vectors, plasmids and other materials.

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1.43 "**Licensed** Antibody" means (a) XmAb5574, and (b) any other Antibody that specifically binds CD19 and that contains a Xencor High-ADCC/CDC Fc. "Licensed Antibody" excludes XmAb5871 and all Antibodies in the XmAb5871 Program.

1.44 "**Licensed Broader Anti-CD19 Patents**" means all Patents that claim priority to a Licensed Patent in existence on the Effective Date and […***…].

1.45 "**Licensed Candidate-Specific Patents**" means all Patents that claim priority to a Licensed Patent in existence on the Effective Date and that Cover XmAb5574 and no other Antibody. To avoid doubt, "Licensed Candidate-Specific Patents" exclude all Patents that Cover any Excluded Antibody(ies).

1.46 "**Licensed Core/Fc Platform Patents**" means those Licensed Patents and/or Post-Sublicensing Licensed Patents that contain claims that […***…].

1.47 "**Licensed Know-How**" means all unpatented Know-How that (i) is owned or Controlled by Xencor or its Affiliate as of the Effective Date of this Agreement, or owned or Controlled by Xencor or its Affiliate thereafter during the Collaboration Term, and (ii) is necessary or useful for Licensed Antibody, and/or Licensed Product development and/or commercialization (including Know-How relating to any method of making, using (including methods of administration and dosing regimens) or testing of (or in the case of testing, of or for the presence of) or manufacturing of a Licensed Antibody and/or Licensed Product) or any article necessary or useful to practice (including those present during the practice of any of such method) any of the foregoing; but specifically excluding computational protein design methods and drug discovery (but not development) methods and Know-How of an acquiror and/or the acquiring corporate family existing prior to or on the date of a Xencor Change of Control or independently of Xencor thereafter (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity").

1.48 "**Licensed Patents**" means (a) the Listed Xencor Patents, (b) all other Patents (including Xencor's interest in any Joint Collaboration Invention Patents meeting the requirements of the rest of this clause (b)) Controlled by Xencor or its Affiliate during the Term and claiming priority to a Patent in existence prior to the end of the Pre-Sublicensing Term that Cover Licensed Antibody and/or Licensed Product, and (c) all Post-Partnering Patents claiming priority to a Patent first filed during the Pre-Sublicensing Term, but excluding after a Xencor Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as Licensed Patents prior to the date of such Xencor Change of Control

shall remain part of Licensed Patents during the Term. To avoid doubt, Licensed Patents exclude […***…].

1.49 "**Licensed Products**" means any and all pharmaceutical compositions that contain any Licensed Antibody. Nothing in this Agreement shall be read to grant MorphoSys a license from Xencor to any Antibody that is not a Licensed Antibody, nor to any product to the extent containing an Antibody that is not a Licensed Antibody (e.g., in the case of a product that combines a Licensed Antibody with some other antibody that itself does not qualify as a Licensed Antibody, if that other antibody infringes any Patent of Xencor, no license is granted to MorphoSys with respect to such other antibody or with respect to the product to the extent Xencor's coverage on it is a result of the inclusion of such other antibody). For clarity, a license is granted by Xencor to MorphoSys to apply Xencor High-ADCC/CDC Fc(s) to Antibodies other than XmAb5574, only if such other Antibody by such application of such Xencor High-ADCC/CDC Fc(s) falls under the definition of Licensed Antibody. Furthermore, to avoid doubt, no license to MorphoSys to incorporate […***…].

1.50 "**Licensed Technology**" means all Licensed Patents, Post-Sublicensing Licensed Patents and Licensed Know-How.

1.51 "**Listed Xencor Patents**" means (a) all patents and patent applications listed in Exhibit B; (b) all patent applications (including provisional and utility applications) claiming priority to or common priority with or based on any of the foregoing, including all divisionals, continuations, continuations-in-part, patents of addition and substitutions of any of the foregoing; (c) all patents issuing on any of the foregoing, and all reissues, reexaminations, renewals and extensions of any of the foregoing, (d) all counterparts to the foregoing in other countries; and (e) all supplementary protection certificates, restoration or extension of patent term and other similar rights of Xencor and its Affiliates based on any of the foregoing. At the reasonable request of MorphoSys, but no more than once per year, Xencor shall provide MorphoSys with an updated list of Listed Xencor Patents and correct any typographical errors.

1.52 "**Major Countries**" means United States, Great Britain, France, Germany, Italy, Spain, and Japan.

1.53 **"M&A Event"** has the meaning set forth in Section 13.9.

1.54 "**Manufacturer**" means Xencor's Third-Party supplier of Licensed Antibody or Licensed Product, current or future […***…].

1.55 "**Marketing Authorization**" means, with respect to a Licensed Product, all approvals (including supplements, amendments, pre- and post-approvals), licenses, registrations and authorizations of any national, supra-national (e.g., the European Commission or the Council of the European Union), regional, state or local regulatory agency, department, bureau, commission, council or other governmental authority, necessary for the manufacture, distribution, use and/or sale of such Licensed Product in a regulatory jurisdiction, to avoid doubt

excluding in all cases pricing and reimbursement approvals (whether governmental or private payor).

1.56 "**Marketing Authorization Application**" means a BLA or a comparable filing or filing serving to apply for Marketing Authorization in any other jurisdiction, in each case with respect to a Licensed Product.

1.57 "**Material MorphoSys Change**" shall mean any material change to the plan component of the MorphoSys Annual Development Report. Without limiting the generality of the foregoing the following kinds of changes are always considered material: (1) any change to the dosage; (2) any stop of dose escalation in any Phase 1 Trial; (3) any change to trial design, trial endpoints and/or protocols (or selection of them in the first instance); (4) change of Manufacturer; and (5) change to the Licensed Antibody and/or Licensed Product being pursued.

1.58 "**Material Xencor Change**" shall mean any material change to the Xencor Development Plan. Without limiting the generality of the foregoing the following kinds of changes are always considered material (and therefore always require JDC approval): (1) any change to the dosage; (2) any stop of dose escalation in any Phase 1 Trial; (3) any change to trial design, trial endpoints and/or protocols (or selection of them in the first instance); (4) any change to the manufacturing process of the Licensed Antibody and/or Licensed Product being pursued; (5) any change to product specifications communicated to Regulatory Authorities; (6) any change to release assays for Licensed Antibody and/or Licensed Products; (7) any change to the formulation of the Licensed Antibody and/or Licensed Product being pursued; (8) inclusion or exclusion of clinical sites; (9) change of the clinical CRO and/or any changes to contracts with CROs; (10) change of Manufacturer; and (11) change to the Licensed Antibody and/or Licensed Product being pursued.

1.59 **"Minor Indication"** means any disease or condition other than […***…]. The Minor Indications include […***…].

1.60 "**MorphoSys Annual Development Report**" means, for each calendar year, the written report that describes MorphoSys' clinical development plans for Licensed Product activities for the MorphoSys Territory for the Field for that year, and covers other subject matter as called for in Section 2.2 (c)(ii).

1.61 "**MorphoSys Change of Control**" means (a) any acquisition, sale or merger of MorphoSys (or all or substantially all of its assets), regardless of the form of the transaction (specifically including stock sales, asset sales, and reverse transactions), or (b) MorphoSys becoming Affiliated with any then-top-50 pharma based on pharmaceutical sales (as determined by reference to IMS Health data, or similarly reputable and reliable source).

1.62 **"MorphoSys Core Improvement Inventions"** means any and all Product Inventions, for which MorphoSys (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. Patent claiming such invention, that were invented in the course of MorphoSys' or its Affiliate's Licensed Product activities during the Term, and (A) relate to enhancing the antibody-dependent cytotoxic activity of an Fc in comparison to human wild type IgG1 antibodies, including, but not limited to, ADCC, CDC, and/or phagocytosis, and (B) are not claimed in patents all of the claims

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of which are limited by CD19, any other target, or by CDR or specificity of the Antibody. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.63 **"MorphoSys Core Improvement Invention Patents"** means all Patents claiming MorphoSys Core Improvement Invention(s).

1.64 **"MorphoSys Development Costs"** has the meaning set forth in Section 10.7 (e).

1.65 "**MorphoSys Know-How**" means all Know-How that MorphoSys or its Affiliate Controls during the Term that relates in any way to any Licensed Product, Licensed Antibody or a method of making, using (including methods of administration and dosing regimens) or testing of (or in the case of testing, of or for the presence of) any of the foregoing (or any article necessary or useful to practice (including those present during the practice of) any such method). The MorphoSys Know-How includes all clinical data generated in clinical trials of Licensed Product by or for MorphoSys or its Affiliates.

1.66 "**MorphoSys Pre-Sublicensing Patents**" means all Patents Controlled during the Term by MorphoSys or its Affiliate and claiming priority to any Patent in existence prior to the end of the Pre-Sublicensing Term that Cover any MorphoSys Product Invention (including MorphoSys Product Invention Patents and MorphoSys's interest in the Joint Collaboration Product Invention Patents), but specifically excluding (a) the MorphoSys Core Improvement Invention Patents (which are assigned to Xencor by this Agreement, such that Xencor owns them), and (b) after a MorphoSys Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such MorphoSys Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of MorphoSys (for clarity, in the case where MorphoSys is merged into another entity, the references here to "MorphoSys" and "independently of MorphoSys" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as MorphoSys Pre-Sublicensing Patents prior to the date of such MorphoSys Change of Control shall remain part of MorphoSys Pre-Sublicensing Patents during the Term.

1.67 "**MorphoSys Product Inventions**" means any and all Product Inventions, for which MorphoSys (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. Patent claiming such invention, that were invented in the course of MorphoSys' or its Affiliate's Licensed Antibody and/or Licensed Product activities during the Term, other than any Joint Collaboration Product Inventions and MorphoSys Core Improvement Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.68 "**MorphoSys Product Invention Patents"** means all Patents claiming MorphoSys Product Invention(s).

1.69 "**MorphoSys Territory**" means worldwide.

1.70 "**Net Sales**" means the gross amount invoiced by MorphoSys or its Affiliates or any Sublicensee(s) for the sale of Licensed Products in the MorphoSys Territory, less any of the following applicable deductions related to such sale and included in the invoiced amounts:

(a) […***…];

(b) […***…];

(c) […***…];

(d) […***…]; and

(e) […***…];

[…***…]

In the event that a Licensed Product is sold as part of a combination product, Net Sales of the Licensed Product, for the purpose of determining royalty payments, shall be determined by […***…]

Net Sales excludes […***…]

Net Sales includes […***…]

[…***…].

Net Sales amounts shall be determined from the books and records of MorphoSys and its Affiliates maintained in accordance with GAAP consistently applied, and such amounts shall be calculated using the same accounting principles used for other MorphoSys (or MorphoSys Affiliate) products for financial reporting purposes.

1.71 "**NHL**" means non-Hodgkin lymphoma.

1.72 "**Ongoing Phase 1 Trial**" means the clinical trial as described in the U.S. IND number […***…] and all related activities identified in the Xencor Development Plan, which IND was submitted by Xencor to the FDA and filed by the FDA prior to the Effective Date.

1.73 "**Other Licensee(s)**" means any Third Party to whom Xencor or any of its Affiliates has granted a license or sublicense to research, develop, manufacture and/or commercialize any XmAb5871 Product.

1.74 "**Party**" means Xencor or MorphoSys and "**Parties**" means both of them.

1.75 "**Patent**" means any patent application or patent anywhere in the world, including all of the following kinds: provisional, utility, divisional, continuation, continuation-in-part, and substitution applications; and utility, re-issue, re-examination, renewal and extended patents, and patents of addition, and any supplementary protection certificates, restoration of patent terms and other similar rights.

1.76 "**Phase 1 Trial**" means, with respect to a Licensed Product, a clinical trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (a).

1.77 "**Phase 2 Trial**" means, with respect to a Licensed Product, a clinical trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (b).

1.78 **"Phase 3 Trial"** means, with respect to a Licensed Product, a clinical trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (c).

1.79 "**Post-Partnering Patents**" means all issued Patents that both (X) claim inventions invented by Xencor and/or its Affiliate(s) and/or an Other Licensee (meaning that any of the foregoing employs or has engaged as a consultant at least one (1) person who would be a properly named inventor on such Patent) claiming priority to a Patent first filed after the Pre-Partnering Term, and (Y) contain only claims that recite the sequence or make reference to the sequence of the CDRs or variable regions, or portions thereof (whether or not also providing for homology to such sequences), of XmAb5574 […***…] and/or any and all indications

or applications thereof, but excluding after a Xencor Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as Licensed Patents prior to the date of such Xencor Change of Control shall remain part of Licensed Patents during the Term.

1.80 **"Post-Sublicensing Licensed Patents"** means (a) all Patents (including Xencor's interest in any Joint Collaboration Product Invention Patents described by the rest of this clause (a)) Controlled by Xencor or its Affiliate during the Term and claiming priority to a Patent first filed after the Pre-Sublicensing Term that Cover Product Inventions, and (b) all Post-Partnering Patents claiming priority to a Patent first filed after the Pre-Sublicensing Term, but excluding after a Xencor Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Post-Sublicensing Licensed Patents that qualified as Post-Sublicensing Licensed Patents prior to the date of such Xencor Change of Control shall remain part of Post-Sublicensing Licensed Patents during the Term.

1.81 "**Post-Sublicensing Patents**" means all issued Patents that both (1) claim inventions invented by MorphoSys and/or its Affiliate(s) and/or its Sublicensee(s) (meaning that any of the foregoing employs or has engaged as a consultant at least one (1) person who would be a properly named inventor on such Patent (or its U.S. counterpart, if it is not a U.S. patent)) that claim priority to a Patent first filed after the Pre-Sublicensing Term, and (2) contain only claims that recite the sequence or make reference to the sequence of the CDRs or variable regions, or portions thereof (whether or not also providing for homology to such sequences), of XmAb5574 and/or XmAb5871 and/or any and all indications or applications thereof; but excluding after a MorphoSys Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such MorphoSys Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of MorphoSys (for clarity, in the case where MorphoSys is merged into another entity, the references here to "MorphoSys" and "independently of MorphoSys" mean to refer to "the merged entity" and "independently of the merged

entity"). For the avoidance of doubt, all Patents that qualified as Post-Sublicensing Patents prior to the date of such MorphoSys Change of Control shall remain part of Post-Sublicensing Patents during the Term.

1.82 "**Pre-Partnering Term**" means the time from […***…].

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1.83 "**Pre-Sublicensing Term**" means the time from […***…].

1.84 "**Prior CDA**" means that certain Mutual Confidential Disclosure Agreement dated […***…] and that certain confidentiality agreement between the Parties dated […***…].

1.85 "**Product Inventions"** means any and all patentable inventions that constitute or relate in any way to (a) any Licensed Antibody, Licensed Product, Antibody in the XmAb5871 Program, or pharmaceutical composition containing any such Antibody, (b) any method of making, using (including methods of administration and dosing regimens) or testing (in the case of testing, of or for the presence of) any of the foregoing, and/or (c) any article necessary or useful to practice (including those present during the practice of) any method referred to in clause (b) (including cell lines, vectors and plasmids used in production).

1.86 "**Regulatory Authority**" means any national (e.g., but without limitation, the FDA), supra-national (e.g., but without limitation, the EMA), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity in any jurisdiction of the world involved in the granting of Marketing Authorization and/or authorizations for clinical trials for pharmaceutical products or medical devices (including regulated diagnostics).

1.87 **"Royalty Term"** has the meaning set forth in Section 5.4.

1.88 "[…***…]" shall mean […***…].

1.89 **"Second Major Indication"** means […***…].

1.90 "**Sublicense**" means a sublicense or other right (including any option for a sublicense) for any Licensed Antibody, specifically excluding rights granted to Distributors.

1.91 "**Sublicensee**" means a Third Party to whom MorphoSys (or its Affiliate) has granted a Sublicense, specifically excluding Distributors.

1.92 "**Sublicensing Revenue**" means all consideration received by MorphoSys or any of its Affiliates from Sublicensees in connection with […***…], excluding only: […***…]

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[…***…].

For this purpose, "Sublicensees" means both MorphoSys' and its Affiliate's direct Sublicensee, and all those entities obtaining rights directly or indirectly from such direct Sublicensee(s) (through one (1) or more layers).

To avoid any doubt "consideration received by MorphoSys or any of its Affiliates from Sublicensees in connection with […***…]" extends to and includes […***…].

Also to avoid doubt, Sublicensing Revenue includes […***…], *provided, however,* that […***…].

Also to avoid doubt, if MorphoSys or its Affiliate receives consideration under an option for a Sublicense, that consideration is taken into account in the calculation of Sublicensing Revenue, but the date of the granting of the option will not be taken into account for the purposes of determining the end of the Pre-Sublicensing Term.

1.93 "**Term**" has the meaning set forth in Section 10.1.

1.94 "**Third Party**" means any person or entity other than a Party or an Affiliate of a Party.

1.95 "**Valid Claim**" means (i) a claim of an issued and unexpired patent within the […***…] and/or […***…] which has not been found to be unpatentable, invalid or unenforceable by a court or other authority having jurisdiction, from which decision no appeal is taken or can be taken; and (ii) a claim of a pending application within the […***…] and […***…], which pending application (a) claims priority directly or indirectly to no application filed more than seven years earlier, and

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(b) which claim has not been finally abandoned. For the avoidance of doubt, any claim of an application which directly or indirectly claims priority to any application filed more than seven years earlier shall not be a Valid Claim unless and until such claim becomes the claim of an issued and unexpired patent falling within subsection (i) of this Section.

1.96 **"Wild Type IgG 1"** means the […***…], which has […***…] and a […***…] and the […***…] of which is set forth in Exhibit M. Protein, expression plasmid and production cell line are deposited at the Escrow Agent as further set out in Section 4.3 (d).

1.97 "**Xencor Change of Control**" means (a) any acquisition, sale or merger of Xencor (or all or substantially all of its assets), regardless of the form of the transaction (specifically including stock sales, asset sales, and reverse transactions), or (b) Xencor becoming Affiliated with any […***…] based on pharmaceutical sales (as determined by reference to IMS Health data, or similarly reputable and reliable source).

1.98 "**Xencor Development Plan**" means the plan attached as Exhibit J, as it may be updated in accordance with Article 2.

1.99 **"Xencor Fc Technology"** means all variants listed in Exhibit C, D and F, and all Fc variants owned and Controlled by Xencor during the Term.

1.100 "**Xencor High-ADCC/CDC Fc**" means an Fc that both of (a) and (b):

(a) contains either of (i) and (ii):

(i) solely any Fc variant(s) set forth in Exhibit D (as "variant" is defined in such Exhibit), *provided*, *however*, that the Antibody containing such Fc is […***…]; or

(ii) any Fc variant(s) that has been proven to […***…], including, but not limited to, […***…], and has an Affinity Constant of Binding […***…] that is […***…] greater than […***…] as measured by […***…] (as set forth in Exhibit L), and does not have an Affinity Constant of Binding to […***…] that is […***…] greater than […***…]; and that contains […***…]; and

(b) does not contain any of the variants referred to in Exhibit F (as "variant" is defined in such Exhibit F). Notwithstanding the foregoing, the restriction of this subsection (b) shall not apply to any of the variants listed in Exhibit D (as "variant" is defined in such Exhibit D).

1.101 "**Xencor Pre-Clinical Confidential Information**" has the meaning set forth in Section 1.22.

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1.102 **"Xencor Pre-Sublicensing Product Inventions"** means any and all Product Inventions, for which Xencor (or its Affiliate) has (meaning that Xencor (or its Affiliate) employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. patent claiming such invention, that were invented in the course of Xencor's (or its Affiliate's) Licensed Product and/or Licensed Antibody […***…] Program activities and for which a Patent was filed during the Pre-Sublicensing Term; other than any Joint Collaboration Product Inventions or MorphoSys Product Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.103 **"Xencor Pre-Sublicensing Product Invention Patents"** means all Patents claiming Xencor Pre-Sublicensing Product Invention(s).

1.104 "**Xencor Product Inventions**" means any and all Product Inventions, for which Xencor (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. Patent claiming such invention, that were invented in the course of Xencor's (or its Affiliate's) Licensed Product and/or XmAb5871 Program activities during the Term; other than any Joint Collaboration Product Inventions, Xencor Pre-Sublicensing Product Inventions or MorphoSys Product Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.105 "**Xencor Product Invention Patents**" means all Patents claiming Xencor Product Invention(s).

1.106 "**XmAb5574**" means the monoclonal anti-CD19 Antibody that Xencor refers to as XmAb5574 as of the Effective Date, the amino acid sequence of which is set forth in Exhibit A. Protein, expression plasmid and production cell line are deposited at the Escrow Agent as set forth in Section 4.3 (d).

1.107 "**XmAb5871**" means the monoclonal anti-CD19 Antibody that Xencor refers to as XmAb5871 as of the Effective Date, the amino acid sequence of which is set forth in Exhibit E. Protein, expression plasmid and production cell line are deposited at the Escrow Agent as set forth in Section 4.3 (d).

1.108 **"XmAb5871 Product**" means any pharmaceutical composition containing any Antibody of the XmAb5871 Program.

1.109 "**XmAb5871 Program**," "**XmAb5871 Program Antibodies**," and "**XmAb5871 Antibodies**" means all anti-CD19 Antibodies that do not contain any of the Fc variants in Exhibit D (as "variant" is defined in Exhibit D) and that both (1) (meaning either of (a) or (b)), and (2):

(1) either of:

(a) the Fc of such Antibody contains solely a variant listed in Exhibit C (as "variant" is defined in Exhibit C); *provided, however,* that such Antibody is […***…]; or

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(b) […***…] than […***…] and […***…]

(i) such Antibody […***…] by […***…] compared to […***…], […***…] compared to […***…] ([…***…]) of […***…], and […***…] that is […***…] than […***…], and

(ii) such Antibody does not have […***…] that is […***…] of […***…], and does not have […***…] that is […***…]

AND

(2) […***…]

ARTICLE 2

COLLABORATION MANAGEMENT AND DEVELOPMENT REPORTING

2.1 Overview. Initially, Xencor shall initiate and shall, subject to Sec. 2.2, 2.4, 2.5 and 3.11 hereof, continue to sponsor the Ongoing Phase 1 Trial, to the extent provided for in more detail below in Sections 3.1 through 3.3. Other than the Ongoing Phase 1 Trial, MorphoSys shall have sole responsibility for development and commercialization of the Licensed Antibody(ies) and/or Licensed Products for the Field during the Term. Information sharing, plan sharing, collaboration, coordination and development reporting between the Parties shall be as described in this Article 2. Technology transfer, regulatory transfer, and further development and commercialization obligations are as described in Article 3.

2.2 Joint Development Committee.

(a) Committee Formation. The Parties shall form the Joint Development Committee promptly after the Effective Date of this Agreement. Such Joint Development Committee shall be composed of an equal number of representatives from each Party (but in any event no less than two (2) representatives from each Party). Each Party's initial Joint Development Committee representatives are as written in Exhibit G. Each Party may change its representatives by written notice to the other Party. An alternate member designated by a Party may serve temporarily in the absence of a permanent member of the Joint Development Committee for such Party. Subject to Section 2.2 (b) below, the Joint

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Development Committee shall continue to exist until the […***…].

(b) Meetings and Procedures. The Joint Development Committee shall convene its first meeting within thirty (30) days after the Effective Date. During the Collaboration Term, Joint Development Committee meetings shall be held at least every […***…], and may also meet more frequently as and to the extent agreed by the Parties or if reasonably required by MorphoSys. After expiration of the Collaboration Term, meetings shall be held at least every […***…] ([…***…])[…***…] and may also be held more frequently as and to the extent agreed by the Parties. Joint Development Committee meetings may be held in person or by videoconference or teleconference, as the Parties may agree, except that at least one (1) meeting per year shall be in person. In-person meetings shall alternate between the Parties' respective facilities. In addition to its Joint Development Committee representatives a Party may have other personnel attend Joint Development Committee meetings but not to exceed eight (8) participants per Party. During the Collaboration Term, the Joint Development Committee shall be chaired by […***…] and […***…] of the Joint Development Committee, […***…], and the chairperson and co-chairperson of the Joint Development Committee shall be responsible for providing an agenda for each meeting and for preparing written minutes of each meeting for approval by each Party's Joint Development Committee representatives. MorphoSys and Xencor shall each bear all expenses, including travel expenses, of their respective JDC members related to their participation in the JDC. In the event Xencor (a) undergoes an M&A Event and the other party to the M&A Event, respectively, at that time (i) develops an enhanced B-cell cytotoxic anti-CD19-antibody or (ii) files or has filed an IND in any oncology indication for any Antibody of the XmAb5871 Program, or (b) itself or its Other Licensee files or has filed an IND in any oncology indication for any Antibody of the XmAb5871 Program, then the JDC shall be discontinued. In the event MorphoSys enters into a Sublicense agreement after expiration of the Collaboration Term, the Joint Development Committee shall only continue to meet if the Sublicense provides for a committee between MorphoSys and its Sublicensee for discussion of development of Licensed Antibody(ies) and/or Licensed Products. The Joint Development Committee shall then meet with the same frequency as set out in the Sublicense regarding the committee meetings between MorphoSys and Sublicensee. If allowed by the Sublicense, Xencor may participate in such committee meetings according to the terms of the Sublicense. If Xencor's participation in such committee meetings is not allowed by the Sublicense, the Joint Development Committee shall meet within […***…] following each respective committee meeting between MorphoSys and its Sublicensee.

(c) Meeting Agendas and Reporting.

(i) By Xencor. Until the Ongoing Phase 1 Trial is Completed (Reporting Purposes), the agenda shall include a report by Xencor including all activities performed in such trial, status of the development of Licensed Antibody and/or Licensed Products, progress in such trial, any results of development, material meetings, minutes and correspondence with Regulatory Authorities relating to Licensed Antibody and/or Licensed Products, data reports, any inventions generated in such trial, upcoming milestones, and any planning matters relating to the ongoing conduct or transition of such trial. Xencor shall treat

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such reported information confidential and shall not disclose any of this reported information to any Third Party at any time. In addition, Xencor shall provide to MorphoSys upon MorphoSys's request its annual report(s) to the FDA.

(ii) By MorphoSys. In each calendar year, but subject to Section 2.3, MorphoSys shall provide to Xencor the MorphoSys Annual Development Report. The MorphoSys Annual Development Report shall include in reasonable detail: (1) a summary of MorphoSys' activities in […***…] (including clinical trials relating to Licensed Antibody and/or Licensed Products (including dosage, trial design and trial endpoints, protocols, Licensed Product being tested); material meetings, minutes, correspondence with Regulatory Authorities relating to Licensed Antibody and/or Licensed Products; Marketing Authorization Applications relating to Licensed Antibody and/or Licensed Products planned for filing; data reports; publications; conferences; all patent applications filed by MorphoSys or an Affiliate claiming MorphoSys Product Inventions from that year); and (2) to the extent available, a summary of MorphoSys' plan for Licensed Product development in the next […***…]. MorphoSys or — to the extent permitted by the Sublicense — its Sublicensee, shall further report to Xencor any Material MorphoSys Change to the MorphoSys Annual Development Report within […***…] after its occurrence. Within […***…] after each submission to FDA, MorphoSys shall also provide to Xencor its (or its Affiliate's) annual report(s) to the FDA relating to Licensed Antibody(ies) or Licensed Products. With respect to annual reports to the FDA relating to Licensed Antibody(ies) or Licensed Products submitted to the FDA by Sublicensee, MorphoSys shall use Commercially Reasonable Efforts to obtain such reports and the right from Sublicensee to share such reports with Xencor. Xencor shall treat such MorphoSys Annual Development Reports and such other annual report(s) to the FDA from MorphoSys, its Affiliate or — if applicable — its Sublicensee as MorphoSys' Confidential Information and shall not distribute such report(s) to any Third

Party without prior written consent by MorphoSys. In the event that Xencor or its Affiliate (a) is party to a M&A Event and the other party to the M&A Event, respectively, at that time (i) develops or commercializes an enhanced B-cell cytotoxic anti-CD19-antibody or (ii) Xencor itself or an Other Licensee files or has filed an IND in any oncology indication for any Antibody of the XmAb5871 Program, or (b) itself files or has filed an IND in any oncology indication for any Antibody of the XmAb5871 Program, MorphoSys or its Sublicensee (as provided for in Section 2.6 below) shall only be required to provide to Xencor a short summary of the respective development status and results within the MorphoSys Annual Development Report. Xencor shall notify MorphoSys of any event described in (a)(i), (a)(ii) or (b) of the previous sentence. For the avoidance of doubt, in such cases (i.e., (a)(i), (a)(ii) or (b)) neither MorphoSys nor its Sublicensee(s) shall be obligated to report to Xencor any Material MorphoSys Changes, nor to provide to Xencor its respective annual report(s) to the FDA relating to Licensed Antibody(ies) or Licensed Products.

(d) Functions and Powers. The Joint Development Committee shall have no power to amend, modify or waive compliance with this Agreement. It shall have only such powers as are specifically set forth in this Agreement for the Joint Development Committee to perform. The Joint Development Committee meeting minutes, regardless of whether approved by senior representatives of both Parties, shall not be deemed to amend, modify or waive compliance with this Agreement. The Joint Development Committee's responsibilities shall include:

(i) during the Collaboration Term, encourage and facilitate ongoing cooperation and information exchange between the Parties concerning the Ongoing Phase I Trial;

(ii) discuss any coordination of activities that the Parties may desire concerning the Ongoing Phase 1 Trial;

(iii) approve any Material Xencor Changes to the Xencor Development Plan (truly immaterial changes do not require JDC approval, however Xencor shall inform MorphoSys promptly of any such changes).

(iv) provide a forum for discussion of the MorphoSys Annual Development Report (without implying any decision-making rights with respect to planned activities contained in such Report);

(v) subject to the other provisions of this Article 2, [...***...],

(vi) discuss any [...***...].

(e) JDC Decisionmaking. The JDC shall only have the power to make decisions related to the Ongoing Phase 1 Trial. The JDC shall make decisions by consensus, with each Party having one vote. If the JDC cannot reach consensus as to any decision, then MorphoSys shall have the final say. However, notwithstanding anything express or implied in the foregoing:

(i) MorphoSys shall exercise its final say solely in a manner consistent with MorphoSys' obligations under this Agreement and the final say to be clear does not diminish MorphoSys's obligations under this Agreement;

(ii) Subject to Section 3.1, any addition of activities to the Xencor Development Plan that would increase Xencor's costs to conduct such plan shall require Xencor's consent or MorphoSys's legally binding commitment to reimburse Xencor for all costs necessary to complete such additional activities, but only the amount which exceeds the Budget (as set forth in Section 3.1); and

(iii) Subject to Sec. 2.2 (e)(ii) above, MorphoSys' final say shall always prevail unless such final say would require Xencor to violate any of its legal obligations as a sponsor as contained in 21 C.F.R §312 or any other applicable regulatory or legal jurisdiction of the Ongoing Phase 1 Trial. Both Parties agree that these decisions (whether MorphoSys's final say, or Xencor's rejection of a final say by MorphoSys due to causing Xencor to violate any such legal obligation (but to be clear not other circumstances where Xencor simply disagrees with MorphoSys's decision)) will only be made after thorough consideration of the other Party's argumentation for its position and after providing to the other Party a detailed written description of the reasons why the Party believes the decision would or would not violate Xencor's legal obligations as a sponsor of the Ongoing Phase 1 Trial. In the event that a Party disagrees with the reasons provided by the other Party as to whether the final say will result in such a violation of such a legal obligation, then such first Party may refer the matter for resolution under Article 12, unless the matter is related to an urgent safety issue in the Ongoing Phase 1 Trial, in which case Xencor shall be entitled to take the decision it deems appropriate under the then prevailing circumstances. The foregoing shall not limit the remedies of either Party.

(f) This Section 2.2 does not provide and shall not be used by either Party or their counsel to imply decisionmaking authority of the JDC as to any contractual disputes that may arise in connection with this Agreement.

2.3 Affiliate/Sublicensee Activities and Plans. MorphoSys shall include MorphoSys' Affiliates' and, to the extent permitted by the Sublicense, Sublicensees' accomplishments and activities (past and planned) in MorphoSys Annual Development Report. Xencor recognizes that if and when MorphoSys grants a Sublicense, that thereafter MorphoSys shall not be required to provide Xencor with the same level of detail as before for MorphoSys' Annual Development Report, *provided, however,* that it shall always contain [...***...].

2.4 Xencor Initial Development Plan. The Xencor Development Plan, for the initial clinical development of Licensed Antibody and/or Licensed Product through the Ongoing Phase 1 Trial, is attached as Exhibit J. Xencor is entitled to make truly immaterial changes to the Xencor Development Plan without JDC or MorphoSys consent, but shall inform MorphoSys about such immaterial changes promptly after such change occurs. If Xencor and/or MorphoSys believe that a Material Xencor Change is needed, then Xencor and/or MorphoSys shall call a JDC meeting and present the proposed Material Xencor Change and reasons for it. The JDC shall act promptly in its consideration of any such Material Xencor Change proposed by Xencor and/or MorphoSys, and shall reasonably consider the comments of the respective other Party. MorphoSys acting through its JDC members shall not unreasonably withhold consent to any such Material Xencor Change proposed by Xencor.

2.5 Project Team Interaction and Urgent Matters. During the Collaboration Term, the Parties' project teams for the XmAb5574 project (as set forth in Exhibit G) shall communicate with each other on a regular basis (at least monthly), including making promptly available all documents, data and reports relating to Licensed Antibody(ies) and/or Licensed

Products (including drafts of the foregoing) to the other Party by the Party that created and/or received such documents and reports. Moreover, during the Collaboration Term, Xencor shall within […***…] after reported to Xencor senior management, notify MorphoSys about any serious adverse events reportable to the FDA and any finding suggesting significant risk for human safety.

2.6 Sublicensee Participation. If MorphoSys grants any Sublicense during the Collaboration Term, then the Sublicensee may also participate in the JDC meetings, and MorphoSys is entitled, at its sole discretion, to delegate its final say on the JDC to the Sublicensee; *provided*, to avoid doubt, that such final say shall remain subject to all of the same limitations as set forth in Section 2.2.

2.7 Termination of Committee Meeting Obligations. After the Ongoing Phase 1 Trial is Completed (Reporting Purposes) or its sponsorship has been transferred to MorphoSys, Joint Development Committee interactions are intended primarily as a right of Xencor as a licensor, to allow for a collaborative information exchange between the Parties and for discussion of MorphoSys Annual Development Report. After the Ongoing Phase 1 Trial is Completed (Reporting Purposes) or its sponsorship has been transferred to MorphoSys, Xencor shall be entitled to terminate Joint Development Committee meeting obligations at any time by written notice to MorphoSys. If Xencor provides this notice, then each Party shall provide its reports and updates directly to the other Party, rather than to the Joint Development Committee (including all information to be provided by MorphoSys to the Joint Development Committee under this Agreement).

ARTICLE 3

DEVELOPMENT, COMMERCIALIZATION, DILIGENCE AND KNOW-HOW AND MATERIAL TRANSFER

3.1 Initial Phase 1 Clinical Trial. Xencor shall be the sponsor of the Ongoing Phase 1 Trial. Xencor shall conduct such trial in accordance with […***…] and the Xencor Development Plan as set forth in Exhibit J as it may be updated in accordance with this Agreement. Xencor shall pay all costs necessary to complete all activities listed in the Xencor Development Plan. The estimated budget for such costs is the amount of […***…] US Dollars ($[…***…]) (the "**Budget**"). For clarity, if the costs necessary to complete all activities listed in the Xencor Development Plan exceed the Budget, such costs shall be borne by Xencor. Notwithstanding the foregoing, in the event MorphoSys changes any material aspect of the listed activities or includes additional activities in the Xencor Development Plan in accordance with Section 2.2(e)(ii), [...***...]. Xencor shall also bear the costs for additional Licensed Product manufacturing after the Effective Date to supply Xencor's needs for the Ongoing Phase 1 Trial, to the extent such the Licensed Product from such additional manufacturing is used in the Ongoing Phase 1 Trial. For the costs of the remaining Licensed Product from such additional manufacturing, [...***...]

[...***...], whereby MorphoSys shall use Commercially Reasonable Efforts to use such material. In the event that manufacturing material from the same batch shall be used by Xencor for the Ongoing Phase 1 Trial and by MorphoSys for a clinical trial under its own sponsorship, the Parties shall closely communicate with each other and seek to find the most advantageous way to enable such split of material. In case safety, regulatory or any other issues arise in the course of the Ongoing Phase 1 Trial in relation to which Xencor and/or MorphoSys reasonably conclude that Ongoing Phase 1 Trial should be stopped temporarily or entirely, decision making in such case shall be in accordance with the provisions of Section 2.2(e) (iii). To the full extent permitted by law, Xencor will include MorphoSys in monitoring visits and audits of clinical trials sites (but solely if permitted by the sites), Manufacturer and other Third Parties involved in the Ongoing Phase 1 Trial conduct.

3.2 Regulatory. Subject to Section 3.3 below, Xencor shall retain sponsorship for the Ongoing Phase 1 Trial, until such trial has been Completed (Reporting Purposes), is discontinued or sponsorship is transferred to MorphoSys. Promptly after the Effective Date, the JDC and the Parties' project teams for Licensed Product shall communicate and seek to find the most advantageous way to enable MorphoSys [...***...] as soon as is commercially reasonable under the circumstances (by granting MorphoSys in writing access to the data and information contained in the currently effective […***…], by transfer of the electronic files underlying Xencor's prior IND submission, transfer of sponsorship of the existing IND at the appropriate time, or other means).

3.3 Diligence Obligations of Xencor and Transfer of Ongoing Phase 1 Trial. Xencor shall use Commercially Reasonable Efforts to carry out its responsibilities under the Xencor Development Plan as it may be amended from time to time by the JDC, which shall include for the purposes of this Section, using the facilities and equipment in a good scientific manner and in compliance with applicable scientific standards, laboratory practices and legal and regulatory requirements, adhering to the timelines according to Exhibit J, adhere to all applicable national and international regulations and guidelines, appointing and retaining adequately trained personnel and engage, retain and control adequately qualified external personnel (e.g., CROs and consultants) and thereby collecting and retaining all relevant Know-How for the development and commercialization of Licensed Antibody(ies) and/or Licensed Products, and at any time use the same diligence and efforts as a similar biotechnology company, but in no event less than such efforts Xencor would use for the clinical trials of its own program(s) to complete all of the activities included in the Xencor Development Plan in Exhibit J, as it may be amended from time to time by the JDC, and shall use Commercially Reasonable Efforts to do so within the timeframe for Completion (Reporting Purposes) suggested in the Xencor Development Plan.

(a) In the event that Xencor does not meet the Xencor Development Plan timeline for Completion (Performance Metric), by more than […***…] due to a […***…] then the milestone payments for milestone events 1. and 2. for oncology indications according to Section 5.2 shall be reduced by […***…] ([…***…]%). To avoid doubt, this reduction shall not be made to the extent the delay of Completion (Performance Metric) relative to the timeline of the Xencor Development Plan results in whole or in part from any reason other than a […***…].

(b) Moreover, if Xencor does not meet the Xencor Development Plan timeline for Completion (Performance Metric), by more than […***…], then:

(i) Regardless of whether the delay is a […***…] or not, upon MorphoSys' request, Xencor shall arrange for transfer of the sponsorship for the Ongoing Phase 1 Trial to MorphoSys without undue delay and in agreement with MorphoSys, and MorphoSys, in its sole discretion (subject to its diligence obligations under this Agreement), may assume responsibility for the Ongoing Phase 1 Trial. In the event that sponsorship for the Ongoing Phase 1 Trial is transferred to MorphoSys, Xencor shall use Commercially Reasonable Efforts to provide MorphoSys with any information within the Licensed Know-How and/or assistance requested by MorphoSys, including assisting MorphoSys as requested in conducting the Ongoing Phase 1 Trial to a successful completion in the shortest amount of time reasonably possible; and

(ii) If the delay resulted from a […***…], then (x) the milestone payments for milestone events 1. and 2. for oncology indications according to Section 5.2 shall each be reduced by […***…] ([…***…]%), (y) no Sublicensing Revenue shall be paid by MorphoSys to Xencor in any case, and (z) any costs that MorphoSys has to bear to complete the Ongoing Phase 1 Trial will be credited against future payments due to Xencor by MorphoSys under this Agreement, *provided however*, that the sum of such credited costs shall not exceed the difference between the Budget and all costs, which Xencor already spent for completion of such activities until the arrangement of transfer of the sponsorship to MorphoSys. To avoid doubt, this Section 3.3(b) (ii) shall not apply to the extent the delay of Completion (Performance Metric) relative to the timeline of the Xencor Development Plan results in whole or in part from any reason other than a […***…].

(c) Notwithstanding anything express or implied in this Agreement (including Article 10), the remedies set forth in Section 3.3(a) and (b)(ii) shall be the sole and exclusive remedies for […***…], and no other remedies shall be available to MorphoSys for […***…], express or implied, under this Agreement, at law, or in equity.

3.4 Disclosure Assistance to MorphoSys. Within […***…] after the Effective Date, unless MorphoSys extends such period at its sole discretion for certain Licensed Know-How, Xencor shall disclose and/or transfer to MorphoSys (a) copies of all Licensed Know-How that were in the data room prior to the Effective Date (and to be clear this excludes all information with respect to XmAb5871), and (b) the tangible materials and copies of the documents listed in Exhibit K. Xencor shall disclose and/or transfer to MorphoSys copies of all Licensed Know-How created during the Collaboration Term as soon as such copies become available to Xencor, including clinical source data. Within […***…] of the Effective Date, Xencor shall provide written permission to permit its third party contractors […***…] and any other Third Party that generates data as described above, to transfer copies of such data to MorphoSys to the extent such data are Licensed Know-How. If there is raw data within the Licensed Know-How that was not in the data room (1) that MorphoSys reasonably believes is required for communication with Regulatory Authorities or is actually requested by any Regulatory Authority, then MorphoSys may request this of Xencor and Xencor shall reasonably promptly provide it to MorphoSys; or (2) that does not fall within (1) but is reasonably needed by MorphoSys then MorphoSys may request such raw data whether or not listed in Exhibit K once a year and Xencor shall reasonably

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promptly provide it reasonably promptly after such request. Xencor shall have no obligation to translate documents provided pursuant to this Section into any language other than English.

3.5 Active Contracts

(a) Active Contracts Transfer to MorphoSys. In addition, to assist MorphoSys in making a smooth transition to commence its Licensed Product development activities and/or its Licensed Antibody development activities, the list of licenses and contracts set forth in Exhibit H is a list of all licenses and contracts between Xencor and Third Parties relating to the Licensed Antibody and Licensed Products that provide for currently ongoing or future services with respect to such Licensed Antibody and Licensed Products or are otherwise relevant for Licensed Product development activities and/or Licensed Antibody development activities("**Active Contracts**"). To avoid any misunderstanding, Active Contracts exclude consulting agreements, confidentiality agreements and materials transfer agreements. To the extent Xencor becomes aware that any Active Contracts existing as of the Effective Date have been omitted unintentionally from the list in Exhibit H but remain in effect or are otherwise relevant for Licensed Product development activities and/or Licensed Antibody development activities, Xencor will promptly notify MorphoSys of the omitted license or contract. To the extent requested by MorpoSys, other than licenses or contracts that Xencor needs to retain in order to perform its responsibilities with respect to the Ongoing Phase 1 Trial or that are master services agreements pertaining to other services for Xencor (identified in such Exhibit under the heading "Excluded Contracts" and referred to in this Agreement as "**Excluded Contracts**"), Xencor will seek to assign (or, if Xencor obtains consent of the counterparty, novate over to MorphoSys) the Active Contracts existing as of the Effective Date that Xencor has the right to assign in these circumstances to MorphoSys, provided with respect to each such license or contract that it is assignable to MorphoSys and MorphoSys agrees to assume financial responsibility and all other post-assignment performance obligations under each such license or contract; and provided, further, that assignment (or novation) of the contract shall not be deemed to assign to MorphoSys any Patents (or any license to Patents) that may have been assigned (or licensed) or are required to be assigned (or licensed) to Xencor under the contract based on inventions prior to the time the contract is assigned to MorphoSys (provided Patents assigned and/or licensed to Xencor shall be included in Licensed Patents and Post-Sublicensing Licensed Patents).

If any Excluded Contracts (which are not assigned to MorphoSys under the foregoing paragraph) are master services contracts, the Parties will cooperate and Xencor shall use Commercially Reasonable Efforts to seek to assign the appropriate work order(s) or otherwise transition the appropriate services in a reasonable way. To avoid doubt, Commercially Reasonable Efforts in this context does not require Xencor to pay any consideration to the counterparty to the Excluded Contracts.

Xencor is not required under this Section 3.5 to assign to MorphoSys any license or contract that Xencor does not have the right to assign in these circumstances, but will use Commercially Reasonable Efforts to seek in good faith, from Xencor's counterparties whose consent is required, consent to do so or if preferred by Xencor and acceptable to MorphoSys consent for a novation and to re-form the contract directly with MorphoSys. To avoid doubt, Commercially Reasonable Efforts in this context does not require Xencor to pay any consideration to the counterparty to the Excluded Contracts.

(b) Additional Manufacturing. Within […***…] of the Effective Date, Xencor shall request a manufacturing slot from its third party contractor […***…] for the next available […***…] production slot by sending a change order notification. Xencor shall use Commercially Reasonable Efforts to schedule all activities for the foregoing production slot timely with all Manufacturers for completion of manufacturing the respective drug substance and drug product, including fill and finish operations for such production run.

3.6 Allocation of Responsibility for Further Development and Commercialization. Other than Xencor's responsibilities with respect to the Ongoing Phase 1 Trial, MorphoSys shall be responsible for all further development of Licensed Antibody(ies) and/or Licensed Products for, and commercialization (including marketing, promotion and sales) of Licensed Products in the MorphoSys Territory for the Field. MorphoSys (and its Affiliates and Sublicensees) shall have the right to file in its own name, and to own, all new INDs, Marketing Authorization Applications and Marketing Authorizations for Licensed Products in the

MorphoSys Territory for the Field and may delegate and/or assign these rights to Affiliates and Sublicensees. As between the Parties, MorphoSys shall have the sole and exclusive right to select the product trademarks for the Licensed Products in the MorphoSys Territory for the Field (and may delegate and/or assign this right to Affiliates and Sublicensees). Licensed Product labeling and promotional materials shall in any event (to the extent permitted by applicable law and except solely as provided in the last sentence of this paragraph) state that the Licensed Product is under license from Xencor (or its successor) and include if requested by Xencor in writing (and MorphoSys shall query Xencor in writing at the time the label is being designed in each country) — to the extent permitted by applicable law — the Xencor name and then-current Xencor logo in a size no smaller than one quarter the size of the logo of the marketing entity, and subject to Xencor's then-current quality control guidelines with respect to such trademarks, a copy of which Xencor shall provide in writing to MorphoSys upon MorphoSys's written request. Notwithstanding the foregoing, if (a) Licensed Product is marketed by a Sublicensee, and the applicable Sublicense provides that neither of MorphoSys nor Xencor shall be referenced on the labeling and promotional materials (meaning that the Sublicense also provides that MorphoSys not be referenced), or (b) there is a legal requirement for MorphoSys to be on the label in any sublicensed country, then in these sole circumstances and solely within the scope of the applicable Sublicense's territory (or in the case of (b) the country of the legal requirement), the statement as to being under license from Xencor and the inclusion of Xencor's name and logo shall not be required if the Sublicense does not permit it.

3.7 Cost of Development and Commercialization. Other than the costs of the Ongoing Phase 1 Trial, as between the Parties, MorphoSys is responsible for all costs relating to the development and commercialization of Licensed Products for the MorphoSys Territory for the Field, including manufacturing, regulatory, clinical and registration costs.

3.8 Diligence Obligations of MorphoSys.

(a) MorphoSys shall use Commercially Reasonable Efforts to (i) achieve the milestone events as set out in Section 5.2, (ii) develop a human therapeutic or prophylactic Licensed Antibody and/or Licensed Product in a way that supports its Market Authorization in Major Markets and (iii) [...***...]. The scope of such development and

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commercialization activities shall include clinical development, manufacturing, process development and scale-up, seeking Marketing Authorization, providing for a reasonable commercial launch in those countries where Marketing Authorization is obtained and thereafter actively promoting to all appropriate audience(s), to the extent Commercially Reasonable. In all of the foregoing activities, MorphoSys shall use Commercially Reasonable efforts to: use the facilities and equipment in a good scientific manner and in compliance with applicable scientific standards, laboratory practices and legal and regulatory requirements, adhere to all applicable national and international regulations and guidelines, appoint and retain adequately trained personnel and engage and control adequately qualified internal or external personnel and thereby collecting all relevant Know-How for the development and commercialization of Licensed Antibody(ies) and/or Licensed Products, and at any time use the same diligence and efforts as a similar biotechnology company.

(b) MorphoSys shall not be relieved of its diligence obligations under this Agreement by the mere granting of any Sublicense(s). With respect to Sublicensee's diligence obligations, it shall, however, be taken into account what would be deemed Commercially Reasonable Efforts by the respective Sublicensee(s). The activities and achievements of any Sublicensee(s) shall be counted towards MorphoSys' performance under this Agreement.

3.9 Records. MorphoSys shall maintain complete and accurate records of all work (including research, development, clinical, manufacturing and commercialization) it conducts (itself or through its Affiliates or by Third Parties other than Sublicensee(s) if any activities are subcontracted by MorphoSys and/or its Affiliates) under this Agreement and all results, data and developments made pursuant to its efforts under this Agreement. Such records shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of this Agreement in sufficient detail and in good scientific manner appropriate for Patent and regulatory purposes.

3.10 Communications with Regulatory Authorities. During the Collaboration Term, Xencor shall provide MorphoSys with reasonable advance notice of any meeting or substantive telephone conference with any Regulatory Authority relating to any Licensed Antibody and/or Licensed Product. MorphoSys shall have the right to attend and observe (but not participate actively in) any material meeting or material conference call with any Regulatory Authority regarding any of MorphoSys (or its Affiliate's or Sublicensee's) Licensed Antibody and/or Licensed Products. In addition, Xencor shall promptly furnish to MorphoSys copies of all correspondence that Xencor (or its Affiliate) receives from, or submits to, any Regulatory Authority (including contact reports concerning conversations or substantive meetings) relating to any Licensed Antibody and/or Licensed Product. Xencor shall also provide to MorphoSys any meeting minutes that reflect material communications with any Regulatory Authority regarding a Licensed Antibody and/or Licensed Product. Subject to the provisions of Section 2.2(c)(ii), MorphoSys shall provide in its MorphoSys Annual Development Reports to Xencor, and through JDC discussion, information regarding its (or its Affiliate's or, to the extent permitted by the Sublicense, Sublicensee's) interactions with Regulatory Authorities with respect to all Licensed Antibodies and/or Licensed Products in its respective Territory. In addition, to the extent permitted by law and subject to Section 3.6, Xencor may participate in communications and meetings with any Regulatory Authority to the extent the name and/or then-current Xencor logo is used on the drug product label and such labeling is being discussed in such communication or meeting. Notwithstanding MorphoSys' obligations under this Article 3,

MorphoSys shall not be required to share with Xencor any information which MorphoSys is not permitted to share with Xencor under the applicable laws or regulations of the Securities & Exchange Commission or other regulatory body of the US or elsewhere.

3.11 Simultaneous Clinical Trials.

Prior to such time as the Parties are both simultaneously sponsoring human clinical trials of Licensed Antibody and/or Licensed Products (if ever), the Parties shall, as soon as it becomes evident that both Parties will simultaneously sponsor human clinical trials of Licensed Antibody and/or Licensed Products, mutually agree in writing as to a more detailed protocol regarding the exchange of all adverse event information and/or findings that could potentially affect the safety and/or well-being of patients, and/or materially change the scientific value of such clinical trials on an ongoing basis, including a timeline. Such protocol must provide a timeline and scope for reporting between the Parties that is at least sufficient to allow both Parties to satisfy their reporting obligations to Regulatory Authorities (current or future, worldwide). Such protocol and the data exchanged under it shall be provided in English language. Once the protocol is agreed in writing, each Party shall comply with it as an obligation under this Agreement, and may propose updates to it from time to time. To be clear, while the language above describes establishing the protocol before simultaneous trials by both Parties are ongoing, the intention is for the Parties to then follow the protocol during the time periods when they have simultaneous trials ongoing.

3.12 **Legal Compliance**. In conducting any development and commercialization activities under this Agreement, each of MorphoSys and its Affiliates and Sublicensee(s), and Xencor and its Affiliates, shall: (a) use Commercially Reasonable Efforts to ensure that its employees, agents, clinical institutions and clinical investigators as well as any further entities actively involved in the conduct of development work (such as CROs, CMOs, laboratories, etc.) comply with all applicable statutory and regulatory requirements with respect to Licensed Antibodies and/or Licensed Products, including (as applicable): the Federal Food, Drug and Cosmetic Act, as amended (FFDCA), the Public Health Service Act (PHSA), the rules governing medicinal products in the European Union and further national legislation, regulatory provisions regarding protection of human subjects, financial disclosure by clinical investigators, Institutional Review Boards (IRB) and independent ethics committees, Good Clinical Practices, Good Laboratory Practices, Good Manufacturing Practices, IND regulations, and any conditions imposed by a reviewing IRB or Regulatory Authority, and comparable statutes and regulatory requirements in other jurisdictions; and (b) not, to the best of its knowledge, utilize, in conducting such studies, any person or entity that at such time is debarred by, or that, at such time, is under investigation by the FDA or other Regulatory Authority for debarment action pursuant to the provisions of the Generic Drug Enforcement Act of 1992 (21 U.S.C. Section 335), and comparable statutes and regulatory requirements in other jurisdictions. Notwithstanding anything express or implied in the foregoing or in any exercise of a final say by MorphoSys on the JDC, Xencor is only required to comply with U.S. standards in the conduct of the Ongoing Phase 1 Trial, unless (a) MorphoSys covers the incremental cost of compliance with any ex-U.S. standards requested by MorphoSys, or (b) there is no incremental cost of additionally complying with ex-U.S. standards requested by MorphoSys.

ARTICLE 4

LICENSING

4.1 **License to MorphoSys**. Subject to the terms and conditions of this Agreement, Xencor hereby grants to MorphoSys

(a) an exclusive, royalty-bearing (in accordance with Article 5) license under the Licensed Patents and Licensed Know-How to research, have researched, develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, import, have imported, export and have exported Licensed Antibody(ies) and/or Licensed Product(s) for the Field in the MorphoSys Territory; the making, using, selling, offering for sale or importing of which would, but for the License granted hereunder, infringe Licensed Patents;

(b) an exclusive license to all necessary rights to make and use all Licensed Know-How solely in order to practice the license of Section (a) (and specifically excluding all uses in support of activities outside the scope of the license in Section 4.1(a));

(c) a non-exclusive, royalty-free license under the Post-Sublicensing Licensed Patents to research, have researched, develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, import, have imported, export and have exported Licensed Antibody(ies) and/or Licensed Product(s) for the Field in the MorphoSys Territory; the making, using, selling, offering for sale or importing of which would, but for the License granted hereunder, infringe Post-Sublicensing Licensed Patents for the purpose of sublicensing such rights to MorphoSys' Sublicensee(s). To avoid doubt, to the extent MorphoSys enters into a *bona fide* co-development, co-marketing, or co-promotion agreement with a Sublicensee, then MorphoSys shall as part of such relationship be entitled to itself practice the license of this Section 4.1(c); outside of such circumstance, MorphoSys itself shall not have the right to practice the license of this Section 4.1(c), although this shall not be read to undermine MorphoSys's ability to Sublicense the license of this Section 4.1(c). Also to avoid doubt, the royalty-free nature of the license of this Section 4.1(c) shall not alter in any way the royalty-bearing nature of the license of Section 4.1(a) or of Section 4.1(d), even if applying to the same Licensed Product(s).

(d) an exclusive, royalty-bearing license, with the right to sublicense, in the MorphoSys Territory for all activities for all fields and applications to the Licensed Candidate-Specific Patents ("Candidate-Specific Patent License"); *provided*, *however*, that if for any reason any claim ever exists in a Licensed Candidate-Specific Patent that is broader than provided for in the definition thereof, the applicable Patent shall be subject to the license of Section 4.1(a) not this Section 4.1(d) until and unless it again is narrowed to the scope provided for in the definition of Licensed Candidate-Specific Patent. To avoid doubt, when the license of Section 4.1(a) and Section 4.1(d) both apply, then the royalties shall remain as written in Article 5 and there shall be no doubling of the royalties based on both such licenses applying.

Xencor retains the right, notwithstanding the exclusivity of the licenses in Sections 4.1(a), 4.1(b) and 4.1(d), but subject to Article 2 and 3 above, to conduct the Ongoing Phase 1 Trial to completion.

The licenses granted to MorphoSys in this Section 4.1 shall be sublicensable solely as provided in Section 4.2, but shall otherwise be non-assignable and non-transferable (except as explicitly permitted by Article 10 or Section 13.9).

4.2 **Sublicensing by MorphoSys**. MorphoSys shall be entitled to grant Sublicenses under its license of Section 4.1, subject to all of the following and the rights of Xencor set forth in Section 4.11:

(a) MorphoSys must promptly notify Xencor after granting a Sublicense and […***…] within […***…] for the sole purpose of […***…]. Such […***…] may be […***…] in the event that […***…]. Xencor shall ensure that […***…], except solely to the extent required by law or to assert Xencor's rights under this Agreement […***…].

(b) Such Sublicensees cannot further sublicense except if all of the following conditions are satisfied: (1) the further Sublicenses must be on terms consistent with this Agreement, including this Section 4.2; and (2) if […***…], then the economic terms of the further Sublicenses must be such that the further sublicensing does not reduce the consideration that will be paid to Xencor under this Agreement, relative to what it would have been had MorphoSys' direct Sublicensee conducted the activities; and

(c) in the event that MorphoSys enters into a […***…] and to the extent such Sublicence provides for consideration in form of any "quids" (such as, by way of example but not limitation, rights for MorphoSys in any of the Sublicensee's other product candidates or products or intellectual property unrelated to Licensed Products), then except as may be otherwise agreed in writing by Xencor and MorphoSys, Xencor and MorphoSys shall mutually agree on and then consult an independent expert on the valuation of such quid before signature of the Sublicense agreement. Such expert shall render his valuation decision within thirty (30) days after signature of the Sublicense agreement. Xencor and MorphoSys shall jointly bear the costs for such expert. Such independent expert's opinion shall be final and binding upon both Parties.

(d) in the event MorphoSys' Sublicensee — at the time of entering into the Sublicense — […***…], the Sublicense shall (i) […***…] for the purpose of […***…] for Licensed Antibody and/or Licensed Product and (ii) […***…] that Sublicensee will perform the development of Licensed

Antibody and/or Licensed Product […***…]; and (iii) […***…].

4.3 Exclusivity and Related Covenants.

(a) By Xencor. Xencor hereby covenants that, during the Term, it and its Affiliates shall not (and Other Licensees specifically do not covenant, and Xencor does not covenant that the Other Licensees shall not) (i) develop or commercialize any anti-CD19 Antibody that does not meet the definition of XmAb5871 Program; or (ii) license any Xencor Fc Technology to any Third Party in any scope for any activity of any anti-CD19 Antibody except that Xencor may license any Xencor Fc Technology to Third Parties in connection with the XmAb5871 Program and solely with respect to XmAb5871 Program Antibodies (to avoid doubt, this means that the Xencor Fc Technology shall be licensed solely with respect to anti-CD19 Antibodies that as modified by or incorporating Xencor Fc Technology meet the definition of "XmAb5871 Program Antibodies"), but such license regarding Xencor Fc Technology shall specifically exclude the right to license Xencor High-ADCC/CDC Fcs. The foregoing covenants (1) shall not — at any time — apply to any Antibody in clinical development or on the market as of or before the date of a Xencor Change of Control by or for any acquirer of Xencor, or of the acquiring corporate family not Covered by any Patent owned or controlled by Xencor immediately prior to such Xencor Change of Control; and (2) shall not — at any time — apply to prohibit licensing of any Patent owned or controlled by the acquiror or its corporate family prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity").

(b) By MorphoSys.

(i) Excluded Antibodies. Subject to (i) MorphoSys' and/or its Affiliates' existing (as of the Effective Date) HuCAL agreements, comprising any obligation for MorphoSys and/or its Affiliate(s) to generate or have generated antibodies to which MorphoSys' and/or its Affiliates' contract partners have any rights whatsoever, and (ii) any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s), MorphoSys hereby covenants that, during the Term, it and its Affiliates shall not preclinically develop, develop in any human clinical trial, seek Market Authorization for, or in any way commercialize in the MorphoSys Territory any Excluded Antibody. Sublicensees specifically do not make such covenant, and MorphoSys does not make such covenant as to Sublicensees.

(ii) Licensed Antibodies. Subject to (i) MorphoSys' and/or its Affiliates' existing (as of the Effective Date) HuCAL agreements, comprising any obligation for MorphoSys and/or its Affiliate(s) to generate or have generated antibodies to which MorphoSys' and/or its Affiliates' contract partners have any rights whatsoever, and (ii) any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s), MorphoSys hereby covenants

that, during the Term, MorphoSys and its Affiliates shall not preclinically develop, develop in any human clinical trial, seek Market Authorization for, or in any way commercialize in the MorphoSys Territory any Competing Product other than any Licensed Antibody and/or Licensed Products that are payment-bearing to Xencor under this Agreement (other than a Licensed Product for which the Royalty Term has expired, after such expiration; this covenant does not apply at such times to such Licensed Product). Sublicensees specifically do not make such covenant, and MorphoSys does not make such covenant as to Sublicensees.

(iii) The covenants in this Section 4.3(b)(i) and (ii) shall not — at any time — apply to any Antibody in clinical development or on the market as of or before the date of a MorphoSys Change of Control by or for any acquirer of MorphoSys, or of the acquiring corporate family not Covered by any Patent owned or controlled by MorphoSys immediately prior to such MorphoSys Change of Control, and and shall not — at any time — apply to prohibit licensing of any Patent owned or controlled by the acquiror or its corporate family prior to or on the date of such MorphoSys Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of MorphoSys (for clarity, in the case where MorphoSys is merged into another entity, the references here to "MorphoSys" and "independently of MorphoSys" mean to refer to "the merged entity" and "independently of the merged entity").

(c) By both Parties

The Parties agree […***…]. The Parties, however, acknowledge that they or their respective Sublicensee or Other Licensee may have an interest to leverage the full potential of their respective products by […***…]. Hence, Xencor and MorphoSys shall be entitled to develop and commercialize more than […***…] Antibody from […***…] and more than […***…] Licensed Antibody, respectively, at any time; *provided* that […***…]. A Commercializing Party may also consist of several companies (e.g. within a co-marketing or co-promotion agreement), including in the situation in which the component entities of such a Commercializing Party may opt out of the commercialization activities at any time.

(d) Storage of Reference Material, Examination Rights, Data Update and Restriction on Material Transfer. […***…] In order to […***…], the Parties agree to the following:

(i) Storage

Reference material according to Exhibit A, Exhibit E and M […***…] shall be stored at an independent third party reasonably acceptable to MorphoSys and Xencor (the "Escrow Agent") promptly after the Effective Date. The Parties and the Escrow Agent shall enter into a three-party storage

agreement which shall be negotiated in good faith and which shall contain provisions that the Escrow Agent shall release such reference material to either MorphoSys or Xencor solely to determine its Binding Constants of Affinity to […***…] […***…] (including […***…]), […***…], […***…] and/or […***…] (including […

…]), and may be requested by the other Party at any time with reasonable frequency. MorphoSys shall bear the costs associated with the storage of such reference material at the Escrow Agent's facilities, and each Party shall bear the costs of shipping to such Party by the Third Party in response to such Party's request. All of the testing provided for in this Section 4.3(d)(i) shall be using reference material produced in [……], using the cell lines that were deposited into the escrow.

(ii) Additional Data.

Xencor shall promptly notify MorphoSys if Xencor discovers any XmAb5574 data or […***…] data generated by or on behalf of Xencor or its Affiliate(s) prior to the end of the Pre-Partnering Term with respect to the Affinity Constants of Binding relevant to the definition of […***…] Antibody or to antibody-dependent cytotoxicity relevant to the definition of […***…] Antibody; and in each case which has not yet been disclosed to MorphoSys, Xencor shall disclose such data to MorphoSys.

(iii) Restriction on Material Transfer

Xencor and its Affiliates shall not make available and/or transfer to Third Parties, other than those reasonably required for performance of the Ongoing Phase 1 Study, any Licensed Antibody or Licensed Product during the term of this Agreement after the Effective Date.

4.4 License from MorphoSys. MorphoSys hereby grants to Xencor (i) […***…] (other than any pass-through costs to MorphoSys' un-Affiliated licensors) […***…], (ii) […***…], and (iii) […***…] (other than any pass-through costs to MorphoSys' un-Affiliated licensors) […***…] in each case to research, develop, make, have made, use, sell, offer for sale, import and export XmAb5871 Program Antibodies worldwide for any and all fields and applications, subject, however, to Xencor's covenant in Section 4.3(a) and 4.3(c). Such license shall be sublicenseable only in connection with the XmAb5871 Program through one (1) or more tiers of sublicensees without the need to obtain prior consent from MorphoSys. Notwithstanding anything express or implied in the foregoing, Xencor shall not have the right to transfer any documents received from MorphoSys (including reports and plans under this Agreement) or any copies thereof to its Other Licensees or use such documents in XmAb5871 Program Antibody activities.

4.5 Discussion of Possible Sublicensing. If Xencor has not partnered its […***…], and MorphoSys' actual Sublicensee, or possible Sublicensee in serious negotiations with MorphoSys, wishes to discuss being the partner of the […***…], MorphoSys shall notify Xencor in writing, and Xencor agrees to discuss this possibility with MorphoSys' actual or possible Sublicensee. Nothing in this Agreement shall restrict Xencor from partnering its […***…].

4.6 Reservation of Rights; No Implied Licenses. No right, title or interest is granted by either Party whether expressly or by implication to or under any Patents or Know-How, other than those rights and licenses expressly granted in this Agreement. Each Party reserves to itself all rights not expressly granted under this Agreement. Subject to the covenants agreed by the Parties hereunder, including the covenants according to Sec. 4.3, this Agreement shall not be deemed to restrict a Party from exploiting any of its rights not expressly granted to the other Party under this Agreement.

4.7 [Intentionally omitted.]

4.8 Technology Sublicensed from Third Parties. The licenses granted under this Article 4, to the extent they include (or come to include) sublicenses under Patents or Know-How of a Third Party, shall be subject to the terms and conditions of the agreement with the Third Party governing the license under which the sublicense is granted; *provided*, *however*, that no such Third Party agreement shall conflict with the requirements of Section 4.11. For clarity, Licensed Patents and Licensed Know-How as of the Effective Date are not in-licensed and instead are owned by Xencor and thus do not carry any pass-through costs for MorphoSys.

4.9 Use of Patents and Know-How. Each Party hereby covenants that it (and its Affiliates and Sublicensees) shall not practice the Patents or Know-How (to avoid doubt, including any and all research materials provided under this Agreement) licensed to such Party under this Agreement outside the scope of the licenses to such Party under this Agreement. Notwithstanding the foregoing, if a Party unintentionally uses non-tangible Know-How of the other Party learned under this Agreement, outside the scope of a license to such first Party set forth in this Agreement, this shall not be considered a breach of this Agreement and such other Party agrees not to bring suit (including arbitration under Article 12) against such first Party.

4.10 Change of Control. A change of Control for either Party shall not be deemed to trigger any of the Sublicenses (for MorphoSys) and/or partnering provisions (for Xencor) of this Agreement.

4.11 Coordination of Sublicenses and Rights of Other Licensees with this Agreement.

(a) MorphoSys shall ensure that its agreements with Sublicensees are consistent with and impose obligations consistent with the applicable terms and conditions regarding Sublicensees set forth in this Agreement, including Sections 2.2(c)(ii), 2.3, 2.6, 3.6, 3.8(b), 3.10, 3.12, 4.2, 4.3(c), 4.9, 4.11(a), 5.11, 5.13(d), 6.5(h), 6.9, 7.2(e), and 9.1 (the Sublicensee shall make an equivalent indemnification of the Xencor Indemnitees), and 10.6(l). Subject to Section 4.4, MorphoSys shall in particular require its Sublicensees to […***…]. Information provided by a Sublicensee (or of a Sublicensee provided by MorphoSys) to Xencor and, to the extent permitted by this Agreement, its Other Licensees under this Section 4.11(a) shall be treated as Confidential Information of MorphoSys.

(b) Xencor shall ensure that its agreements with Other Licensees are consistent with and impose on its Other Licensees obligations consistent with the applicable terms and conditions set forth in this Agreement, including Sections 4.1 (with respect to Post-Partnering Patents and providing the necessary license), 4.3 (c), 4.4, 4.9, 4.11(b), 4.12 (as regards the protection of Confidential Information by the Other Licensee), 6.5(h), and 7.2(e). Xencor shall in particular require its Other Licensees to provide to Xencor ownership of or an exclusive (with respect to activities permitted under this Agreement), sublicenseable (through one (1) or more tiers) license under all Post-Partnering Patents, other than Post-Sublicensing Licensed Patents, for which it shall suffice for Xencor to obtain a non-exclusive license back which license as sublicensed to MorphoSys shall (in all of the foregoing cases) be free of additional payments (including royalties). Information provided by an Other Licensee (or of an Other Licensee provided by Xencor) to MorphoSys and, to the extent permitted by this Agreement, its Sublicensees under this Section 4.9(b) shall be treated as Confidential Information of Xencor.

4.12 **Inventions by Service Providers**. MorphoSys shall […***…], as well as all underlying original data and documentation, for purposes of development and commercialization of Licensed Antibody(ies), and Licensed Product(s) in the Field after a termination event under this Agreement that would lead to reversion to Xencor under Article 10, and (ii) […***…]. To avoid doubt, this does not apply to Sublicensees and Other Licensees, which are dealt with in Section 4.11. Information provided by a MorphoSys contractor (or of a MorphoSys contractor provided by MorphoSys) to Xencor and, to the extent permitted by this Agreement, its Other Licensees under this Section 4.12 shall be the Confidential Information of MorphoSys.

ARTICLE 5

COMPENSATION

5.1 **Up-Front Payment.** In consideration of the license granted to MorphoSys under Sec. 4.1, MorphoSys shall pay Xencor a one-time upfront payment of thirteen million dollars ($13,000,000), due upon execution of this Agreement and payable […***…] of the Effective Date. Such amount shall be non-refundable and shall not be creditable against any other amount due hereunder.

5.2 **Milestone Payments**. Subject to Section 3.3 and 5.2 (f) and (g), MorphoSys shall also pay the following milestone payments to Xencor, each due upon the first achievement of each milestone event indicated below (whether achieved by or on behalf of either Party or its Affiliate, Sublicensee, or any other entity acting on behalf of any of them) with respect to the first Licensed Product comprising XmAb5574 or a different Licensed Antibody, achieving such milestone event; provided, however, that such milestone payments for the events (i) "[…***…]" and (ii) "[…***…]" are only applicable and the related payment shall only be due if such event occurs in a Major Country. MorphoSys shall notify Xencor upon achievement of any milestone event as set forth in this provision, and shall pay the applicable milestone payment within […***…] if such milestone event was achieved by MorphoSys and within […***…] if such milestone event was achieved by Sublicensee.

ONCOLOGY INDICATIONS

Milestone Event	Milestone Payment
1. […***…]	[…***…] dollars ($ […***…])
2. […***…]	[…***…] dollars ($ […***…])
3. […***…]	[…***…] dollars ($[…***…])
4. […***…]	[…***…] dollars ($[…***…])
5. […***…]	[…***…] dollars ($ […***…])
6. […***…]	[…***…] dollars ($ […***…])
7. […***…]	[…***…] dollars ($ […***…])
8. […***…]	[…***…] dollars ($ […***…])

Milestone Event	Milestone Payment
9. […***…]	[…***…] dollars ($ […***…])
10. […***…]	[…***…] dollars ($ […***…])
11. […***…]	[…***…] dollars ($ […***…])
12. […***…]	[…***…] dollars ($ […***…])
13. […***…]	[…***…] dollars ($ […***…])
14. […***…]	[…***…] dollars ($ […***…])
15. […***…]	[…***…] dollars ($ […***…])
16. […***…]	[…***…] dollars ($ […***…])
17. […***…]	[…***…] dollars ($ […***…])
TOTAL CUMULATIVE AVAILABLE ONCOLOGY MILESTONES	**One hundred and fifty one million dollars ($ 151,000,000)**

AUTOIMMUNE INDICATIONS

Milestone Event	Milestone Payment
1. […***…]	[…***…] dollars ($ […***…])
2. […***…]	[…***…] dollars ($ […***…])
3. […***…]	[…***…] dollars ($ […***…])
4. […***…]	[…***…] dollars ($ […***…])
5. […***…]	[…***…] dollars ($ […***…])
6. […***…]	[…***…] dollars ($ […***…])
7. […***…]	[…***…] dollars ($ […***…])
8. […***…]	[…***…] dollars ($ […***…])
9. […***…]	[…***…] dollars ($ […***…])
10. […***…]	[…***…] dollars ($ […***…])
11. […***…]	[…***…] dollars ($ […***…])
12. […***…]	[…***…] dollars ($ […***…])
13. […***…]	[…***…] dollars ($ […***…])
14. […***…]	[…***…] dollars ($ […***…])

Milestone Event	Milestone Payment
15. […***…]	[…***…] dollars ($ […***…])
16. […***…]	[…***…] dollars ($ […***…])
TOTAL AVAILABLE AUTOIMMUNE MILESTONES	**One hundred and one million dollars ($ 101,000,000)**

SALES MILESTONES

Milestone Event	Milestone Payment
1. […***…]	[…***…] dollars ($ […***…])
2. […***…]	[…***…] dollars ($ […***…])
TOTAL AVAILABLE SALES MILESTONES	**Fifty million dollars ($ 50,000,000)**

(a) For the sake of clarity, each milestone shall be paid only once, and only for the first Licensed Product to reach such milestone.

(b) Each milestone payment shall be nonrefundable and noncreditable against any other payments due under this Agreement, except as provided in Section 3.3.

(c) If a milestone is achieved without the earlier milestones in the same table having been paid that would normally be steps along the way to achieve the later milestone, then MorphoSys shall pay the payment for the earlier milestone(s) along with the payment for such subsequent milestone (and the earlier milestone(s) shall be deemed achieved and payable). By way of non-limiting example with respect to the oncology indications milestones, if milestone event 10 is achieved without the milestone payment for milestone event 5 having been paid, then MorphoSys shall pay the payment for milestone event 5 along with the payment for milestone event 10. This same principle shall apply (and the earlier milestone shall be deemed achieved and payable), if for example milestone event 16 is achieved before any of milestone events 6, and 11.

(d) For all purposes under this Section, whether an […***…](if applicable) for any given

milestone event will be determined not based on […***…]

(e) MorphoSys or its Affiliate achieves the milestone event "[…***…]" by […***…] and the respective milestone payment becomes due thereupon. In case of a Sublicense, achievement of such milestone event is deemed to have occurred at the event provided for in the Sublicense, i.e. either by […***…] or by […***…].

(f) If more than one […***…] is pursued in the same […***…], then only one (1) […***…] milestone event (and for clarity, in all cases the highest applicable milestone event) shall be triggered by the commencement of such […***…]; *provided, however* that if a […***…] is achieved for more than one (1) such […***…] pursued in the same […***…] (or if a […***…] is obtained for more than one (1) […***…] without the […***…] milestone event having first been achieved for more than one (1) such oncology indication (i.e. […***…]), then a back milestone payment shall be due for each […***…] milestone that was not previously due under this Agreement due to the foregoing in this sentence, on the same timing as the […***…] milestone (or if earlier […***…]) becomes due for such subsequent oncology indication. (It is understood and agreed that the timing of […***…] milestones (whether in relation to […***…]) being due shall be determined in accordance with Section 5.2(e).)

(g) **Limitations on Post-Sublicensing Milestones**. With respect to all milestones under this Section 5.2 achieved after a Sublicense by MorphoSys becomes effective ("**Post-Sublicensing Milestones**"), MorphoSys shall only be required to pay each Post-Sublicensing Milestones to the extent:

(i) aggregate Post-Sublicensing Milestones through the time a given Post-Sublicensing Milestone becomes due do not exceed […***…] ([…***…]%) of the number equal to aggregate […***…] received by MorphoSys (or its Affiliate) through such time minus […***…] ($[…***…]); and

(ii) total Post-Sublicensing Milestone payments payable in the MorphoSys fiscal year in which the individual Post-Sublicensing Milestone would otherwise be payable do not exceed the number equal to […***…] received by MorphoSys (or its Affiliate) in such fiscal year plus […***…] dollars ($[…***…]).

The portion of any Post-Sublicensing Milestone that is not paid at the time it would otherwise be due, because of the operation of the payment limitations set forth in subsections (i) and/or (ii) of this Section 5.2(g), shall remain as a credit to Xencor, and be paid to Xencor as soon as MorphoSys (or its Affiliate) has received sufficient […***…] that the applicable limitation(s), whether (i) and/or (ii), no longer apply(ies). This may occur in the same or in a subsequent MorphoSys fiscal year or years, depending when MorphoSys or its Affiliate receives additional […***…]. To avoid doubt, the payment limitations set forth in subsections (i) and/or (ii) of this Section 5.2(g) apply whether the Sublicense is worldwide or less than worldwide. For the avoidance of doubt, in the case if the […***…] ([…***…]%) limitation under this Section 5.2(g) is applied and if […***…] would have been

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due on the same Sublicense under Section 5.3, then the […***…] ([…***…]%) under this Section 5.2(g) and the […***…] percent ([…***…]%) under Section 5.3 shall not add together, and instead only the […***…] ([…***…]%) under this Section 5.2(g) shall be due.

5.3 **Sublicensing Revenue**. In the event that MorphoSys enters into a Sublicense prior to […***…] for a Licensed Product covered by the Sublicense, but subject to Section 3.3(b), MorphoSys shall pay to Xencor […***…] ([…***…] %) of all Sublicensing Revenue. Notwithstanding the foregoing, in the event that MorphoSys enters into a Sublicense […***…] or later after the Effective Date, an amount of […***…] US Dollars ($ […***…]) shall be deducted from […***…] received by MorphoSys from Sublicensee before calculating Xencor's share of Sublicensing Revenue due under this Section 5.3. For the purpose of this Section, a Sublicense is deemed granted the date it is committed to in a legally binding way, including in the case of an option for a Sublicense, the date the legally binding document granting the option is signed or otherwise becomes effective. For amounts of consideration for Sublicense paid to MorphoSys or its Affiliates by its Sublicensees, which amounts are received for achievement of the milestone events set forth in Section 5.2, to the extent that MorphoSys actually pays such amounts to Xencor pursuant to Section 5.2, the Milestone Payments according to Sec. 5.2 hereof shall be deducted from […***…] before calculating Xencor's share of Sublicensing Revenue due under this Section.

The percentage of Sublicensing Revenue is due to Xencor after MorphoSys or its Affiliate receives the underlying Sublicensing Revenue and. MorphoSys shall inform Xencor about the receipt of any Sublicensing Revenue and shall make the respective payment to Xencor within […***…] of such receipt.

5.4 **Royalty Payments**.

(a) MorphoSys shall pay to Xencor royalties on Net Sales of Licensed Products at the applicable rate selected from the following table with respect to all Net Sales achieved in a given calendar year and during the applicable Royalty Term of such Licensed Products (determined on a country-by-country basis).

Worldwide Net Sales of Licensed Products in any Calendar Year	**Royalty Due to Xencor (as a percentage of Net Sales)**
Level 1: That portion of Net Sales in any given calendar year that is less than or equal to […***…] dollars ($[…***…])	[…***…] ([…***…]%)
Level 2: That portion of Net Sales in any given calendar year that is greater than $[…***…], but less than or equal to […***…] dollars ($[…***…])	[…***…] ([…***…]%)
Level 3: That portion of Net Sales in any given calendar year that is greater than […***…] dollars ($[…***…]), but less than or equal to […***…] dollars ($[…***…])	[…***…] ([…***…]%)
Level 4: That portion of Net Sales in any given calendar year that exceeds […***…] dollars ($[…***…])	[…***…] ([…***…]%)

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The royalty rates under this Section are incremental with respect to the annual Net Sales of Licensed Product. As an example, if Licensed Products achieve in any given calendar year […***…] dollars ($[…***…]) in Net Sales, then a […***…] ([…***…]%) royalty shall be paid on the first […***…] dollars ($[…***…]),

an […***…] ([…***…]%) royalty shall be paid on the next […***…] dollars ($[…***…]), and a […***…] ([…***…]%) royalty shall be paid on the remaining […***…] dollars ($[…***…]).

(b) Offset for Third-Party Composition Patents. If MorphoSys or its Affiliate(s) or Sublicensee(s) enter into any agreement with a Third Party for a license under an issued Patent which Covers the specific composition of matter of: (i) XmAb5574 due to and because of the sequence of its Fv or of its Fc variants, or of (ii) the Xencor High-ADCC/CDC Fc variants of any other Licensed Antibody which is under development or commercialization by MorphoSys or its Affiliate(s) or Sublicensee(s) due to and because of the sequence of such Xencor High-ADCC/CDC Fc variants ("**Issued Specific Composition Patents;**" to avoid doubt, an issued Patent will "Cover the specific composition" via a use claim if the scope of the use claims is limited to uses of such specific composition of matter due to and because of the sequence (meaning the Fv or Fc variants in the case of XmAb5574 and the Xencor High-ADCC/CDC Fc variants of such other Licensed Antibody) (and the foregoing specifically excluding Patents that apply due to any chemical modification thereto not present in the form thereof being tested in the Ongoing Phase 1 Trial), then […***…] ([…***…]%) of the net sales royalties actually paid to the Third Party under such license with respect to Net Sales in any given calendar quarter in any given country may be offset against the royalty that would otherwise have been payable to Xencor with respect to such Net Sales in such calendar quarter; *provided, however*, that the foregoing reduction shall not reduce the royalty owed to Xencor in any given calendar quarter below […***…] ([…***…]%) of Net Sales.

In the event MorphoSys enters into a Sublicense, and the Sublicense contains an offset for Issued Specific Composition Patents, MorphoSys shall be able to pass through to Xencor the entire such offset agreed in the Sublicense if such offset is defined as […***…] ([…***…]%) or less of the net sales royalties actually paid to the Third Party by Sublicensee on Issued Specific Composition Patents. In case such offset is more than […***…] ([…***…]%), MorphoSys shall only be able to pass through to Xencor an offset of […***…] ([…***…]%) of such net sales royalties on Issued Specific Composition Patents. As an example, in case the Sublicensee has a royalty burden of […***…] ([…***…]%) of Net Sales to a Third Party as described above, and passes through to MorphoSys a […***…] ([…***…]%) offset of […***…] ([…***…]%) of Net Sales royalties, MorphoSys shall be able to pass through the full offset to Xencor. In case the Sublicensee passes through to MorphoSys an offset of […***…] ([…***…]%) of such […***…]% royalty burden to a Third Party, i.e. […***…] ([…***…]%) of Net Sales royalties, then

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MorphoSys shall be able to only pass through to Xencor an offset of […***…] ([…***…]%) of such […***…]% royalty burden to a Third Party, i.e. […***…] ([…***…]%) of Net Sales royalties, and has to carry the remaining […***…] ([…***…]%) offset, i.e. […***…] ([…***…]%) of Net Sales royalties itself. To avoid doubt, all of the foregoing examples relate solely to royalties on Issued Specific Composition Patents.

To avoid doubt, the foregoing offset of the foregoing 2 paragraphs is not available for royalties to Third Parties on Know-How or on any of the following kinds of Patents: (1) Patents Covering production and manufacturing (including expression); (2) Patents Covering CD19; (3) Patents Covering formulations; (4) Patents Covering delivery (including Patents on delivery devices and Patents on modes of administration); and (5) Patents whose use claims are general and do not apply based on the sequence as described in the first sentence of this Section 5.4(b).

To further avoid doubt, if Xencor does not challenge MorphoSys's application of this Section to any particular Patent, this does not mean that Xencor believes, agrees or admits vis-à-vis Third Parties that the given Patent claims the composition of matter of XmAb5574 or the Xencor High-ADCC/CDC Fc portion of any Licensed Antibody, or that it is valid or enforceable. Xencor may have many reasons other than believing, agreeing or admitting the foregoing, for not challenging any given application of the offset of this Section by MorphoSys, including avoiding the costs of litigation, or not being in litigation with a licensee, or Xencor may judge that benefits of MorphoSys having in place a license that makes MorphoSys comfortable to continue with commercialization may outweigh the costs of allowing MorphoSys to take the offset even though Xencor disagrees with MorphoSys on whether the license is needed or the Patent(s) Cover or are valid or enforceable.

(c) Royalty Term. "**Royalty Term**" means the time from the first post-Marketing Authorization sale of the first Licensed Product in a given country, on a country by country basis, until the last to occur of (X) the expiration or invalidation of the last Valid Claim of Licensed Patents that would be infringed, but for the license of this Agreement or joint ownership of the particular Valid Claim, in any of the ways described in the definition of "Cover," by the making, using, selling, offering for sale, importing or exporting of the Licensed Product that is actually sold in such country in which such Licensed Product is manufactured or sold, and (Y) eleven (11) years after the first post-Marketing Authorization sale of the first Licensed Product in such country. Clause (X) of Royalty Term is determined on a country-by-country and Licensed Product-by-Licensed Product basis, whereas clause (Y) of Royalty Term is determined only on a country-by-country basis. The royalties payable with respect to Net Sales of Licensed Products shall be reduced to […***…] percent ([…***…]%) of the otherwise applicable rates, with respect to Net Sales of a Licensed Product in a country during any portion of the Royalty Term when there is not a Valid Claim of Licensed Patents that would be infringed, but for the license of this Agreement or joint ownership of the particular Valid Claim, in any of the ways described in the definition of "Cover," by the making, using, selling, offering for sale, importing or exporting of the Licensed Product that is actually sold in the country of manufacture or sale. For the avoidance of doubt, the […***…] percent ([…***…]%) reduction shall in this situation apply to every royalty rate otherwise applicable except for the "floor" of […***…] percent ([…***…]%) which shall be […***…] percent ([…***…]%) in this case.

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5.5 Quarterly Payment Timings. All royalties due under Section 5.4 shall be paid quarterly, on a country-by-country basis, due and payable with the relevant Royalty Payment Report referred to in Section 5.6 below.

5.6 Royalty Payment Reports. With respect to each calendar quarter for which royalties are due under this Agreement, within […***…] after the end of the calendar quarter, MorphoSys shall provide to Xencor a written report stating the number of all royalty-bearing sales of Licensed Products sold during the relevant calendar quarter; the gross sales associated therewith; and the calculation of Net Sales thereon, including the amount of any deduction provided for in the definition of Net Sales in Article 1 (broken down by category as enumerated in such definition). The report shall provide all such information on a country-by-country basis.

5.7 Payment Method.

(a) Except as provided in Section 5.10 regarding blocked currency, all payments due under this Agreement to Xencor shall be made by bank wire transfer in immediately available funds to an account designated by Xencor. All payments under this Agreement shall be made in the legal currency of the United States of America, and all references to "**$**" or "**dollars**" shall refer to United States dollars (i.e., the legal currency of the United States).

(b) Without prejudice to MorphoSys' payment obligations according to Section 5.1 through 5.4, Xencor shall use commercially reasonable efforts to provide MorphoSys with an invoice following the receipt of such payments.

5.8 No Credits or Refunds. All payments to Xencor hereunder shall be noncreditable, not subject to offset, and nonrefundable, except as set forth in Section 3.3 and except to the extent that an audit conducted pursuant to Section 5.13 below confirms that MorphoSys had overpaid amounts to Xencor, in which case MorphoSys shall have a credit applicable against any and all payments subsequently due under this Agreement and except for the offset according to Section 5.4 (b).

5.9 Taxes. MorphoSys shall be responsible for the amount of any taxes required to be withheld by MorphoSys under applicable law. Accordingly, if any such taxes are levied on such payments due hereunder ("**Withholding Taxes**"), MorphoSys shall (i) deduct the Withholding Taxes from the payment amount, (ii) pay all applicable Withholding Taxes to the proper taxing authority, and (iii) send evidence of the obligation together with proof of tax payment to Xencor within […***…] following that tax payment. Xencor is entitled to require that MorphoSys tender payment from a U.S. or a German bank account. If MorphoSys is required to deduct Withholding Taxes from a payment to Xencor under this Agreement, MorphoSys agrees to use reasonable efforts to assist Xencor in claiming exemption from such deductions or withholdings under any not-for-profit status, applicable double taxation or similar agreement or treaty.

5.10 Blocked Currency. In each country where the local currency is blocked and cannot be removed from the country, royalties accrued in that country shall be paid to Xencor

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in the country in local currency by deposit in a local bank designated by Xencor, unless the Parties otherwise agree.

5.11 Sublicenses. If MorphoSys grants any Sublicenses, MorphoSys shall include an obligation for the Sublicensee to (i) maintain records adequate to document and verify the proper Sublicensing Revenues to be paid to MorphoSys; (ii) provide reports with each Sublicensing Revenue payment to MorphoSys sufficient to allow such verification; and (iii) allow MorphoSys to conduct or have conducted on MorphoSys' behalf as requested by Xencor in accordance with Section 5.13(d) an audit to verify the proper payment of Sublicensing Revenues, milestones, Net Sales, royalties, as applicable.

5.12 Foreign Exchange. If any currency conversion shall be required in connection with the calculation of amounts payable hereunder, such conversion shall be made using the average of the exchange rates for the purchase and sale of U.S. dollars, as reported by the *Wall Street Journal* (or a successor entity) during the calendar quarter to which such payment pertains. With any payment in relation to which a currency conversion is performed to calculate the amount of payment due, MorphoSys shall provide to Xencor a true, accurate and complete copy of the *Wall Street Journal* (or a successor entity) exchange rates used in the calculation.

5.13 Records; Inspection.

(a) MorphoSys shall keep and ensure that its Affiliates keep complete and accurate records of its sales and other dispositions (including use in clinical trials, or provision on a compassionate use basis or as marketing samples) of the Licensed Products, including all such records that may be necessary for the purposes of calculating all payments due under this Agreement. MorphoSys shall make such records available for inspection by an accounting firm selected by Xencor under Section 5.13(c) at MorphoSys' s premises in Germany on reasonable notice during regular business hours (in accordance with the remaining provisions of this Section) no more than once in any calendar year.

(b) Upon timely request and at least […***…] prior written notice from Xencor, MorphoSys shall permit such audit to be conducted during regular business hours in such a manner as to not unnecessarily interfere with MorphoSys's normal business activities. Such audit shall be limited to results in any period that has not previously been audited under this Section, not to exceed […***…] prior to the audit notification.

(c) At Xencor's expense no more than once per calendar year, Xencor has the right to retain an independent certified public accountant from a nationally recognized (in the U.S.) accounting firm (that is not an Affiliate of Xencor) to perform on behalf of Xencor an audit, conducted in accordance with GAAP, of such books and records of MorphoSys and its Affiliates as are deemed necessary by the independent public accountant to report on Net Sales for the period or periods requested by Xencor and the correctness of any report or payments made under this Agreement (all subject to subsection (b)).

(d) MorphoSys shall ensure that its Sublicensees keep complete and accurate records of such Sublicensee's sales and other dispositions (including use in clinical trials, or provision on a compassionate use basis or as marketing samples) of the Licensed Products including all such records that may be necessary for the purposes of calculating all payments

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due under this Agreement. MorphoSys shall require that such Sublicensee make such records available for inspection by MorphoSys or an independent auditor reasonably acceptable to Sublicensee, once during any calendar year in which the agreement between MorphoSys and any Sublicensee is in effect and thereafter for a period of […***…] after the calendar year to which the audit pertains. Upon the reasonable request of Xencor, with respect to any such Sublicensee, and no more than once in any calendar year, MorphoSys shall exercise its audit rights with respect to such Sublicensee and shall report the results of such audit to Xencor in accordance with Section 5.13(f). The costs for such requested audit shall be paid by Xencor unless (i) an underpayment of more than […***…] ([…***…]%) is revealed as described in section 5.13 (g) or (ii) MorphoSys would also have performed an audit of its Sublicensee in that calendar year without Xencor's request.

(e) All information, data, documents and abstracts referred to in this Section shall be used only for the purpose of verifying compliance with this Agreement, shall be treated as MorphoSys' Confidential Information subject to the obligations of this Agreement and need not be retained more than […***…] from the end of the calendar year to which each shall pertain.

(f) Summary of audit results shall be shared by MorphoSys and Xencor to the extent reasonably necessary to enable Xencor to verify compliance with payment obligations. The auditor shall be under written obligations to MorphoSys (and, where applicable, any Sublicensee) of confidentiality and non-use (other than uses required by this Section).

(g) If the audit reveals an underpayment, MorphoSys shall promptly pay to Xencor the amount of such undisputed underpayment plus interest in accordance with Section 5.14. If the audit reveals that the undisputed monies owed by MorphoSys to Xencor has been understated by more than […***…] ([…***…]%) for the period audited, MorphoSys shall, in addition, pay the reasonable costs of such audit.

5.14 Interest. If MorphoSys fails to make any payment due to Xencor under this Agreement, then interest shall accrue on a pro-rated basis from the date after the particular payment is due (if not paid by that date) until paid at a rate equal to the Dollars prime or equivalent rate per annum quoted by *The Wall Street Journal* (or its successor, or, if neither then exists, a similarly reputable and authoritative source for such information) on the first business day after such payment is due, plus […***…] ([…***…]%).

ARTICLE 6

PATENTS

6.1 Ownership and Disclosure of Inventions.

(a) Ownership. Xencor shall solely own all right, title and interest in the Listed Xencor Patents, the Xencor Pre-Sublicensing Product Invention Patents, the Xencor Product Invention Patents and the MorphoSys Core Improvement Invention Patents, and to be

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clear, the Licensed Core/Fc Platform Patents, the Licensed Candidate-Specific Patents and the Licensed Broader Anti-CD19 Patents. As between the Parties, MorphoSys shall solely own all right, title and interest in the MorphoSys Product Invention Patents. Xencor and MorphoSys shall jointly own all right, title and interest in the Joint Collaboration Product Invention Patents. As between the Parties, Xencor shall solely own all right, title and interest in (or be the Licensee of a Third Party for) the Post-Partnering Patents and the inventions that they claim. As between the Parties, MorphoSys shall solely own all right, title and interest in (or be the licensee of a Third Party for) the Post-Sublicensing Patents.

(b) Implementation. Each Party hereby assigns to the other Party inventions and associated Patents and Know-How solely as necessary to achieve ownership as provided in Section 6.1(a). Each Party hereby assigns to the other Party, and hereby grants to the other Party all consents, licenses and waivers, in each case that are necessary to achieve such ownership worldwide. Each Party agrees to provide to the other Party and execute all documents and instruments evidencing or that may be required to record, perfect or enforce such assignments, consents, licenses and waivers promptly upon the other Party's request. Each Party hereby appoints the other Party as the appointing Party's attorney-in-fact to execute and deliver each of the foregoing documents and instruments if the appointed Party is unable, after making reasonable inquiry, to obtain the appointing Party's signature on any such documents and instruments. Each Party (and its Affiliates) shall perform its activities under this Agreement through personnel who have made a similar assignment and appointment to and of such Party or its Affiliate. Each assigning Party shall make its relevant personnel (and their assignments and signatures on such documents and instruments) reasonably available to the other Party for assistance in accordance with this Article at no charge.

(c) Invention Disclosure. Without modifying or limiting the ownership and rights as provided for in Section 6.1(a), each Party shall, prior to any public disclosure or filing of a patent application, disclose to the other Party any Xencor Pre-Sublicensing Product Invention, Xencor Product Invention, MorphoSys Core Improvement Invention, MorphoSys Product Invention, or Joint Collaboration Product Invention, as applicable, and allow reasonably sufficient time (at least […***…] from the date of receipt by the other party) for comment and review by the other Party as to whether such other Party would recommend for a Patent to be filed (but only by the Party or Parties who is or are entitled to do so in accordance with Section 6.2). Any public disclosure may be delayed by either Party's written request for a period not to exceed […***…] if it contains disclosure on which the other party desires to file a patent. Without modifying or limiting the ownership and rights as provided for in Section 6.1(a), each Party and/or its respective licensee shall disclose Post-Partnering Patents and Post-Sublicensing Patents to the other Party promptly after the filing of such patent application.

6.2 Prosecution of Patents.

(a) Licensed Core/Fc Platform Patents and MorphoSys Core Improvement Invention Patents. Xencor shall have the sole right in its sole discretion to perform the filing, prosecution and maintenance of the Licensed Core/Fc Platform Patents and MorphoSys Core Improvement Invention Patents on a worldwide basis. With respect to the prosecution and maintenance costs for Licensed Core/Fc Platform Patents and MorphoSys Core

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Improvement Patents, Xencor shall be responsible for […***…] ([…***…]%) of such costs.

(b) Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents. Xencor shall be responsible to perform the filing, prosecution and maintenance of Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents on a worldwide basis (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them). Regarding Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents, both which relate solely to Licensed Products, MorphoSys shall be responsible for all of the respective prosecution and maintenance costs. Xencor shall be responsible for all of the prosecution and maintenance costs of any Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents that do not relate solely to Licensed Products.

(c) Joint Collaboration Product Invention Patents. MorphoSys shall be responsible to perform the filing, prosecution and maintenance and be responsible for all of the prosecution and maintenance costs of Joint Collaboration Product Invention Patents on a worldwide basis (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them).

(d) MorphoSys Product Invention Patents. MorphoSys shall be responsible to perform the filing, prosecution and maintenance and be responsible for all of the prosecution and maintenance costs of MorphoSys Product Invention Patents (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them).

(e) Licensed Candidate-Specific Patents. As to Licensed Candidate-Specific Patents, where possible, Xencor shall file at least one (1) patent application for a Licensed Candidate-Specific Patent with the patent offices of the U.S., Japan, and the EPO, and in further countries if desired by MorphoSys; within […***…] of the Effective Date, in an effort to obtain an issued Patent that Covers Licensed Antibody but does not Cover […***…]. Upon such filing by Xencor and/or upon any further filing of a patent application for a Licensed Candidate-Specific Patent by Xencor, MorphoSys shall be solely responsible, in its own discretion, to perform the prosecution and maintenance of Licensed Candidate-Specific Patents on a worldwide basis (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them) and shall be responsible for all of the prosecution and maintenance costs. MorphoSys shall not knowingly take any position during prosecution that would limit the scope or validity of the specific Licensed Broader Anti-CD19 Patent, which is the parent to the respective Licensed Candidate-Specific Patent, unless Xencor approves of such position or has already taken such position in prosecution.

(f) Licensed Broader Anti-CD19 Patents. Xencor shall have the sole right in its sole discretion to perform the filing, prosecution and maintenance of the Licensed Broader Anti-CD19 Patents worldwide. With respect to the prosecution and maintenance costs, the Parties […***…]

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[…***…]. MorphoSys shall have the right to opt out and no longer contribute towards the cost of prosecution and maintenance of individual Broader Anti-CD19 Patents, in such case, the individual Patent will fall outside of the Licensed Patents, the Post-Sublicensing Licensed Patents, and the License provided for in Section 4.1, notwithstanding anything else express or implied in this Agreement. In order to opt out under the foregoing sentence, MorphoSys will provide Xencor with written notice […***…] prior to Xencor incurring a cost in the individual Patent.

(g) Review and Comment. MorphoSys shall have the right to review and comment before each act of Xencor's filing and/or prosecution of Licensed Candidate-Specific Patents, Licensed Broader Anti-CD19 Patents and Xencor Pre-Sublicensing Product Invention Patents. Xencor shall have the right to review and comment before each act of MorphoSys's prosecution of Joint Collaboration Product Invention Patents and MorphoSys Product Invention Patents. For each of the foregoing, each Party shall provide the other Party with a copy of each substantive communication received from any patent authority within a reasonable time (ideally, within […***…] of the respective mailing date); and a copy of each proposed submission to a patent authority in the MorphoSys Territory regarding such Patent reasonably in advance of making such filing (normally […***…] in advance but sometimes less under exigent circumstances). Furthermore, with respect to the preparation, filing, prosecution and maintenance of each such Patents each Party agrees to the following: (i) keep the other Party reasonably informed with respect to such activities; (ii) consult with the other Party regarding such matters, including the final abandonment of any such Patent claims; and (iii) reasonably consider the other Party's comments.

(h) Abandonment. With regard to Licensed-Candidate Specific Patents and/or Joint Collaboration Product Invention Patents, if MorphoSys determines to abandon or not maintain any such Patent then MorphoSys shall provide Xencor written notice of such determination at least […***…] prior to the expiration of any deadline, which if not met would lead to abandonment of rights (or such other period of time reasonably necessary to allow Xencor to assume such responsibilities). In that case, Xencor shall confer with MorphoSys and consider in good faith its reasons for abandoning any such patent. Xencor shall have the right, at its option, to control the filing, prosecution and maintenance of any such Licensed-Candidate Specific Patents and/or Joint Collaboration Product Invention Patents at its own expense, without affecting any of the other financial terms set forth in this Agreement.

With respect to Licensed Broader Anti-CD19 Patents and Xencor Pre-Sublicensing Product Invention Patents, but specifically excluding any and all Licensed Core/Fc Platform Patents, if Xencor determines to abandon or not maintain any such Patent in the MorphoSys Territory, then Xencor shall provide MorphoSys written notice of such determination at least […***…] prior to the expiration of any deadline, which if not met would lead to abandonment of rights (or such other period of time reasonably necessary to allow MorphoSys to assume such responsibilities). In that case, MorphoSys shall confer with Xencor and consider in good faith its reasons for abandoning any such patent. Subject to Xencor's consent, MorphoSys shall have the right, at its option, to control the filing, prosecution and maintenance of any such Licensed Candidate-Specific Patent, Licensed Broader Anti-CD19 Patent and/or Xencor Pre-

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Sublicensing Product Invention Patent at its own expense, without affecting any of the other financial terms set forth in this Agreement.

(i) In-Licensed Patents. If there are at any time any Licensed Patents and/or Post-Sublicensing Licensed Patents that are in-licensed by Xencor instead of owned by Xencor (or any Xencor Affiliate), then Section 6.2(a) (as applicable) shall apply to the prosecution of such Licensed Patents and/or Post-Sublicensing Licensed Patents in the same way as if they were Licensed Patents and/or Post-Sublicensing Licensed Patents owned by Xencor, to the full extent Xencor has prosecution rights under the agreement by which Xencor (or the Xencor Affiliate) received its license rights to such Patents, and to the full extent permitted by such agreement.

j) Certain Proceedings. For the purposes of this Section 6.2, "prosecution" shall include communications with patent offices, and defending the applicable Patents in proceedings such as oppositions, reexaminations, interferences, nullifications or other administrative actions in which a Third Party contests the inventorship, validity, title or enforceability of a Patent.

6.3 Patent Term Extensions. Licensed Core/Fc Platform Patents are not available for extension. Prior to Market Approval or its equivalent, the Parties shall discuss and try to reach mutual agreement for which of the other Patents the Parties shall apply to extend the patent term with respect to Licensed Products, pursuant to patent term extension laws or regulations or Supplemental Protection Certificate laws and regulations in the MorphoSys Territory. If the Parties are not able to reach mutual agreement, then MorphoSys shall be entitled to make the decision.

6.4 Non-Patent Regulatory Exclusivity. As between the Parties, MorphoSys shall have the exclusive right to apply for regulatory exclusivity for Licensed Products in the MorphoSys Territory for the Field.

6.5 Infringement of Patents by Third Parties.

(a) Notification. Each Party shall promptly notify the other Party in writing if the notifying Party reasonably believes that any Licensed Patent and/or Post-Sublicensing Licensed Patent is being or has been infringed or misappropriated in any Territory by a Third Party by Licensed Product activities within the scope of the license to MorphoSys in Section 4.1 (such infringement includes any potential generic version of a Licensed Product, where the infringement arises under the Hatch-Waxman Act or Biologics Price Competition and Innovation Act or foreign equivalent, "**Competitive Infringement**").

(b) Competitive Infringement of Candidate-Specific Patents.

(i) First Right. MorphoSys shall have the first right, but not the obligation, to enforce any Licensed Candidate-Specific Patent or Joint Collaboration Product Invention Patent with respect to all past, present and future during the Term activities or conduct of a Third Party in the Field and the MorphoSys Territory that involve Licensed Products in the MorphoSys Territory within the scope of the license to MorphoSys of Section 4.1 ("**Candidate-Specific Patent Competitive Infringement**"). The consent of Xencor is not required for

MorphoSys to bring such an enforcement action. MorphoSys shall reasonably consider Xencor's comments, if any, on any such enforcement activities, but for the avoidance of doubt, MorphoSys shall control the litigation in all respects and shall make all decisions in its own discretion, subject only to the provisions regarding settlement provided below in Section 6.5(f). Except as provided in Section 6.5(g), MorphoSys shall bear all costs and expenses for enforcement under this Section 6.5(b)(i) (including the costs of Xencor's cooperation as required under subsection (e)).

(ii) Back-up Right for Candidate-Specific Patent Competitive Infringement in the MorphoSys Territory. If MorphoSys does not bring action that it is permitted to bring under Section 6.5(b)(i) to prevent or abate Candidate-Specific Patent Competitive Infringement within […***…] (or initiate the exchange of patent lists within […***…] of receiving notice of a Biosimilar application within the framework of the Biologics Price Competition and Innovation Act or any foreign equivalent) after notification thereof to or by MorphoSys pursuant to Section 6.5(a), then Xencor shall have the right, but not the obligation, to bring, at its own expense, an appropriate action in the MorphoSys Territory against any person or entity engaged in such Candidate-Specific Patent Competitive Infringement directly or contributorily; *provided*, *however*, Xencor shall not initiate legal action without first conferring with MorphoSys and considering in good faith MorphoSys' reasons for not bringing any such action. The consent of MorphoSys is not required for Xencor to bring such an enforcement action and Xencor shall control the litigation in all respects and shall make all decisions in its own discretion, subject only to the provisions regarding settlement provided below in Section 6.5(f).

(c) Competitive Infringement of Shared Patents.

(i) With respect to any Infringement of any Licensed Broader Anti-CD19 Patents, Xencor Pre-Sublicensing Product Invention Patents or Xencor Product Invention Patents by Licensed Product activities within the scope of the license to MorphoSys in Section 4.1 ("**Shared Patent Competitive Infringement**"), Xencor shall have the first right, but not the obligation, to enforce the Licensed Broader Anti-CD19 Patents, Xencor Pre-Sublicensing Product Invention Patents or Xencor Product Invention Patents anywhere in the world. Xencor shall bear all related expenses and all related recoveries shall be divided as provided in Section 6.5(h). Xencor shall keep MorphoSys reasonably informed of Xencor's activities related to prevention or abatement of Shared Patent Competitive Infringement and will consider MorphoSys' comments on any such activities. If Xencor brings suit against a Third Party to enforce the Licensed Broader Anti-CD19 Patents, Xencor Pre-Sublicensing Product Invention Patents or Xencor Product Invention Patents against Shared Patent Competitive Infringement, MorphoSys shall have the right, at Xencor's consent, to join the proceedings as a plaintiff and MorphoSys will share in the costs depending on the extent of MorphoSys' participation.

(ii) If Xencor does not bring action to prevent or abate Shared Patent Competitive Infringement within […***…] (or initiate the exchange of patent lists within […***…] days of receiving notice of a Biosimilar application within the framework of the Biologics Price Competition and Innovation Act or any foreign equivalent), after notification thereof to or by Xencor pursuant to Section 6.5(a), then MorphoSys shall have the right, but not the obligation, to bring, at its own expense, an appropriate action in the MorphoSys Territory against any person or entity engaged in such Shared Patent Competitive Infringement directly or

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contributorily and retain all related recoveries; *provided*, however, MorphoSys shall not initiate legal action without first conferring with Xencor and considering in good faith Xencor's reasons for not bringing any such action.

(d) Other Infringement.

(i) General. With respect to any infringement of any Licensed Core/Fc Platform Patents, Xencor shall have the exclusive right (but not the obligation) to prevent or abate such Infringement, and as between the Parties shall bear all related expenses and retain all related recoveries.

(ii) Xencor Core Technology Patents. To avoid doubt and notwithstanding anything express or implied in this Agreement, Xencor retains all enforcement rights with respect to Licensed Core/Fc Platform Patents, subject to the following. If MorphoSys becomes aware of any Competitive Infringement with respect to Licensed Core/Fc Platform Patents, and Xencor has not yet initiated an infringement action to assert a Licensed Core/Fc Platform Patent against the other Party practicing Competitive Infringement, MorphoSys may request in writing to Xencor the right to enforce. Xencor shall respond in writing within […***…] which of the following Xencor elects in its sole discretion: (a) Xencor will initiate an action to enforce the Licensed Core/Fc Platform Patent within an additional […***…]; (b) Xencor will authorize MorphoSys to do so, or (c) Xencor grants MorphoSys a royalty accommodation in the country, in which the Licensed Core/Fc Platform is not being enforced against Competitive Infringement equal to […***…] as set forth in Section 5.4 if (i) the other Party practicing Competitive Infringement achieves […***…] (based upon […***…]); and (ii) no other Licensed Patent and/or Post-Sublicensing Licensed Patent could be enforced against the other Party practicing Competitive Infringement. Xencor may elect between (a), (b) and (c) in its sole discretion, and Xencor's election shall be binding on both Parties. If Xencor elects (b), then MorphoSys shall not knowingly take any position in the suit that would make any admission as to the unenforceability or invalidity of any Licensed Core/Fc Patent, unless Xencor approves of such position or has already taken such position in litigation. In the event that Xencor elects (a), then Xencor shall retain its own counsel at its own expense.

(iii) **Infringement of MorphoSys Pre-Sublicensing and Post-Sublicensing Patents by Activities with respect to […***…] Program Antibodies by Third Parties**. Xencor shall not have any right to enforce the Post-Sublicensing Patents. As to the MorphoSys Pre-Sublicensing Patents, MorphoSys shall have the right to enforce them against Third Party research, development, manufacture, use, sale, offer for sale, importation or exportation of […***…] Program Antibodies (retaining all recoveries); *provided, however,* before doing so MorphoSys shall discuss with Xencor in good faith any concerns Xencor may have with respect to such enforcement for a period of not less than […***…]. Xencor shall only have the right to enforce MorphoSys Pre-Sublicensing Patents against Third Party research, development, manufacture, use, sale, offer for sale, importation or exportation of […***…] Program Antibodies (retaining all recoveries) if MorphoSys grants its withholdable consent for Xencor to do so. Xencor may request such consent and will meet and confer with MorphoSys as to the proposed enforcement. If Xencor elects to enforce, and MorphoSys consents, then MorphoSys shall cooperate by being joined in name as a party plaintiff (at Xencor's expense on a pass-

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through basis) and Xencor shall not knowingly take any position in the suit that would make any admission as to the unenforceability or invalidity of any MorphoSys Pre-Sublicensing Patent, unless MorphoSys approves of such position or has already taken such position in litigation.

(e) Participation of the Other Party with Respect to Infringement Suits. If a Party brings an action against infringement under this Section 6.5, the Party bringing the action shall maintain control of the action and the other Party shall be entitled to separate representation in such matter by counsel of its own choice and at its own expense, and such Party shall cooperate fully with the Party bringing such action including by being joined as a party plaintiff if necessary to obtain standing for such action (all at the expense on a pass-through basis of the prosecuting Party, including payment or reimbursement of reasonable attorneys fees of the Party being joined). Costs related to cooperation with the Party bringing the action will be reimbursed on an ongoing basis. Costs of the cooperating party that go beyond what is needed to reasonably cooperate will be reimbursed out of any recovery.

(f) Settlement.

(i) Xencor shall not settle a claim brought under Section 6.5(b) or Section 6.5(c) involving Licensed Patents in a manner that would reduce MorphoSys's market share of Licensed Products for use in the Field in the MorphoSys Territory, or would grant a conflicting license inside the scope of any exclusive license to MorphoSys under a Patent that is exclusively licensed to MorphoSys, in each case without the prior written consent of MorphoSys (which consent shall not be unreasonably withheld, conditioned or delayed).

(ii) Xencor shall not settle a claim brought under Section 6.5(b) or Section 6.5(c) involving Post-Sublicensing Licensed Patents in a manner that would prevent MorphoSys from selling Licensed Products for use in the Field in the MorphoSys Territory, or would grant a conflicting license under Post-Sublicensing Licensed Patents inside the scope of the non-exclusive license to MorphoSys (a conflicting license meaning a license that would be to the exclusion of MorphoSys, its Affiliates and/or Sublicensees), in each case without the prior written consent of MorphoSys (which consent shall not be unreasonably withheld, conditioned or delayed).

(iii) MorphoSys shall not settle a claim brought under this Section 6.5 involving Licensed Patents and/or Post-Sublicensing Licensed Patents that would limit, restrict or impair Xencor's rights under this Agreement, in each case without the prior written consent of Xencor (which consent shall not be unreasonably withheld, conditioned or delayed), or make any admission as to invalidity or unenforceability of any Licensed Patent and/or Post-Sublicensing Licensed Patent without the consent of Xencor.

(g) Allocation of Proceeds. If monetary damages are recovered from any Third Party in an action brought by a Party under Section 6.5(b), (c), or (d), such recovery shall be allocated first to the reimbursement of any costs and expenses incurred by the Party controlling such litigation (including, for this purpose, a reasonable allocation of expenses of internal counsel or other personnel acting in such capacity (i.e., coordination of litigation matters and the like)), not previously reimbursed, and then the costs and expenses of the non-controlling Party (including, for this purpose, a reasonable allocation of expenses of internal

counsel or other personnel acting in such capacity (i.e., coordination of litigation matters and the like)), and any remaining amounts shall be split as follows:

(i) If the action was brought solely under Section 6.5(b), then:

(1) the portion of any such remaining amounts that represents recovery for Competitive Infringement ("**Remaining Competitive Recovery**") on any action brought under Section 6.5(b)(i), (a) to the extent not representing treble or punitive damages shall be allocated to Xencor in an amount equal to the royalty that would have been payable to Xencor under Article 5 if MorphoSys had made Net Sales equivalent to the actual sales that underlie the Remaining Competitive Recovery, with the remaining portion of the Remaining Competitive Recovery under this subsection (1) that does not represent treble or punitive damages being allocated to MorphoSys; and (b) to the extent representing treble or punitive damages shall be allocated […***…] ([…***…]%) to Xencor and […***…] ([…***…]%) to MorphoSys ; and

(2) the Remaining Competitive Recovery on any action brought under Section 6.5(b)(ii), (a) to the extent not representing treble or punitive damages shall be allocated to Xencor in an amount equal to double the royalty that would have been payable to Xencor under Article 5 if MorphoSys had made Net Sales equivalent to the actual sales that underlie the Remaining Competitive Recovery, with the remainder of the Remaining Competitive Recovery under this subsection (2) that does not represent treble or punitive damages being solely allocated to MorphoSys; and (b) to the extent representing treble or punitive damages shall be allocated […***…] ([…***…]%) to MorphoSys and […***…] ([…***…]%) to Xencor.

(ii) If the action was brought solely under Section 6.5(c) or (d) or jointly under Sections 6.5 (b) and (c) and/or (d), then any recovery on Infringement other than Competitive Infringement shall be deducted and the remainder (a) to the extent not representing treble or punitive damages shall be allocated to Xencor in an amount equal to the royalty that would have been payable to Xencor under Article 5 if MorphoSys had made Net Sales equivalent to the actual sales that underlie the Remaining Competitive Recovery, with the remaining portion of the Remaining Competitive Recovery under this subsection (ii) that does not represent treble or punitive damages being allocated to MorphoSys; and (b) to the extent representing treble or punitive damages shall be allocated […***…] ([…***…]%) to Xencor and […***…] ([…***…]%) to MorphoSys.

(h) Affiliates/Sublicensees/Other Licensees. MorphoSys may grant to its Affiliates or Sublicensees its rights to prosecute and/or enforce Licensed Patents and/or Post-Sublicensing Licensed Patents as set forth in this Section 6.5, and Xencor may do the same for its Affiliates and Other Licensees.

(i) Non-exclusively Licensed Patents. For the Post-Sublicensing Licensed Patents, the license grants to MorphoSys with respect to which are non-exclusive, notwithstanding anything express or implied in this Agreement, MorphoSys has no right to enforce the Post-Sublicensing Licensed Patents.

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6.6 Infringement of Third-Party Rights. If any Licensed Product manufactured, used or sold by either Party, its Affiliates, Sublicensees or Other Licensees becomes the subject of a Third Party's claim or assertion of infringement of a Patent relating to the manufacture, use, sale, offer for sale or importation of Licensed Product, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Unless the Parties otherwise agree in writing, each Party shall have the right to defend itself against a suit that names it as a defendant, subject to the indemnification provisions of Article 9. Neither Party shall enter into any settlement of any claim described in this Section 6.6 that affects the other Party's rights or interests without such other Party's written consent, which consent shall not be unreasonably withheld, conditioned or delayed. In any event, the Parties shall reasonably assist one another and cooperate in any such litigation at the other Party's request and expense.

6.7 Patent Oppositions and Other Proceedings. If either Party desires to bring an opposition, action for declaratory judgment, nullity action, interference, reexamination or other attack upon the validity, title or enforceability of a Patent owned or controlled by a Third Party that covers or may cover the manufacture, use for the Field or sale of any Licensed Product, such Party shall so notify the other Party.

6.8 Patent Challenges. If MorphoSys or its Affiliate or Sublicensee challenges in a court or before a patent office the validity, enforceability or scope of any Licensed Patents existent as of the Effective Date, and within […***…] days after written notice from Xencor calling MorphoSys's attention to this the challenge is not irrevocable withdrawn, then […***…], and Xencor may terminate this Agreement and any license granted hereunder immediately. Notwithstanding the foregoing, MorphoSys or its Affiliate shall be permitted to take any action reasonably required in order to comply with any applicable law, regulation or court order in any proceeding that is not initiated directly or indirectly by MorphoSys or its Affiliate, whether or not such proceeding relates to any challenge or dispute concerning the validity of the Licensed Patents in a patent office proceeding or court of law.

6.9 Trademarks. As between the Parties, the trademarks on Licensed Products sold by MorphoSys (and its Affiliates and Sublicensees) in the MorphoSys Territory shall be owned or controlled by MorphoSys (or its Affiliates or Sublicensees). Neither Party grants to the other any license under trademarks owned or controlled by such Party except as expressly provided for in this Agreement.

ARTICLE 7

CONFIDENTIALITY

7.1 Treatment of Confidential Information. The Parties agree that during the Term, and for a period of […***…] after the Term expires in the last country in which it expires or is terminated, a Party receiving Confidential Information of the other Party shall (a) maintain in confidence such Confidential Information to the same extent such Party maintains its own confidential, proprietary information (but at a minimum each Party shall use

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Commercially Reasonable Efforts), (b) not disclose such Confidential Information to any Third Party without prior written consent of the other Party, and (c) not use such Confidential Information for any purpose except those permitted by this Agreement.

7.2 Authorized Disclosure. Notwithstanding Section 7.1, a Party may disclose Confidential Information of the other Party to the extent such disclosure is reasonably necessary in the following instances:

(a) filing for, prosecuting or maintaining Patents owned by such Party;

(b) regulatory filings for which such Party is responsible under this Agreement;

(c) complying with applicable governmental regulations and/or submitting information to tax or other governmental authorities, *provided* that if the receiving Party is required by law to make any public disclosures of Confidential Information of the disclosing Party, to the extent it may legally do so, it will give reasonable advance notice to the disclosing Party of such disclosure and will use its reasonable efforts to secure confidential treatment of Confidential Information prior to its disclosure (whether through protective orders or otherwise) and the public filing of this Agreement shall be handled as provided in Section 7.5;

(d) prosecuting or defending litigation of this Agreement or defending any litigation, but subject to the same provisions as in (c);

(e) to (i) its Affiliates, to its legal and financial advisors, to its consultants, merger partners and acquirors (and their counsel in connection with diligence) and — other than […***…] Confidential Information — to prospective and actual Sublicensee(s) and (ii) others (but not Other Licensees) in order to (and solely to the extent required to) exercise such Party's rights or fulfill its obligations under this Agreement (including commercialization and/or granting a Sublicense to Licensed Patents and/or Post-Sublicensing Licensed Patents, Licensed Know-How or Licensed Products) on a need to know basis, each of whom in (i) and (ii) prior to disclosure must be bound by similar obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7 and that are of reasonable duration in view of the circumstances of the disclosure. MorphoSys may request to Xencor and Xencor shall grant and perform disclosure of all Xencor Confidential Information relating to […***…] that was made available to MorphoSys before entering into this Agreement to any potential Sublicensee under appropriate CDA; and

(f) to the extent mutually agreed to in writing by the Parties.

7.3 Termination of Prior CDA. This Agreement supersedes the Prior CDA. All information exchanged between the Parties under or otherwise subject to the Prior CDA shall be deemed Confidential Information (in accordance with and to the extent set forth in the definition of such term in Article 1), and shall be subject to the terms of this Article 7. For clarity, all Confidential Information exchanged between the Parties as of the Effective Date of this Agreement shall be Confidential Information as defined in this Agreement.

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7.4 Publicity. The Parties have agreed to the joint press release set forth in Exhibit G (in English; MorphoSys shall additionally be entitled after the English version is released or simultaneously a direct translation into German of such English version) for the initial public announcement of the execution of this

Agreement. Any other publication, news release or other public announcement regarding the execution or terms of this Agreement, shall first be reviewed and approved by both Parties, which approval shall not be unreasonably withheld, conditioned or delayed. Both Parties agree that as part of their corporate communications policy and standard practice, Xencor and/or MorphoSys may need to announce the achievement of payment-bearing milestones under this Agreement, and shall be permitted to do so, if the respective other Party agrees in advance, which approval shall not be unreasonably withheld, conditioned or delayed, and the Parties will work together as needed to find — in good faith — acceptable wording as needed to the extent such announcement does not state the actual amount of any payment. In addition, and subject to the requirements of applicable securities and other laws governing such disclosures, each Party shall use good faith efforts to notify the other Party in advance of any significant public announcement regarding Licensed Products' performance and achievements under this Agreement. In case of any disclosure that is required by law as reasonably advised by the disclosing Party's counsel, such Party will provide the other Party with prompt notice of the required disclosure, such other Party shall not be entitled to withhold consent, but the Parties shall work together in good faith to find a mutually acceptable manner in which to make the disclosure. Permission to repeat information that has already been publicly disclosed shall not be required.

7.5 Terms of Agreement. The terms of this Agreement shall be treated as Confidential Information of both Parties. Such terms may be disclosed by a Party to individuals or entities covered by Section 7.2(e)(i) (but not Section 7.2(e)(ii)) above, each of whom prior to disclosure must be bound by similar obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7. The terms of this Agreement other than the financial terms and any attached development plans may be disclosed by Xencor to prospective Other Licensees, each of whom prior to disclosure must be bound by similar obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7. Disclosure of the terms of this Agreement (but not other Confidential Information received from the other Party) may also be made to actual or potential bankers, lenders and investors of the disclosing Party, who are bound to obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7. In addition, if at any time a Party is legally required to file a copy of this Agreement with the Securities and Exchange Commission (or its counterpart in any country other than the U.S.) in connection with any public offering of such Party's securities or regular reporting obligations as a public company (if and when such Party becomes public), such Party shall attempt to obtain confidential treatment of economic and trade secret information for which such treatment is reasonably available in accordance with applicable laws and regulations and SEC (or counterpart) practice. To that end, the filing Party shall, at least […***…] in advance of any such filing, provide the other Party with a draft set of redactions to the Agreement for which confidential treatment will be sought, and incorporate such other Party's comments as to additional terms it would like to see redacted, and seek confidential treatment for such additional terms (except only in the limited circumstances where confidential treatment is manifestly unavailable), to the extent such comments are provided at […***…] in advance of the anticipated filing date.

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7.6 Publications. The Parties agree to provide the other Party the opportunity to review any proposed abstracts, manuscripts or scientific presentations (including verbal presentations) which relate to (a) its activities performed pursuant to this Agreement and/or (b) any Licensed Antibody and/or Licensed Product or either of their respective development, reasonably in advance to the publishing Party's intended submission for publication or presentation and agrees, upon request, not to submit any such abstract or manuscript for publication until the other Party is given a reasonable period of time to (i) secure patent protection for any material in such publication which the other Party believes to be patentable and/or (ii) to ascertain whether its Confidential Information would be disclosed by the publication. Such other Party shall then provide its comments, if any, within […***…] of receiving the manuscript or publication from the publishing Party. If patentable data and/or information is disclosed in the manuscript or publication, the other Party shall promptly request to the publishing Party and the publishing Party shall grant the other Party to withhold such manuscript or publication for up to […***…] after receiving the manuscript or other publication to allow the other Party to file the respective Patent application. If Confidential Information is disclosed in the manuscript or publication, the publishing Party shall promptly remove such Confidential Information and shall ensure that the manuscript or publication is published without such Confidential Information. For clarity, nothing contained in this Section 7.6 shall prohibit the inclusion of information necessary for a patent application, provided the nonfiling Party is given a reasonable opportunity to review the information to be included prior to submission of such patent application and to request deletion of its Confidential Information (subject to Section 7.2(a)). Notwithstanding the foregoing, Xencor shall not publish or first present in a public forum the scientific or technical results of any activities performed pursuant to this Agreement or any Confidential Information relating to Licensed Antibody and/or Licensed Product, including Collaboration Confidential Information and Xencor Pre-Clinical Confidential Information, without the prior written approval by MorphoSys, whereby such approval shall not be unreasonably withheld by MorphoSys with respect to Xencor Pre-Clinical Confidential Information. MorphoSys may publish and/or present Xencor Pre-Clinical Confidential Information without Xencor's prior approval, *provided*, *however*, that (A) Xencor shall be given the opportunity to secure patent protection according to this Section, and (B) Xencor and/or the respective employees are appropriately acknowledged in such publication (including authorship of such employees in accordance with prevailing norms).

7.7 Due Diligence Data. All data provided by Xencor in the dataroom before the Effective Date for the purpose of MorphoSys performing due diligence ("Due Diligence Data") shall be Xencor Confidential Information. Xencor shall store such data on a CD and send it to an independent third party reasonably acceptable to MorphoSys and Xencor (the "Data Escrow Agent") promptly after a three-way-storage agreement between the Parties and the Data Escrow Agent has been executed. Such three-way-storage agreement shall be negotiated in good faith promptly after the Effective Date and shall contain provisions describing the events whereupon the Data Escrow Agent shall release such reference material to either MorphoSys, Xencor or an independent Third Party (including for verifying compliance with the warranties under Article 8). MorphoSys shall bear the costs associated with the storage of such reference material at the Data Escrow Agent's facilities. Furthermore, Xencor shall provide to MorphoSys a CD containing all Due Diligence Data, *excluding*, *however*, any data solely relating to […***…]

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ARTICLE 8

REPRESENTATIONS AND WARRANTIES

8.1 General Representations and Warranties. Each Party represents, warrants and covenants to the other that:

(a) The representing and warranting Party is duly organized and validly existing under the laws of its state or country of incorporation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) The representing and warranting Party is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has and have been duly authorized to do so by all requisite corporate action.

(c) This Agreement is legally binding upon it and enforceable in accordance with the Agreement's terms. The execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) The representing and warranting Party has not granted, and shall not grant during the Term of the Agreement, any right to any Third Party which would conflict with the rights granted to the other Party hereunder. It has (or shall have at the time performance is due) maintained and shall maintain and keep in full force and effect all agreements necessary to perform its obligations hereunder.

8.2 Xencor's Warranties. Xencor represents and warrants that:

(a) As of the Effective Date, the Listed Xencor Patents and Licensed Know-How are owned solely and exclusively by Xencor, free and clear of any liens, charges, and encumbrances or licenses in the Field, and following the Effective Date, it will take no action that results in any of the Listed Xencor Patents being (i) owned in whole or in part by any entity other than Xencor or its permitted successors and assigns other than in a manner that such Patents remain subject to the licenses and rights set forth in this Agreement, or (ii) encumbered by liens, charges, encumbrances or other licenses in each case with respect to Licensed Antibodies and/or Licensed Products in the Field.

(b) As of the Effective Date, the Listed Xencor Patents include all Patents owned or Controlled by Xencor anywhere in the world that may be extended into the MorphoSys Territory, that Cover Licensed Antibodies and/or Licensed Products.

(c) Neither Xencor nor its Affiliates has received from any Third Party any written notice stating any claim that any Patent or trade secret right owned or controlled by such Third Party would be infringed or misappropriated by the manufacture, use, sale, offer for sale or importation of XmAb5574 or the Licensed Product that is the subject of the Ongoing Phase 1 Trial as contemplated by this Agreement. To the best of knowledge of the officers of Xencor the

disclosures that Xencor made to MorphoSys in the course of intellectual property due diligence were true and accurate in all material respects and to the best of knowledge of such officers Xencor did not neglect to make further disclosures of information (including as to freedom to operate for XmAb5574 and the Licensed Product in development as of the Effective Date) within the knowledge of such officers necessary to make the disclosures by Xencor in intellectual property due diligence not misleading.

(d) As of the Effective Date, neither Xencor nor its Affiliates has received any formal written or oral notice of any offer to license any Patent purporting to Cover a Licensed Product, formal written notice of (i) an interference in the United States Patent and Trademark Office involving a Licensed Patent, (ii) any claim of inventorship or co-inventorship of any Licensed Patent(s) by any individual who is not currently listed as an inventor on such Licensed Patent(s), or (iii) any other adverse action by any Third Party in any patent office or court anywhere in the world relating to a Licensed Patent;

(e) As of the Effective Date, neither Xencor nor its Affiliates has granted, expressly or otherwise, any assignment, license or other extension of right, covenant not to sue, or other similar interest or benefit, exclusive or otherwise, to, under or in the Licensed Patents or the Licensed Know-How with respect to Licensed Antibody and/or Licensed Products in the Field, which license remains in effect.

(f) After the Effective Date but prior to the expiration or termination of this Agreement, neither Xencor nor its Affiliates will grant, expressly or otherwise, any assignment, license or other extension of right, covenant not to sue, or other similar interest or benefit, exclusive or otherwise, to, under or in the Licensed Patents and/or Post-Sublicensing Licensed Patents or the Licensed Know-How with respect to Licensed Antibody and/or Licensed Products in the Field.

(g) The data with respect to XmAb5574, and the data with respect to XmAb5871's antibody-dependent cytotoxicity and B-cell-depleting properties (including any data of Xencor's with respect thereto in *in vivo* tumor models), that Xencor has disclosed to MorphoSys in writing prior to the Effective Date is to Xencor's best knowledge true, accurate and complete in all material respects as of the Effective Date and to the best of knowledge of Xencor's officers there are no data generated by or for Xencor but not disclosed that would conflict with such data disclosed by Xencor to MorphoSys in writing.

(h) As of the Effective Date, to the knowledge of its officers, Xencor and/or its Affiliates have not made available any Licensed Antibody and/or Licensed Product to any Third Party other than those disclosed to MorphoSys in writing prior to the Effective Date (including disclosure via inclusion of an applicable agreement covering materials transfer in the data room to which MorphoSys was provided access for due diligence purposes).

8.3 MorphoSys Warranties. MorphoSys represents and warrants that:

(a) As of the Effective Date, MorphoSys intends to conduct significant additional clinical development of Licensed Product prior to sublicensing.

(b) As of the Effective Date, MorphoSys intends to complete […***…].

(c) As of the Effective Date, MorphoSys (i) has not initiated any discussion with any Third Party for […***…] and (ii) intends to […***…] not earlier than […***…] after the Effective Date.

(d) MorphoSys and its Affiliates are not party to any contract as of the Effective Date that would automatically or by request of the counterparty result […***…] with respect to Licensed Antibody or Licensed Product.

(e) As of the Effective Date and to the best of the knowledge of its officers, MorphoSys and its Affiliates do not own or Control any anti-CD19 Antibody identified and documented as such, except as (i) under any existing (as of the Effective Date) HuCAL agreement between MorphoSys and/or its Affiliate(s) and a third party, and (ii) relating to any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s).

(f) As of the Effective Date, MorphoSys and its Affiliates […***…], except as (i) under any existing (as of the Effective Date) HuCAL agreement between MorphoSys and/or its Affiliate(s) and a third party, and (ii) relating to any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s).

8.4 Warranty and Covenant of No Debarment. Each of MorphoSys and Xencor represents, warrants and covenants that in the course of the development of Licensed Products, the representing, warranting and covenanting Party, to the best of such Party's knowledge, has not prior to the Effective Date used, and shall not during the Term use, any employee or consultant who has been debarred by the FDA or Regulatory Authorities, or, to the best of such Party's knowledge, who was or is the subject of debarment proceedings by the FDA or Regulatory Authorities.

8.5 Disclaimer Concerning Technology. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, THE PATENTS AND KNOW-HOW PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS" AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH PARTY EXPRESSLY DOES NOT WARRANT (I) THE SUCCESS OF ACTIVITIES PERFORMED PURSUANT TO THIS AGREEMENT OR (II) THE SAFETY, EFFICACY OR USEFULNESS FOR ANY PURPOSE OF THE PATENTS OR KNOW-HOW IT PROVIDES UNDER THIS AGREEMENT OR THE SUBJECT MATTER OF THEM. XENCOR PROVIDES LICENSED ANTIBODY UNDER THIS AGREEMENT "AS IS" AND EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN,

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MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO.

ARTICLE 9

INDEMNIFICATION

9.1 Indemnification by MorphoSys. MorphoSys shall indemnify, hold harmless and defend Xencor, Xencor's Affiliates, Xencor's and its Affiliates' Other Licensees and all of the respective officers, directors, employees and agents of each of the foregoing entities (collectively the "**Xencor Indemnitees**") from and against any and all losses, damages, liabilities, judgments, fines, amounts paid in settlement, expenses and costs of defense (including reasonable attorneys' fees and witness fees) (collectively "**Losses**") resulting from any demand, claim, action or proceeding brought or initiated by a Third Party (each a "**Third-Party Claim**") against any Xencor Indemnitees(s) to the extent that such Third-Party Claim arises out of (i) the breach of any representation, warranty or covenant by MorphoSys in Article 8; (ii) the gross negligence or willful misconduct of any MorphoSys Indemnitee (defined in Section 9.2); or (iii) the research, development, manufacture, storage, handling, use, sale, offer for sale or importation of Licensed Antibody or Licensed Products by or for the MorphoSys Indemnitees (as defined below) (including, to avoid doubt, any and all Patent infringement liability not arising from a breach of a Xencor representation and warranty in Article 8); *provided* that (a) the Xencor Indemnitees comply with the procedure set forth in Section 9.3; and (b) such indemnity shall not apply to the extent Xencor has an indemnification obligation pursuant to Section 9.2 for such Loss. MorphoSys shall require equivalent indemnification of the Xencor Indemnitees as in clause (iii) of the foregoing sentence from each Sublicensee as to such Sublicensee's activities described in such clause (iii).

9.2 Indemnification by Xencor. Xencor shall indemnify, hold harmless and defend MorphoSys, MorphoSys' Affiliates, MorphoSys' and its Affiliates' Sublicensee(s) and all of the respective officers, directors, employees and agents of each of the foregoing entities (collectively the "**MorphoSys Indemnitees**") from and against any and all Losses resulting from any Third-Party Claim against them to the extent that such Third-Party Claim arises out of (i) the breach of any representation, warranty or covenant by Xencor in Article 8; or (ii) the gross negligence or willful misconduct of any Xencor Indemnitee; *provided* that (a) the MorphoSys Indemnitees comply with the procedure set forth in Section 9.3; and (b) such indemnity shall not apply to the extent MorphoSys has an indemnification obligation pursuant to Section 9.1 for such Loss.

9.3 Procedure. To be eligible for its Xencor Indemnitees or MorphoSys Indemnitees (as applicable) to be indemnified hereunder, a Party shall provide the indemnifying Party with prompt notice of the Third-Party Claim giving rise to the indemnification obligation pursuant to this Article 9 and the exclusive ability to defend (with the reasonable cooperation of the indemnified Party, at the defending Party's expense on a pass-through basis) or settle any such Third-Party Claim; *provided*, *however*, that the indemnifying Party shall not enter into any settlement for damages other than monetary damages without the indemnified Party's written consent, such consent not to be unreasonably withheld, delayed or conditioned.

The indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any Third-Party Claim or suit that has been assumed by the indemnifying Party. If the Parties cannot agree as to the application of Sections 9.1 and 9.2 to any particular Third-Party Claim, the Parties may conduct separate defenses of such Third-Party Claim. Each Party reserves the right to claim indemnity from the other in accordance with Sections 9.1 and 9.2 above upon resolution of the underlying claim, notwithstanding the provisions of this Section 9.3 requiring the indemnified Party to tender to the indemnifying Party the exclusive ability to defend such claim or suit.

9.4 Insurance. Each Party shall procure and maintain insurance or self-insurance, including product liability insurance, adequate to cover its obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated, at all times during which any Licensed Product is being clinically tested in human subjects or commercially distributed or sold by or on behalf of such Party. At a minimum, prior to the first Marketing Authorization in the MorphoSys Territory, MorphoSys shall be insured for […***…] U.S. dollars (US$[…***…]) to cover its obligations under this Agreement. After the first Marketing Authorization in the MorphoSys Territory, MorphoSys shall be insured for a minimum of […***…] U.S. dollars (US$[…***…]) to cover its obligations under this Agreement**.** It is understood that such insurance or self-insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 9. Each Party shall provide the other with written evidence of such insurance or self-insurance upon request. Each Party shall provide the other with written notice at least […***…] prior to the cancellation, non renewal or material change in such insurance or self-insurance which materially adversely affects the rights of the other Party hereunder.

9.5 Limitation of Liability. NEITHER PARTY NOR ITS RESPECTIVE AFFILIATES AND LICENSEES (INCLUDING SUBLICENSEES AND OTHER LICENSEES) SHALL BE LIABLE FOR SPECIAL, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE. Reimbursement of Losses paid to Third Parties in accordance with the provisions of Section 9.1 or 9.2 shall not be read to be defeated by this Section 9.5.

ARTICLE 10
TERM AND TERMINATION

10.1 Term. This Agreement shall become effective on the Effective Date and shall continue until the expiration of the last Royalty Term or Sublicensing Revenue sharing obligation as set forth in Article 5 or is earlier terminated pursuant to this Article 10 (the "**Term**").

10.2 Termination for Material Breach.

(a) Notice. If either Party believes that the other is in material breach of this Agreement, then the non-breaching Party may deliver written notice of such breach to the other

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Party. To be an effective notice under this Section 10.2(a), the written notice must (i) explicitly reference this Section 10.2, and (ii) explicitly state that if the breach is not cured, the notifying Party will have the right to terminate this Agreement. The allegedly breaching Party shall have one hundred and twenty (120) days from receipt of such notice to cure such breach, or thirty (30) days in case of non-payment breaches. Furthermore, the allegedly breaching Party shall, in all cases, be permitted to seek resolution of the underlying dispute in accordance with Article 12 of this Agreement and shall inform the non-breaching Party promptly after receipt of the breach notice about its intent to seek dispute resolution. In such case, if determined under Article 12 by the arbitrator, the respective cure period as described above shall be stayed until the dispute has been decided in accordance with Article 12, subject to interest and penalties accruing during the dispute resolution under Article 12.

(b) Failure to Cure. Subject to Section 10.2(a), if the Party receiving notice of breach fails to cure such breach within such one hundred and twenty (120) day period after receipt of such notice (or thirty (30) days for non-payment breaches), the Party originally delivering the notice may terminate this Agreement effective immediately upon delivery of a second written notice to the allegedly breaching Party

10.3 Termination for Insolvency. Each Party shall have the right to terminate this Agreement upon written notice to the other Party with no second notice obligation or opportunity to cure; if the other Party: (i) shall become insolvent; (ii) shall make assignment for the benefit of creditors; or (iii) shall have a petition in bankruptcy filed for or against it not dismissed within one hundred twenty (120) days. Such termination shall be effective upon delivery of the first written notice to the other Party, unless such notice is in error.

10.4 Elective Termination. MorphoSys shall have the right, in its sole discretion, to terminate this Agreement in its entirety, by providing not less than ninety (90) days prior written notice of such termination to Xencor.

10.5 Certain Effects of Expiration and Termination; Accrued Rights.

(a) Upon expiration of this Agreement with respect to a particular Licensed Product in a particular country, the licenses to MorphoSys pursuant to Section 4.1, shall automatically become, with respect to such Licensed Product in such country, freely sublicensable, perpetual, irrevocable, non-exclusive, royalty-free, and fully paid as to all then-future exercise of the license. Unless this Agreement is earlier terminated as provided in this Article 10, the licenses granted to Xencor pursuant to Section 4.4 shall survive until the expiration of this Agreement with respect to XmAb5871 Program Antibodies, at which time they shall automatically convert to become perpetual, irrevocable, non-exclusive, royalty-free, and fully paid (other than any pass-through costs to MorphoSys' un-Affiliated licensors). For clarity, the Post-Sublicensing Patents shall remain royalty-free.

(b) Expiration and termination of this Agreement shall not relieve the Parties of any liability which accrued under this Agreement prior to the effective date of such termination nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation.

(c) Notwithstanding Section 13.9, upon notice of termination of this Agreement, MorphoSys' interest in any Sublicenses granted by MorphoSys under this Agreement shall become assignable by MorphoSys to Xencor and MorphoSys' interest in this Agreement shall become assignable by MorphoSys to any Sublicensee, provided that such Sublicensee is in good standing under the Sublicense; *provided* that under no circumstance shall Xencor's obligations be increased by operation of this Section 10.5(c).

10.6 Xencor's Rights upon Certain Terminations. Upon termination of this Agreement by Xencor under Section 6.8 (Patent Challenge), 10.2 (Material Breach), or 10.3 (Insolvency), or by MorphoSys under Section 10.4 (At-Will), subject to Section 10.5(c) above:

(a) License Termination. The licenses granted by Xencor to MorphoSys under Article 4 shall terminate.

(b) Return of Licensed Know-How. Within ninety (90) days following such termination, MorphoSys shall return to Xencor all then still existing Licensed Know-How received from Xencor.

(c) Survival of Granted License. The licenses granted to Xencor pursuant to Section 4.4 shall survive and shall automatically convert to become perpetual, irrevocable, royalty-free, and fully paid. However, any associated pass-through costs already provided for in this Agreement shall continue to be due.

(d) License Grant; Patent and Know-How Assignment. Effective upon termination as provided in the first sentence of this Section 10.6, MorphoSys hereby:

(i) assigns to Xencor any and all MorphoSys Pre-Sublicensing Patents (to the extent of MorphoSys' or its Affiliate's interest therein) that solely Cover any of the following and any combination of the following: Licensed Antibody(ies), Licensed Product(s), XmAb5871, and/or any pharmaceutical composition containing XmAb5871; for the avoidance of doubt, "solely Cover" means the Patents Cover only antibodies, products and/or pharmaceutical compositions falling within each of the defined terms, and no other antibody, product and/or pharmaceutical composition (for further avoidance of doubt, Xencor shall have the sole right to enforce the foregoing Patents to the extent assigned hereunder);

(ii) grants to Xencor an exclusive, royalty-free (other than any pass-through costs to MorphoSys' un-Affiliated licensors), irrevocable (except for uncured failure to pay pass-through costs), perpetual (except for uncured failure to pay pass-through costs) license under […***…] and […***…] generated by MorphoSys or on MorphoSys' behalf during the Pre-Sublicensing Term (and Patents (i) […***…] and (ii) […***…]), in each of the foregoing cases that are not assigned to Xencor in accordance with Section 10.6(d)(i), to make, have made, use, sell, offer to sell and import Licensed Antibody(ies), Licensed Product(s), XmAb5871, and/or any pharmaceutical composition containing the foregoing; but — with respect to the foregoing […***…] that are not owned by but are instead licensed to MorphoSys — such license shall only be granted to the extent permitted under MorphoSys's agreement with the licensor of such […***…]

and Xencor shall adhere to the terms of such agreement between MorphoSys and licensor. MorphoSys shall have the sole right to enforce such Patents outside the scope of the foregoing license to Xencor. MorphoSys shall have the first right to enforce the foregoing patents against activities within the scope of the foregoing license to Xencor. Prior to exercising such right, MorphoSys shall discuss the matter with Xencor and reasonably consider any concerns Xencor may have. If MorphoSys does not exercise such right to enforce within […***…] after a notice between the Parties of the infringement, then Xencor shall have the back-up right to enforce limited exclusively to enforcement against activities within the scope of the foregoing license to Xencor, for which purposes MorphoSys shall agree to be joined at Xencor's cost on a pass-through basis if necessary for standing purposes. Prior to initiating any such suit Xencor shall discuss the matter with MorphoSys and reasonably consider any concerns MorphoSys may have. Recoveries on MorphoSys's such enforcement shall go […***…]% to MorphoSys and […***…]% to Xencor; recoveries on Xencor's such enforcement shall go […***…]% to Xencor and […***…]% to MorphoSys. The foregoing license shall be freely sublicensable through one (1) or more tiers of sublicensees without the need to obtain consent. For the avoidance of doubt, […***…].

(iii) grants to Xencor a non-exclusive, royalty-free (other than any pass-through costs to MorphoSys' un-Affiliated licensors), irrevocable (except for uncured failure to pay pass-through costs), perpetual (except for uncured failure to pay pass-through costs) license under […***…] generated by MorphoSys or on MorphoSys' behalf during the Pre-Sublicensing Term (and Patents (i) […***…] and (ii) […***…]), in each of the foregoing cases that are not assigned to Xencor in accordance with Section 10.6(d)(i), to make, have made, use, sell, offer to sell and import any and all anti-CD19 Antibodies and/or any pharmaceutical composition containing any of the foregoing; but — with respect to the foregoing […***…] that are not owned by but are instead licensed to MorphoSys — such license shall only be granted to the extent permitted under MorphoSys's agreement with the licensor of such […***…] and Xencor shall adhere to the terms of such agreement between MorphoSys and licensor. The foregoing license shall be freely sublicensable through one (1) or more tiers of sublicensees without the need to obtain consent.

(e) Reimbursement of development costs. In the case of all terminations covered by this Section 10.6, but excluding termination under Section 10.3 (Insolvency), Xencor shall reimburse MorphoSys for its fully burdened, documented costs incurred between the Effective Date of this Agreement and the termination date for the development of Licensed Antibody(ies) and Licensed Products including, but not limited to clinical trial costs and FTE-based compensation accounted for at the FTE rate (**"MorphoSys Development Costs"**), at the following rates and according to the following payment schedule:

(i) Termination prior to dosing the first patient in the first Phase 2 Trial for the Licensed Product: […***…] reimbursement

(ii) Termination after dosing the first patient in the first Phase 2 Trial but prior to dosing the first patient in the first Phase 3 Trial for the Licensed Product: twenty […***…] reimbursement

(iii) Termination after dosing the first patient in the first Phase 3 Trial for the Licensed Product: […***…] reimbursement.

Xencor shall only be required to make such reimbursement at the time when Xencor receives or generates revenue related to the development and/or commercialization of Licensed Antibody(ies) and/or Licensed Products. Xencor shall only be required to pay to MorphoSys a maximum of […***…] of each installment of such received or generated revenue at any time and/or in any period until the time at which the applicable percentage of MorphoSys Development Costs has been fully reimbursed. As an example, if MorphoSys Development Costs are […***…] dollars ($[…***…]) and the applicable percentage of reimbursement is […***…] ([…***…]%), and Xencor receives a payment of […***…] dollars ($[…***…]) from a future licensee of Licensed Antibody(ies) and/or Licensed Products, then Xencor shall pay […***…] ($[…***…]) to MorphoSys and such payment shall count against the required reimbursement of […***…] dollars ($[…***…]).

(f) Contract Transfer and/or Assignment. To the extent requested by Xencor in writing […***…] following termination as provided in the first sentence of this Section 10.6 (and no later than […***…] following such a termination MorphoSys shall provide copies for review, but only to the extent permitted under such contracts, to enable Xencor to make such decision), and subject to cost reimbursement according to Section 10.6(j)(i) below, MorphoSys shall transfer and/or assign to Xencor all licenses, manufacturing agreements and other contracts specific to Licensed Antibody(ies) and Licensed Products (including clinical trial and manufacturing agreements with respect thereto), to the extent such licenses and other contracts are in effect as of the date of such termination and such transfer and/or assignment is permitted under the contract.

(g) Trademarks. To the extent requested by Xencor in writing within […***…] following termination as provided in the first sentence of this Section 10.6, to the extent permitted by applicable law, MorphoSys shall license or otherwise transfer rights to Xencor to all trademarks Controlled by MorphoSys and used solely in connection with the commercialization of Licensed Antibody(ies) and Licensed Products in the MorphoSys Territory.

(h) Regulatory.

(i) Transfer. To the full extent permitted by law MorphoSys shall take all actions reasonably necessary to transfer to Xencor all essential documentation, data, protocols and filings (including all raw clinical data, SAS datasets, trial master files, regulatory correspondence (including minutes of meetings with Regulatory Authorities), INDs, Marketing Authorization Applications, Marketing Authorizations, other regulatory filings related to any Licensed Antibody or Licensed Product that MorphoSys holds as of the time of such termination, and any other documentation or data needed in accordance with International Conference of Harmonization E6 Good Clinical Practice: Consolidated Guidance), in each case of the foregoing

to the extent reasonably required to support continued clinical development. The foregoing transfer shall be subject to cost reimbursement according to Section 10.6(j)(i) below.

(ii) Ongoing Trials. If any Licensed Product clinical trial(s) are ongoing at the time of termination, which clinical trials are solely sponsored by MorphoSys, then Xencor shall notify MorphoSys in writing within […***…] after the effection date of the termination which of the following Xencor elects and MorphoSys shall comply with and carry out Xencor's election:

(1) MorphoSys shall continue such ongoing trial and/or transfer sponsorship of such ongoing Licensed Product clinical trial(s) to Xencor on a reasonable timeline. Xencor shall be responsible for (i) the costs of the continued conduct of the trial by MorphoSys and/or transfer (as applicable), which shall include that Xencor shall reimburse MorphoSys at MorphoSys' (or its Affiliate's) fully burdened cost, determined in accordance with GAAP , and (ii) for the costs of the trial as sponsored by Xencor (as applicable).

-OR-

(2) MorphoSys shall wind down the trial and shall be fully and solely responsible for all costs associated such wind-down, and shall continue to comply with all remaining obligations and commitments made to Regulatory Authorities by MorphoSys (including if applicable, patient registries), to the extent the compliance with such obligations and commitments is required by law, at MorphoSys's sole cost. Such costs shall be subject to reimbursement by Xencor to MorphoSys in accordance with Section 10.6 (e).

(i) No Further Representations. MorphoSys shall discontinue making any representation regarding its status as a licensee of Xencor in the MorphoSys Territory for Licensed Antibody and Licensed Products and shall cease conducting all activities with respect to the marketing, promotion, sale or distribution of all of the foregoing.

(j) Transition Assistance.

(i) Subject to Sections 10.6(d)-(h) above, to the extent reasonably permissible under the circumstances at the time, and to the extent requested by Xencor in writing within […***…] following termination as provided in the first sentence of this Section 10.6, MorphoSys shall also provide such assistance as may be reasonably necessary to transfer and/or transition over a reasonable period of time to Xencor any MorphoSys Know-How, trademarks, regulatory filings, licenses and other contracts specific to Licensed Antibody(ies) and Licensed Products including clinical trial and manufacturing agreements with respect thereto, and provided that Xencor agrees to assume financial responsibility and all other obligations under each such license or contract (other than the case where MorphoSys has failed to obtain royalty-free rights under the the Post-Sublicensing Patents). Xencor shall be responsible for the reasonable costs and expenses of MorphoSys in providing such assistance, other than FTE-based compensation, but including the expenses and costs of travel food and lodging.

(ii) In addition, to the extent that MorphoSys or a MorphoSys Affiliate is then manufacturing itself (respectively) Licensed Products in the MorphoSys Territory and

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upon Xencor's request, MorphoSys shall use Commercially Reasonable Efforts to (or cause its Affiliate to) continue to manufacture Licensed Products for Xencor's use in the MorphoSys Territory until the earlier of (i) two (2) years and if reasonably required by Xencor to fully accomplish the technology and transfer without supply interruption then an additional year (for a total in that case of three (3) years) after the effective date of termination, and (ii) such time as Xencor has validated an alternative manufacturer, and quantities of Licensed Product supplied by such manufacturer may legally be sold in the MorphoSys Territory. Any such Licensed Product shall be supplied to Xencor and Xencor shall reimburse MorphoSys at MorphoSys' (or its Affiliate's) fully burdened manufacturing cost, determined in accordance with GAAP.

(k) Remaining Inventories. Xencor shall have the right to purchase from MorphoSys (or its Affiliate) all of the inventory of Licensed Products held by MorphoSys (or its Affiliate) as of the effective date of termination at a price equal to MorphoSys' (or its Affiliate's) fully burdened manufacturing cost, determined in accordance with GAAP.

(l) Affiliates. MorphoSys shall cause its Affiliates to comply with Section 10.6(a)-(k) as if they were MorphoSys.

(m) Sublicensees. MorphoSys shall use Commercially Reasonable Efforts to obtain from each Sublicensee obligations in the Sublicense for the Sublicensee to comply with Sections 10.6(b), (d), (e), (h), (j) and (k) as if the Sublicensee were MorphoSys, on the same or better terms as provided for in Sections 10.6(b), (d), (e), (h), (j) and (k) (or to avoid doubt, obligations in the Sublicense for the Sublicensee to provide MorphoSys to provide the rights of Sections 10.6(b), (d), (e), (h), (j) and (k) to MorphoSys in case the Sublicense terminates, and for these to be passed on by MorphoSys to Xencor in case this Agreement also terminates). In any event, MorphoSys shall provide in each Sublicense that whatever rights (if any) and terms with respect to the subject matter of Sections 10.6(b), (d), (e), (h), (j) and (k) are granted to MorphoSys in case such Sublicense terminates shall be passed on to Xencor if this Agreement also terminates (as non-limiting examples: if MorphoSys obtains cost-free exclusive access to or ownership of intellectual property and clinical data, then this shall also be cost-free when passed on to Xencor if this Agreement terminates; if MorphoSys obtains a broader assignment back, then the assignment to Xencor shall be identically broadened if this Agreement terminates). Also in any event, MorphoSys shall in each Sublicense obtain at a minimum the following: The license to Xencor under Post-Sublicensing Patents of Section 4.4, including to the extent granted under Post-Sublicensing Patents of the Sublicensee, shall survive in case the Sublicense terminates. In case the Sublicense terminates, there shall be a non-exclusive, royalty-free, sublicensable (through one (1) or more tiers without consent) license back to MorphoSys under the Post-Sublicensing Patents to make, have made, use, sell, offer to sell, and import Licensed Antibodies and/or Licensed Products; which license shall be passed on to Xencor if this Agreement also terminates.

10.7 MorphoSys Rights upon Certain Terminations. Upon effective termination of this Agreement by MorphoSys under Section 10.2 (Material Breach) or 10.3 (Insolvency):

(a) Survival of Granted Licenses. The licenses granted by Xencor to MorphoSys under Section 4.1 shall survive and shall automatically convert to become freely sublicensable, perpetual (except in case of MorphoSys's failure to pay milestones and royalties

due on the continued use of the license not cured within […***…] after written notice from Xencor; *provided, however,* that the license is not lost during good faith dispute of the amount of such payment(s) subject to resolution under Article 12), and irrevocable (except in case of MorphoSys's failure to pay milestones and royalties due on the continued use of the license not cured within […***…] after written notice from Xencor; *provided, however,* that the license is not lost during in good faith

dispute of the amount of such payments(s) subject to resolution under Article 12) and shall remain exclusive as to all then-future exercise of the license and continue to be payment-bearing at the rates provided for in this Agreement. For clarity, the license under Post-Sublicensing Licensed Patents shall remain royalty free and this Section 10.7(a) does not alter that.

(b) Transfer of Required Know-How, Data and Materials. Within […***…] following such termination, to the full extent permitted by law Xencor shall transfer to MorphoSys all essential documentation, data, protocols, and filings (including all raw clinical data, SAS datasets, trial master files, regulatory correspondence (including minutes of meetings with Regulatory Authorities), INDs, Marketing Authorization Applications, Marketing Authorizations, other regulatory filings related to any Licensed Antibody or Licensed Product that Xencor holds as of the time of such termination, and any other documentation or data needed in accordance with International Conference of Harmonization E6 Good Clinical Practice: Consolidated Guidance), in each case of the foregoing to the extent reasonably required to support continued clinical development.

(c) Pre-Sublicensing and Pre-Partnering Term. The Pre-Sublicensing and Pre-Partnering Term shall be deemed to have ended effective immediately upon such termination.

(d) JDC. The JDC shall no longer meet unless requested by MorphoSys and all obligations of MorphoSys relating to the JDC according to Article 2 shall not be applicable any longer.

(e) Initial Phase 1 Clinical Trial. If such termination occurs during the Collaboration Term, then, upon MorphoSys' request, Xencor shall transfer the sponsorship for the Ongoing Phase I Trial to MorphoSys without undue delay, and MorphoSys in its sole discretion may assume responsibility for the Ongoing Phase 1 Trial. In the event that sponsorship for the Ongoing Phase I Trial is transferred to MorphoSys, Xencor shall use commercially reasonable diligence efforts to provide MorphoSys with any information and/or assistance requested by MorphoSys, including assisting MorphoSys as requested in conducting the Ongoing Phase 1 Trial to a successful completion in the shortest amount of time reasonably possible.

(f) Diligence Obligations of MorphoSys. The diligence obligations of MorphoSys as set forth in Section 2.2 (c)(ii), 3.1, 3.8, 3.12, 6.2(c) and 6.2(d) shall cease.

(g) Affiliates. Xencor shall cause its Affiliates to comply with this Section 10.7 as if they were Xencor.

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(h) Other Rights and Obligations. All other rights and obligations of the Parties (including MorphoSys's payment obligations to Xencor; Sections 5.5 through 5.14 shall survive expiration or termination for such payment obligations) shall be unaffected.

10.8 Other Remedies. The remedies in this Article 10 are not exclusive. Either Party may elect to seek other relief and remedies available under law through an arbitration proceeding under Article 12.

ARTICLE 11

SURVIVAL

11.1 Survival. The following provisions shall survive any expiration or termination of this Agreement:

Article or Section	Title of Article or Section	Clarification (if any)
Article 1	Definitions	
Article 7	Confidentiality	Expiring later in accordance with its terms.
Article 8	Representations and Warranties	
Article 9	Indemnification	
Article 10.5-10.8	Term and Termination	For clarity, "all other rights and obligations" of the Parties according to Section 10.7 (h) (under termination to which Section 10.7 applies) shall not exclude — for the purpose of this Section — the provisions not listed in this table of Section 11 of surviving provisions, but subject to Sections 10.7 (a) through 10.7 (g).
Article 11	Survival	
Article 12	Dispute Resolution	
Article 13	Miscellaneous	
Sections 5.5 - 5.14	Quarterly Payment Timings	To the extent necessary to govern mechanics of any accrued during the Term payment obligations and related audits.
Sections 6.1(a) and 6.1(b)	Ownership of Inventions	With respect to Section 6.1(b), to the extent necessary to assign inventions generated during the Term under this Agreement.
Section 6.8	Patent Challenges	To the extent necessary to govern any accrued during the Term payment obligations under Section 6.8.

ARTICLE 12

DISPUTE RESOLUTION

12.1 Seeking Consensus. If any dispute, controversy or claim arising out of or relating to the validity, construction, enforceability, performance or breach of this Agreement (except for any dispute regarding the validity, scope or enforceability of any Licensed Patent and/or Post-Sublicensing Licensed Patent, and/or whether such Patent(s) is (are) infringed, which shall be submitted to a court of competent jurisdiction) arises between the Parties ("**Dispute**"), then upon the written request of either Party, the Parties shall have senior executive officers with decision-making authority of each Party meet and discuss in good faith the matter over a period of at least […***…]. If the Parties do not reach agreement through the discussions of such senior executives within such […***…], then the Parties' CEOs shall discuss and attempt to reach agreement as to the matter within an additional […***…]. If the Parties do not reach agreement as to the matter (the Dispute) within such

additional […***…] by the CEO discussions, then either Party may by written notice demand dispute resolution under and in accordance with Section 12.2. The written request shall explain the nature of the Dispute and refer to the relevant provisions of the Agreement upon which the Dispute is based.

12.2 Arbitration, Rules and Place. Any Disputes not resolved after all procedures under Section 12.1 may be referred by either Party to final and binding arbitration in accordance with the remainder of this Article 12 by written notice to the other Party, and final and binding arbitration under this Article will in any event be the sole and exclusive means of dispute resolution under this Agreement (i.e., the Parties waive their rights to go to a court instead of arbitration (except either Party may seek a preliminary injunction or other equitable remedy pending arbitration or go to court to enforce the arbitral award)). If a Party intends to begin an arbitration to resolve a Dispute, such Party shall provide written notice by certified or registered mail to the other Party informing such other Party of such intention and the issues to be resolved. The complaining Party's notice shall include a detailed description of the Dispute. The arbitration shall be conducted before three (3) arbitrators, one chosen by each Party from the list provided by the commercial arbitration rules of the American Arbitration Association ("**AAA Rules**"), and the third appointed in accordance with the AAA Rules. The Parties shall employ procedures designed to resolve the conflict by arbitration within […***…] of the date of the written notice described above. Any situation not expressly covered by this Agreement shall be decided in accordance with the AAA's most applicable rules. The arbitration shall take place in New York City, New York State, U.S.A. The arbitration proceeding shall be conducted in English.

12.3 Governing Law. This Agreement will be construed in accordance with, and governed in all respects by, the laws of the State of New York (without giving effect to principles of conflicts of law).

12.4 Legal Fees. Subject to any award the arbitrators may make, each Party shall bear its own legal fees, costs and expenses.

12.5 Payment. Any monetary award shall be paid in U.S. dollars free of any tax, deduction or offset; and any costs or fees incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the Party resisting enforcement.

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12.6 Enforcement by Court Action. Each Party agrees that any award and any other remedy rendered by any arbitral tribunal referred to herein may be entered in a court of competent jurisdiction if necessary to its enforcement and as is permitted under the relevant laws, taking into account the provisions of Section 12.3.

12.7 Confidentiality. The arbitrators shall issue appropriate protective orders to safeguard each Party's Confidential Information and to keep the proceeding confidential (except to the extent a Party has a legal disclosure obligation).

12.8 Survival. Any duty to arbitrate under this Agreement shall remain in effect and be enforceable after termination of this Agreement for any reason.

12.9 Waiver. By agreeing to binding arbitration, the Parties understand that they are waiving certain rights and protections which may otherwise be available if a Dispute were determined by a litigation in court, including the right to seek or obtain certain types of damages precluded by the arbitration procedures set forth in this Article 12, the right to a trial by jury, and the right to invoke formal rules of procedure and evidence.

ARTICLE 13

MISCELLANEOUS

13.1 Export Control. This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States of America or other countries which may be imposed upon or related to Xencor or MorphoSys from time to time. Each Party agrees that it shall not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity.

13.2 Entire Agreement; Amendment. This Agreement (including the Exhibits hereto) sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersedes and terminates all prior agreements and understandings between the Parties (including the Prior CDA). There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

13.3 Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by either Party to the other are and shall be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101(52) of the US. Bankruptcy Code. Each Party agrees that the other Party, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights

and elections under the U.S. Bankruptcy Code. Without limiting the foregoing, the Parties further agree that if a bankruptcy proceeding is commenced by or against one Party (the "**Debtor**") then, in the event the Debtor rejects this Agreement pursuant to Section 365 of the U.S. Bankruptcy Code or otherwise applicable law and the other Party elects to retain its rights hereunder pursuant to Section 365(n) of the U.S. Bankruptcy Code or otherwise applicable law, the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property. The Parties further agree, without limiting the foregoing, that unless and until the Debtor rejects this Agreement pursuant to applicable law, the Debtor shall perform all of its obligations hereunder or immediately provide to the other Party a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in the other Party's possession; *provided*, *however*, that upon assumption of this Agreement by the Debtor pursuant to Section 365 of the U.S. Bankruptcy Code or otherwise applicable law, the other Party shall promptly return all such tangible materials, intellectual property and embodiments thereof that have been provided to it solely as a result of this Section.

13.4 Force Majeure. Both Parties shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by a Force Majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued so long as the condition constituting Force Majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. For purposes of this Agreement, "**Force Majeure**" means conditions beyond a Party's reasonable control or ability to plan for, including acts of God, war, terrorism, civil commotion, labor

strike or lock-out, epidemic, failure or default of public utilities or common carriers, and destruction of production facilities or materials by fire, earthquake, storm or like catastrophe.

13.5 **Notices**. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement and shall be deemed to have been sufficiently given for all purposes if mailed by express delivery service or personally delivered. The date of the notice shall be the date of receipt by the notified Party, or three (3) business days after sending by express delivery service, whichever is earlier. Unless otherwise specified in writing, the mailing addresses of the Parties shall be as described below.

If to Xencor:

Xencor, Inc.
111 West Lemon Avenue
Monrovia CA 91016
Attention: CEO
Facsimile: +1 (626) 305-0350

with a required copy (which shall not constitute notice) to:

Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105

Attention: Laura O. Spiegelman
Facsimile: +1 (415) 268-7522

In the case of MorphoSys:

MorphoSys AG
Lena-Christ-Strasse 48
82152 Martinsried/Planegg
Germany
Attention: CEO
Facsimile: +49 (89) 899 27 222

with a required copy (which shall not constitute notice) to:

Perkins Coie LLP
607 Fourteenth Street, NW
Washington, DC 20005
Attention: Colin G. Sandercock
Facsimile +1 (202) 654-9673

13.6 **Maintenance of Records**. Each Party shall keep and maintain all records required by law or regulation with respect to Licensed Products.

13.7 **Construction**. This Agreement has been prepared jointly and shall not be strictly construed against either Party. Any reference in this Agreement to an Article, Section, subsection, paragraph, clause, Schedule or Exhibit shall be deemed to be a reference to any Article, Section, subsection, paragraph, clause, Schedule or Exhibit, of or to, as the case may be, this Agreement. Except where the context otherwise requires, (a) any definition of or reference to any agreement, instrument or other document refers to such agreement, instrument other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (b) any reference to any laws refers to such laws as from time to time enacted, repealed or amended, (c) the words “herein,” “hereof” and hereunder,” and words of similar import, refer to this Agreement in its entirety and not to any particular provision hereof.

13.8 **Ambiguities**. Ambiguities, if any, in this Agreement shall not be construed against any Party, regardless of which Party may be deemed to have authored the ambiguous provision.

13.9 **Assignment. Neither** this Agreement nor any right or obligation hereunder may, except for as set out in Sec. 10.5(c), be assigned or otherwise transferred by any Party without the consent of the other Party; *provided, however,* that any Party may, without such consent, assign this Agreement in its entirety to such Party’s Affiliate (for so long as the relationship of Affiliation endures) or if such Party merges with, or all or substantially all of its business or assets are acquired by, another entity (whether by merger, sale of assets, sale of stock or otherwise) (an “**M&A Event**”), to the Party’s merger partner or the acquiror as part of that

M&A Event; provided, however, that (i) in case Xencor is a party to an M&A Event, Xencor shall for any assignment being performed under an M&A Event, which is contemplated during the Collaboration Term provide a written notice to MorphoSys, prior to or at closing the transaction of the respective M&A Event, with which Xencor and the future assignee guarantee performance under the Agreement, specifically including all of Xencor’s obligations with respect to the Ongoing Phase 1 Trial, or (ii) in case MorphoSys is a party to an M&A Event and the other party at the time of the M&A Event has an enhanced B-cell depleting anti-CD19-program in development or on the market, the other party to the M&A Event shall (a) […***…], and (b) […***…], with which the assignee guarantees that it will (aa) […***…] […***…]; and (bb) […***…]. Xencor may assign this Agreement in whole or in part without MorphoSys’s consent as may be necessary or useful in connection with the monetization, sale or other transfer of any of the payments due to Xencor under this Agreement. Xencor shall assure that any of its assignees takes over all of Xencor’s obligations under this Agreement, or that Xencor or its Affiliate continues to be responsible for such obligations. Each Party agrees that, notwithstanding any provisions of this Agreement to the contrary, if this Agreement is assigned by a Party in connection with an M&A Event, such assignment shall not provide the non-assigning Party with rights or access to intellectual property or technology of the merger partner or acquiror of the assigning Party existing prior to such M&A Event. Any permitted assignment shall be binding on the successors of the assigning Party. In addition, notwithstanding anything express or implied in this Agreement, if Xencor and/or MorphoSys becomes part of the corporate family of a larger pharmaceutical or biopharmaceutical company, then under no circumstances shall any entities in that family other than Xencor and/or MorphoSys and its respective Affiliates prior to joining the corporate family, be deemed to be “Affiliates” of Xencor or

MorphoSys for purposes of the intellectual property definitions in this Agreement. Other than an assignment under Section 10.5(c), any assignment or attempted assignment by either Party in violation of the terms of this Section shall be null and void.

13.10 **Performance by Affiliates**. Each of the Parties acknowledge that obligations under this Agreement may be performed by Affiliates of Xencor and MorphoSys, and each of Xencor and MorphoSys guarantee performance of this Agreement by its respective Affiliates. If any dispute arises out of the performance of this Agreement by an Affiliate, or the alleged failure of an Affiliate to comply with the conditions and obligations of this Agreement, the Party seeking to resolve such dispute shall have the right to do so directly with the other Party, without any obligation to first pursue an action against, or recovery from, the Affiliate which is alleged to have caused a breach of this Agreement. A Party is jointly and severally liable with its Affiliates for performance under this Agreement.

13.11 **Independent Contractors**. It is expressly agreed that Xencor and MorphoSys shall be independent contractors and that the relationship between them shall not

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constitute a partnership, joint venture or agency. Neither Xencor nor MorphoSys shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party to do so.

13.12 **Counterparts**. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.13 **Severability**. If any provision of this Agreement is held to be invalid or unenforceable in the alternative dispute resolution proceedings specified in Article 12 from which no court appeal can be or is taken, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

13.14 **Headings**. The headings for each article and section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular article or section.

13.15 **No Waiver**. Any delay in enforcing a Party's rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party's rights to the subsequent enforcement of its rights under this Agreement, excepting only as to an express written and signed waiver as to a particular matter for a particular period of time executed by an authorized officer of the waiving Party.

13.16 **Costs**. Each Party shall bear its own legal costs of and incidental to the preparation, negotiation and execution of this Agreement.

13.17 **Language**. This Agreement has been prepared in the English language. No translation or version of this Agreement in another language shall be of any force or effect or be used to interpret this Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Xencor and MorphoSys execute this Agreement by the hands of their duly authorized officers, effective as of the Effective Date:

Xencor, Inc.

By: /s/ Bassil Dahiyat
Name: Bassil Dahiyat
Title: President and CEO
Date: 27 June 2010

MorphoSys AG

By: /s/ S.E. Moroney
Name: S.E. Moroney
Title: CEO
Date: 27 June 2010

By: /s/ Marlies Sproll
Name: Marlies Sproll
Title: CSO
Date: 27 June 2010

LIST OF EXHIBITS

Exhibit A — Amino Acid Sequence of XmAb5574

Exhibit B — Listed Xencor Patents

Exhibit C — Excluded Variants (I)

Exhibit D — High-ADCC Variants

Exhibit E — Amino Acid Sequence of XmAb5871

Exhibit F — Excluded Variants (II)

Exhibit G — JDC and Team Composition

Exhibit H — Active Contracts

Exhibit I — Initial Public Announcement

Exhibit J — Xencor Development Plan

Exhibit K — Licensed Know-How

Exhibit L — Protocol for measurement of Affinity Constants of Binding

Exhibit M — […***…]

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EXHIBIT A

Amino Acid Sequence of XmAb5574

[…***…]

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EXHIBIT B
Listed Xencor Patents

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EXHIBIT C

Excluded Variants (I)

[…***…]

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EXHIBIT D

High-ADCC Variants

[…***…]

*****Confidential Treatment Requested**

EXHIBIT E

Amino Acid Sequence of XmAb5871

[…***…]

*****Confidential Treatment Requested**

EXHIBIT F

Excluded Variants (II)

[…***…]

*****Confidential Treatment Requested**

EXHIBIT G

JDC And Team Composition

[…***…]

*****Confidential Treatment Requested**

EXHIBIT H

Active Contracts

[…***…]

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EXHIBIT I

INITIAL PUBLIC ANNOUNCEMENT

Press Release
Martinsried/Munich, Germany, and Monrovia, CA, USA, June xx, 2010

MorphoSys and Xencor Sign License and Collaboration Agreement for Clinical Antibody Program

MorphoSys Strengthens Clinical Portfolio with Innovative Antibody in Phase 1 Cancer Trial [Note: Foregoing subtitle may be omitted in Xencor's release.]

MorphoSys AG (FSE: MOR; Prime Standard Segment; TecDAX) and US-based biopharmaceutical company Xencor, Inc., announced today the signing of a worldwide exclusive license and collaboration agreement for an antibody in Phase 1 clinical development. The agreement provides MorphoSys with an exclusive worldwide license to XmAb5574, a high potency monoclonal antibody developed by Xencor for the treatment of B-cell malignancies. As part of the agreement, the companies will collaborate on the Phase 1 trial in patients with chronic lymphocytic leukemia (CLL) in the U.S.A., for which Xencor will continue to carry the costs under its development plan. MorphoSys will be solely responsible for further clinical development. Xencor will receive an upfront payment of US$ 13 million (approx. € 10.6 million), and will be eligible to receive development-, regulatory- and commercialization-related milestone payments and tiered royalties based on product sales. Further financial terms were not disclosed.

XmAb5574, which will be renamed MOR208, is a humanized anti-CD19 monoclonal antibody for the treatment of B-cell malignancies. It has been engineered to possess significantly enhanced antibody-dependent cell-mediated cytotoxicity (ADCC), thus improving a key mechanism for tumor cell killing and offering potential for enhanced efficacy compared to traditional antibodies for the treatment of cancer. In preclinical studies, XmAb5574 was well tolerated at various dose levels, elicited immediate and sustained B-cell depletion, and showed strong anti-tumor potency, anti-proliferative and pro-apoptotic activity. B-cell malignancies, such as non-Hodgkin's lymphoma, chronic lymphocytic leukemia (CLL) and acute lymphoblastic leukemia afflict more than one hundred and fifty thousand patients in the seven major markets each year. The target is expressed more broadly and earlier in B-cell development than CD20, the target of the marketed cancer drug Rituxan®, therefore potentially allowing for an even broader use of XmAb5574 as compared to Rituxan®.

“We are delighted to add this clinical program to our growing portfolio of innovative development candidates,” commented Dr. Simon Moroney, Chief Executive Officer of MorphoSys AG. “Our first in-licensing deal of a clinical compound is a further step in the execution of our plan to build a strong portfolio of proprietary therapeutic antibodies to complement those being developed by our partners. The strong cash-flow from our partnered discovery business gives us the means of supporting an attractive proprietary development program, to which XmAb5574/MOR208 is an important addition.”

“Our interest in XmAb5574 is based on a comprehensive survey of antibodies in late preclinical or early clinical development in the areas of cancer and inflammation,” commented Dr. Arndt Schottelius, Chief Development Officer of MorphoSys AG. “B-cell depletion is a well-validated strategy to treat lymphomas and CLL, exemplified by the success of Rituxan®. We are convinced by the sound scientific data Xencor has built around its anti-CD19 cancer program and we believe it to be a valuable addition to our proprietary pipeline. By further developing the Xencor

program, we will broaden our drug portfolio and also realize synergies with our cancer program MOR202, since both drugs target hematological malignancies.”

“As we look ahead to the potential of XmAb5574 to treat B-cell cancers, a development collaboration with a leading global antibody company like MorphoSys is an important step forward for us by allowing us to bring significant additional resources to the program,” said Dr. Bassil Dahiyat, Chief Executive Officer of Xencor. “Progressing the development of XmAb5574 through this collaboration further underscores the success of our XmAb platform technology in creating a pipeline of innovative and potent next-generation antibody product candidates. We are excited by the progress of both our internal and partnered programs.”

With Xencor carrying the cost for the phase 1 trial of XmAb5574/MOR208, MorphoSys continues to anticipate total internal investment in proprietary R&D of € 26 — 29 million, as per the Company´s original guidance in February 2010.

[…***…]

About MorphoSys:

MorphoSys is an independent biotechnology company that develops novel antibodies for therapeutic, diagnostic and research applications. The Company’s HuCAL technology is one of the most powerful methods available for generating fully human antibodies. By successfully applying this and other proprietary technologies, MorphoSys has become a leader in the field of therapeutic antibodies, one of the fastest-growing drug classes in human health-care. Through its alliances with some of the world’s leading pharmaceutical companies, MorphoSys has created a pipeline of more than 60 drug candidates. The Company is expanding its drug pipeline by adding new partnered programs, and by building a portfolio of fully-owned therapeutic antibodies. For its proprietary portfolio, the Company is focused on the areas of oncology and inflammation. Its most advanced program MOR103, a first-in-class, fully human antibody against GM-CSF, is currently tested in a Phase Ib/IIa trial in rheumatoid arthritis patients. Via its business unit AbD Serotec, MorphoSys is expanding the reach of its technologies in the diagnostics and research markets. MorphoSys is headquartered in Munich, Germany and listed on the Frankfurt Stock Exchange under the symbol “MOR”. For further information, visit http://www.morphosys.com/

HuCAL®, HuCAL GOLD®, HuCAL PLATINUM®, CysDisplay® and RapMAT® are registered trademarks of MorphoSys AG.

About Xencor:

*****Confidential Treatment Requested**

Xencor, Inc. engineers superior biotherapeutics using its proprietary Protein Design Automation® technology platform, and is a leader in the field of antibody engineering to significantly improve antibody half-life, immune-regulatory function and potency. The company is advancing multiple XmAb® antibody drug candidates into the clinic, including XmAb®5871 targeting CD32b and CD19 for autoimmune diseases, an anti-CD30 candidate XmAb®2513 which recently completed a Phase 1 clinical trial for the treatment of Hodgkin’s lymphoma, and a portfolio of biosuperior antibodies that are versions of blockbuster antibody drugs engineered for superior half-life and dosing schedule. Xencor’s antibody engineering technology has been licensed through multiple partnerships with industry leaders such as Pfizer, CSL Ltd., Boehringer Ingelheim, MedImmune, Centocor and Human Genome Sciences. In these partnerships Xencor is applying its suite of proprietary antibody Fc domains to improve antibody drug candidates for traits such as sustained half-life and potency. For more information, please visit www.xencor.com.

XmAb® is a registered trademark of Xencor

This communication contains certain forward-looking statements concerning the MorphoSys group of companies. The forward-looking statements contained herein represent the judgment of MorphoSys as of the date of this release and involve risks and uncertainties. Should actual conditions differ from the Company’s assumptions, actual results and actions may differ from those anticipated. MorphoSys does not intend to update any of these forward-looking statements as far as the wording of the relevant press release is concerned.

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EXHIBIT J

Xencor Development Plan

[…***…]

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EXHIBIT K

Licensed Know-How

[…***…]

*****Confidential Treatment Requested**

[…*…]**

*****Confidential Treatment Requested**

[…*…]**

*****Confidential Treatment Requested**

[…*…]**

*****Confidential Treatment Requested**

EXHIBIT L

Protocol for Measurement of Affinity Constants of Binding and CDC Activity

[…***…]

*****Confidential Treatment Requested**

EXHIBIT M

[…*…]**

[…***…]

*****Confidential Treatment Requested**

Exhibit 10.20

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

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Email: info@morphosys.com
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Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Attn: Bassil Dahiyat, CEO
Fax: +1 626 305 0350

Copy: Morisson & forester LLP
425 Market Street
San Francisco, CA 94105
Attn: Laura O. Spiegelman
Fax: +1 415 268 7522

CONFIDENTIAL

March 23rd, 2012

Re: First Amendment to the Collaboration and License Agreement ("Agreement") effective as of June 27, 2010, between Xencor, Inc. ("Xencor") and MorphoSys AG ("MorphoSys"), related to the extension of the Ongoing Phase I Trial(1).

Dear Bassil,

MorphoSys and Xencor have decided and agreed that the Ongoing Phase I Trial performed under the Agreement by Xencor shall be extended and that the Xencor Development Plan shall be amended accordingly.

Therefore, the Parties agree that Exhibit J (Xencor Development Plan) of the Agreement shall be amended to cover all activities defined in the […***…]

Xencor shall perform the Additional Activities in compliance with the terms of the Agreement (including this First Amendment) and with the […***…]. Xencor shall at all times remain the sponsor of such Additional Activities within the […***…].

MorphoSys shall pay for the clinical costs actually incurred by Xencor to complete the Additional Activities ("Additional Clinical Costs"), an estimation of which costs was provided by Xencor as set out in Appendix A hereto. Xencor shall closely inform MorphoSys on the status of the actual Additional Clinical Costs and shall promptly upon receipt provide MorphoSys with copies of all invoices received by Xencor from the Third Parties performing the Additional Clinical Activities (including CRO and clinical sites). MorphoSys shall also pay

(1) All capitalized terms in this First Amendment shall have the meaning ascribed to them in the Agreement, unless otherwise expressly set out.

***** Confidential Treatment Requested**

for the Licensed Product manufactured by […***…]. For the avoidance of doubt, any other batch of Licensed Product used by Xencor for the Additional Activities shall be and remain fully at Xencor's cost.

This First Amendment letter shall become effective as of the date of the date of Xencor's countersignature below.

Except as expressly amended hereby, the Agreement shall continue in full force and effect. This First Amendment is incorporated and made a part of the Agreement between MorphoSys and Xencor. In the event of any conflict or inconsistency between the Agreement and this First Amendment, the latter shall prevail.

If the foregoing terms are agreeable to Xencor, please countersign and date this letter herebelow and return the original to MorphoSys.

Best regards,

MorphoSys AG

Name: /s/ Dr. Andy Schottelin

Title: CDO

Date: March 23, 2012

Name: /s/ Dr. Marlies Sproll

Title: CSO

Date: March 23, 2012

Xencor, Inc.

Name: /s/ Bassil Dahiyat

Title: President and CEO

Date: March 28, 2012

Appendix A

Additional Clinical Costs estimate

[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]		
[…***…]	[…***…]		
[…***…]	[…***…]		
[…***…]		[…***…]	

Exhibit 10.21

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**
Execution Copy

COLLABORATION AND OPTION AGREEMENT

THIS COLLABORATION AND OPTION AGREEMENT ("Agreement") dated as of December 22, 2010 ("Effective Date"), is entered into between XENCOR, INC., a Delaware corporation having its principal place of business at 111 West Lemon Avenue, Monrovia, CA 91016 ("Xencor") and AMGEN INC., a Delaware corporation, having its principal place of business at One Amgen Center Drive, Thousand Oaks, California 91320-1799 ("Amgen"). Amgen and Xencor are sometimes referred to herein individually as a "Party" and collectively as the "Parties". Capitalized terms used herein shall have the definitions set forth in Article 1.

BACKGROUND

WHEREAS, Xencor is pursuing preclinical and clinical development of a novel therapeutic antibody that binds to CD19 and is engineered to have heightened binding to CD32b (XmAb5871), Controls certain patents, know-how and other intellectual property related to XmAb5871, and will continue the development of XmAb5871 through the Collaboration Period.

WHEREAS, Amgen desires to obtain from Xencor certain rights with respect to XmAb5871 and Products based thereon, including an exclusive Option to Develop and commercialize XmAb5871 and Products, and Xencor is willing to grant to Amgen such Option on the terms and conditions set forth in this Agreement.

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

1. DEFINITIONS

As used in this Agreement, the following capitalized terms will have the meanings set forth in this Article 1.

1.1 "Affiliate" of a Party means any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Party, as the case may be, for as long as such control exists. As used in this Section 1.1, "control" means: (a) to possess, directly or indirectly, the power to direct the management and policies of such Person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance; or (b) direct or indirect beneficial ownership of more than 50% (or such lesser percentage that is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) of the voting share capital in such Person.

1.2 "Affinity Constant of Binding" means the affinity of an Antibody Fc to a Fcg receptor as determined using the protocol in Schedule L attached hereto. The Affinity Constant of Binding is increased, greater or higher if the K_A value is nominally increased; as an example, a K_A of 10^7 1/M is increased, greater or higher than 10^6 1/M.

1.3 "Amgen and Joint Compound-Specific Patents" has the meaning set forth in Section 9.7(c)(i).

1.4 "Amgen Blocking Patents" has the meaning set forth in Section 9.7(c)(ii).

1.5 "Amgen Invention" has the meaning provided in Section 8.1(a).

1.6 "Amgen Know-How" means, to the extent necessary or useful for the manufacture, Development or commercialization of a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), all Information and Materials (including Data) Controlled by Amgen during the Term,

including Amgen Inventions, that was generated or used by Amgen in the course of manufacturing, Developing or commercializing a Compound or Product, but excluding any rights under Patents. For the avoidance of doubt, Amgen Know-How shall exclude: (a) Information and Materials to the extent pertaining to the composition of matter or formulation of, or any method of making or using, any Antibody that is not a Compound or any product that is not a Product; and (b) Information and Materials regarding technologies that Amgen does not actually use for the manufacture, Development or commercialization of Compounds or Products.

1.7 "Amgen Patents" means Patents that Amgen Controls during the Term that Claim the composition of matter of, or any method of making or using, any Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound); but excluding the Joint Patents.

1.8 "Amgen Technology" means the Amgen Patents and the Amgen Know-How.

1.9 "Annual Net Sales" means total Net Sales of a Product in the Territory in a particular calendar year.

1.10 "Antibody" means (i) a whole antibody, including a murine, chimeric, human, humanized, fully human, recombinant, transgenic, grafted, phage display-derived, or single chain antibody and the like, (ii) any fragment or combination of fragments, homolog, variant, derivative, modification or improvement to any of the foregoing, including any fusions thereof (including peptibodies) and additions, deletions or substitutions thereto of amino acids, peptides or other moieties, and (iii) any altered forms of any of the foregoing, including any forms with PEGylation, altered glycosylation, altered phosphorylation and the like.

1.11 "Applicable Laws" means the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidances, ordinances, judgments, decrees, directives, injunctions, orders, permits of or from any court, arbitrator, Regulatory Authority or governmental agency or authority having jurisdiction over or related to the subject item.

1.12 "Binds" means, with respect to the binding affinity of an Antibody for CD19 antigen, that such Antibody specifically binds to human CD19 antigen […***…], where mean fluorescence intensity is plotted as a function of Antibody concentration and EC50 values of binding are determined by sigmoidal dose response modeling.

1.13 "BLA" means (a) a Biologics License Application as described in Title 21 of the U.S. Code of Federal Regulations, Part 601, *et seq.*, that is filed with the FDA in order to gain the FDA's approval to commercialize a biologic pharmaceutical product in the United States; or (b) any corresponding foreign application in another country or regulatory jurisdiction in the Territory, including in the case of the European Union, a Marketing Approval Application filed with the EMA pursuant to the centralized approval procedure or with the applicable Regulatory Authority of a country in the European Union with respect to the mutual recognition or any other national approval procedure.

1.14 "Change of Control" means: (a) a sale of all or substantially all of the assets of a Party in one or a series of related transactions to a Third Party (or a "group" as defined in Section 13D of the Securities Exchange Act of 1934, as amended); (b) the acquisition by a Third Party (or such a group), in one or a series of related transactions, of beneficial

ownership of more than 50% of the voting equity securities of a Party; or (c) a merger, reorganization or consolidation involving a Party, as a result of which a Third Party (or such a group) acquires direct or indirect beneficial ownership (within the meaning of Section 13D of the Securities Exchange Act of 1934, as amended) of more than 50% of the voting power of the surviving entity immediately after such merger, reorganization or consolidation; but, in each case, excluding: (i) any transaction effected exclusively to change the domicile of a Party; (ii) any public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of a Party's equity securities for the account of a Party; (iii) any other transaction or series of transactions effected solely for *bona fide* equity financing purposes in which cash is received by a Party or indebtedness of a Party is cancelled or converted or a combination thereof; and (iv) a consolidation with a wholly-owned subsidiary of a Party; provided that in the cases of (i)—(iv) such transaction will be excluded from the definition of Change of Control only if, upon the closing of such transaction, a Significant Pharmaceutical Company does not have beneficial ownership of more than 50% of the voting securities of such Party.

1.15 "Claim" or "Claims" or "Claiming" with respect to Patents means that the relevant Patent has claims that cover the recited subject matter, whether or not such subject matter is explicitly identified in such Patent claims.

1.16 "Co-Funding Arrangement" has the meaning provided in Section 6.3.

1.17 "Collaboration Period" means the period beginning on the Effective Date and ending on the earlier to occur of (a) the Option Exercise Date, or (b) the termination of this Agreement.

1.18 "Commercially Reasonable Efforts" means, with respect to a Party's obligation under this Agreement to conduct a particular activity, that level of efforts and resources required to carry out such obligation consistent with the efforts a similarly-situated company (defined below) devotes to a pharmaceutical product of similar market potential, resulting from its own research efforts or in-licensed, at a similar stage in its development or product life, based on conditions then prevailing, including patent coverage, safety and efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the compound or product, the regulatory structure involved, expected value and profitability of the products (including costs and risks associated with Development and commercialization), and other technical, legal, scientific, medical and/or strategic considerations. A "similarly-situated company" means (a) in the case of Amgen, a global pharmaceutical company with worldwide annual pharmaceutical sales, in the most recently completed year for which such sales data is available, in excess of $[…***…], as determined by reference to data from IMS Health or a similarly reputable and reliable source; and (b) in the case of Xencor, a venture capital-funded company in the biopharmaceutical industry having pharmaceutical candidates in a similar stage of development to Compound and Products.

1.19 "Completion Option" has the meaning provided in Section 3.3.

1.20 "Completion Right" means the rights conferred on Amgen upon exercise of the Completion Option under subparagraph (i) or subparagraph (ii) of Section 3.3, as applicable.

1.21 "Compound" means:

(a) XmAb5871;

(b) any Antibody that Binds to CD19 and comprises any of the Fc variants listed in Schedule A attached hereto (as "variant" is defined in such Schedule); *provided, however,* that such Antibody is […***…], unless such […***…] meets the criteria set forth in subparagraphs (x),(y) and (z) of paragraph (c) below; or

(c) any Antibody that (i) Binds to CD19, (ii) comprises an Fc variant Controlled by Xencor or Amgen during the Term, and (iii) meets the following criteria:

(x) such Antibody does not: (A) increase the Affinity Constant of Binding to […***…] by more than a factor of […***…] compared to […***…]; (B) increase the Affinity Constant of Binding to […***…] by more than a factor of […***…] compared to […***…]; and (C) have an absolute level of […***…] (as set forth in Schedule L) of […***…] than the absolute level of maximal lysis of […***…];

(y) such Antibody does have an Affinity Constant of Binding to […***…] that is […***…] higher than the Affinity Constant of Binding of […***…] to […***…]; and

(z) such Antibody does not: (A) have an Affinity Constant of Binding to […***…] that is higher than […***…] of such Antibody's Affinity Constant of Binding to […***…]; and (B) have an Affinity Constant of Binding to […***…] that is more than […***…] higher than the Affinity Constant of Binding of […***…] to […***…].

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, and for the avoidance of doubt, "Compound" specifically excludes: (1) any […***…]; and (2) the Excluded Antibodies.

For purposes of this Section, an Antibody shall be considered "[…***…]" if […***…].

1.22 "Confidential Information" has the meaning provided in Section 7.1.

1.23 "Control" (including any variations such as "Controlled" and "Controlling"), in the context of intellectual property rights or other items of a Party, means, subject to Section 13.9, that such Party, or any of its Affiliates, owns or possesses rights to intellectual property sufficient to grant the applicable license under this Agreement (at the time such grant would be made hereunder), without violating the terms of an agreement with a Third Party under which such Party or Affiliate first acquired rights to such intellectual property or item.

1.24 "Core Collaboration Period Development Activities" shall mean those activities set forth in the Pre-POC Development Plan appended hereto as Schedule I.

1.25 "Data" means any and all research data, pharmacology data, preclinical data, clinical data and/or other test data and all results regarding a Compound or Product, including all reports and other documents containing any such data and results or any analyses or interpretations thereof (or copies of the foregoing), in each case that are Controlled by a Party as of the Effective Date or during the Term.

1.26 "Development" means all activities related to developing a Compound or Product, or obtaining Marketing Approvals for such Products (including label expansions and new formulations), including preclinical testing, toxicology, formulation, clinical trials, regulatory affairs, investigator meetings, data collection, validation and analysis,

process development, preparation and filing of Regulatory Documents, research directed to mechanism of action or new indications, and the like. It is understood that the Development includes (a) clinical trials and preclinical studies conducted after Regulatory Approval (such as carcinogenicity studies, preclinical studies to establish pediatric dosing and the like) that are required or requested by a Regulatory Authority to be conducted after Regulatory Approval, as a condition of or in connection with obtaining or maintaining such Regulatory Approval, and (b) manufacturing-related activities for the foregoing purposes or preparing for commercial sale, including process development, scale-up and validation for a Compound or Product (excluding manufacturing batches for validation and registration purposes, to the extent such batches are actually used as commercial supplies), test method, assay and packaging development, stability testing, and the like. The term "Develop" shall have a correlative meaning.

1.27 "Development Committee" or "DC" has the meaning provided in Section 2.1.

1.28 "Development Costs" means, with respect to a Development Plan (or specified activities thereunder, as applicable), the internal and external costs and expenses incurred by Amgen or its Affiliate in connection with the performance of such Development Plan (or the applicable activities thereunder, as applicable); in either case, including Allocable Overhead (defined below). Development Costs will include, but not be limited to the following, in each case to the extent attributable to specific Development Plan activities: (i) costs of […***…]; (ii) […***…]; (iii) costs […***…]; (iv) fees and costs of […***…]; and (v) the costs of […***…]. Development Costs shall, in any event, exclude (a) any […***…]and (b) […***…].

For purposes of this definition:

(a) "Allocable Overhead" means Amgen's internal allocation, based on direct project headcount or other generally accepted activity-based accounting methods, of indirect overhead costs incurred by Amgen or any of its Affiliates to support and carry out the applicable Development Plan activities, which indirect costs may include but are not limited to: indirect labor costs; occupancy costs; repair and maintenance costs; equipment costs; insurance costs; outside professional and other service costs; and corporate general and administrative functions and activities, including, by way of example, executive management, investor relations, business development, finance and accounting, management information systems, human resources, and legal, patent and trademark; provided that Allocable Overhead shall not exceed […***…] of the direct costs (including direct overhead, such as direct manufacturing overhead) within the Development Costs in any calendar quarter.

(b) "Cost of Goods" shall mean, with respect to any bulk or finished Product, but subject to the last sentence of this paragraph, the actual fully allocated cost of manufacturing such Product (in accordance with cGMPs, if applicable)

determined in accordance with GAAP, applied consistently throughout the organization of Amgen or its Affiliate(s) determining such costs, which includes the direct and indirect cost of any raw materials, packaging materials and labor (including benefits) utilized in such manufacturing (including formulation, filling, finishing, quality assurance, quality control and stability testing, labeling and packaging, as applicable), plus an appropriate share of all factory overhead, both fixed and variable, allocated to the Product being manufactured, in accordance with the normal accounting practices for all other products manufactured in the applicable facility. "Cost of Goods" shall exclude any allocation of cost related to excess capacity not specifically reserved for the production of Compounds or Products.

1.29 "Development Plan" means the Pre-POC Development Plan or Post-Exercise Development Plan, as applicable.

1.30 "Development Support Rate" has the meaning provided in Section 3.7(e).

1.31 "EMA" means the European Medicines Agency of the European Union, or any successor entity thereto performing similar functions.

1.32 "Excluded Antibodies" means: (i) XmAb5574; (ii) any other Antibody that Binds to CD19 and contains an Fc variant listed in Schedule B (as "variant" is defined in such Schedule); and (iii) any Antibody that Binds to CD19 and contains any Fc variant(s) that has a […***…] greater Affinity Constant of Binding to […***…] relative to […***…] and that […***…].

1.33 "FDA" means the United States Food and Drug Administration, or any successor entity thereto performing similar functions.

1.34 "FD&C Act" means the federal Food, Drug and Cosmetic Act, as amended, and the regulations promulgated thereunder from time to time.

1.35 "Field" means any and all applications and uses.

1.36 "Filing" of a BLA shall be deemed to occur on the date of receipt of written notice of acceptance from the FDA in the United States, or other relevant Regulatory Authority outside of the United States, of such BLA for substantive review.

1.37 "First Commercial Sale" means, with respect to any Product in any country, the first sale for end use or consumption of such Product in such country after Marketing Approval has been granted by the applicable Regulatory Authority in such country.

1.38 "GAAP" means the then-current generally accepted accounting principles in the United States as established by the Financial Accounting Standards Board or any successor entity generally recognized as having the right to establish such principles in the United States, or the equivalent generally accepted accounting standard used by Amgen from time to time.

1.39 "Incomplete Pre-POC Activities" has the meaning provided in Section 3.2(c).

1.40 "IND" means any Investigational New Drug Application (including any amendments thereto) filed with the FDA pursuant to 21 CFR Part 312 before the commencement of clinical trials of a Product, or any comparable filings with any Regulatory Authority in any other jurisdiction.

1.41 "Information and Materials" shall mean techniques, technology, trade secrets, inventions (whether patentable or not), methods, know-how, data and results (including pharmacological, toxicological and clinical data and results), analytical and quality control data and results, Regulatory Documents, and other information, compositions of matter, cells, cell lines, assays, animal models and other physical, biological, or chemical material.

1.42 "Initial Option Exercise Fee" has the meaning provided in Section 6.2(a).

1.43 "Initial Plan and Budget Forecast" has the meaning provided in Section 6.3(b).

1.44 "Initiation" of a clinical trial means the first dosing of a human subject in such clinical trial.

1.45 "Invention" means any invention, whether or not patentable, that is made, conceived or reduced to practice by personnel of one or both Parties in connection with this Agreement.

1.46 "Joint Invention" has the meaning provided in Section 8.1(a).

1.47 "Joint Patents" means Patents Claiming Joint Inventions.

1.48 "License" has the meaning provided in Section 5.1.

1.49 "Lupus" means systemic lupus erythematosus.

1.50 "Major EU Market" means any of France, Germany, Italy, Spain, the United Kingdom, or the European Union as a whole.

1.51 "Major Market" means any of the U.S., a Major EU Market or Japan.

1.52 "Marketing Approval" means all approvals, licenses, registrations or authorizations of the Regulatory Authority in a country, necessary for the manufacture, use, storage, import, marketing and sale of a Product in such country. For countries where governmental or other similar approval of pricing and/or reimbursement is granted for marketing in such country, Marketing Approval shall not be deemed to occur until such pricing or reimbursement approval is obtained; *provided*, *however*, that Marketing Approval shall be deemed to have occurred for a particular indication for a Product in such jurisdiction no later than the first sale for end use or consumption of such Product in such country after the applicable Regulatory Authority in such country approves a BLA for such Product.

1.53 "Milestone" has the meaning provided in Section 6.5.

1.54 "MS" means multiple sclerosis.

1.55 "Net Sales" means the gross invoiced sales price of a Product sold by or on behalf of Amgen, its Affiliates or Sublicensees to Third Parties that are not affiliates or sublicensees of the selling party, less the following reasonable and customary items, solely to the extent allocable to such Product (and not previously deducted in calculating the amount invoiced), and as determined in accordance with GAAP, consistently applied:

(a) […***…];

(b) […***…];

(c) […***…];

(d) […***…];

(e) […***…];

(f) […***…];

(g) […***…]

(h) […***…].

Notwithstanding the foregoing, […***…] shall not be included within Net Sales; […***…]. In addition, in calculating Net Sales:

(1) If Amgen or any of its Affiliates or Sublicensees effects a sale, disposition or other transfer of a Product to a customer in a particular country at a price that is not an arm's length sales price, the Net Sales of such Product to such customer shall […***…].

(2) Any […***…].

(3) In the event a Product is sold in a finished dosage form containing a Product in combination with at least one other therapeutically active ingredient that is not a Product (a "Combination Product") in a country in a calendar quarter, then Net Sales of such Product in such country in such quarter shall be calculated by […***…].

[…***…]

[…***…].

If […***…].

If […***…], as determined by mutual written agreement of the Parties (such agreement not to be unreasonably withheld).

1.56 "Option" has the meaning provided in Section 3.6.

1.57 "Option Data Package" means: (a) the POC Trial Report and all Data generated by or under authority of Xencor in performing the Core Collaboration Period Development Activities; and (b) such other existing information within the Xencor Know-How as Amgen reasonably requests: (i) no later than […***…] after delivery to Amgen of the POC Trial Report, if Xencor performs the Phase 2 POC Trial, or if Amgen directs the performance of the Phase 2 POC Trial by Xencor's contractors in accordance with Schedule M pursuant to exercise of the Completion Right in accordance with Section 3.3(d); or (ii) no later than […***…] after data lock of the Phase 2 POC Trial, if Amgen performs the Phase 2 POC Trial in accordance with Schedule M pursuant to exercise of the Completion Right in accordance with Section 3.3(a), 0 or 3.3(c).

1.58 "Option Exercise Date" means the date on which Amgen has delivered to Xencor an Option Exercise Notice and paid to Xencor the Initial Option Exercise Fee, each in accordance with Section 3.6 below.

1.59 "Option Exercise Notice" has the meaning provided in Section 3.6 below.

1.60 "Option Period" means the period beginning on payment of the fee specified in Section 6.1 and expiring upon the earliest of: (a) the 90th day after delivery to Amgen of the Option Data Package following completion of all Core Collaboration Period Development Activities; (b) the termination of this Agreement; or (c) 91 days after the 6th anniversary of the Effective Date (or, if Amgen exercises the Completion Option in accordance with Section 3.3(a), 3.3(b) or 3.3(c) below, the 10th anniversary of the Effective Date).

1.61 "Option Period Invention" means any Amgen Invention or Joint Invention that, in each case, is: (a) made on or after the Effective Date and prior to expiration or termination of the Option Period in the course of performance of any activity contemplated by the Pre-POC Development Plan or the manufacturing activities conducted by Amgen pursuant to Section 3.4 below, and (b) directed to any Compound, alone or as

incorporated into a Product, or any Product (excluding any active ingredient that is not a Compound), or any Excluded Antibody, or the manufacture, use or formulation of any Compound, Product or Excluded Antibody. For clarity, Option Period Inventions exclude: (i) any invention made or developed by Amgen independently of the Pre-POC Development Plan and without using Confidential Information of Xencor; and (ii) any Amgen Invention or Joint Invention directed to the manufacture or production of subject matter other than Compounds, Products and Excluded Antibodies, and not specifically directed to Compounds, Products and/or Excluded Antibodies.

1.62 "Orphan Indication" means, on a country-by-country basis, an indication for which a Product has been granted orphan drug exclusivity under Section 527 of the FD&C Act, or has been granted a corresponding exclusivity under the Applicable Laws of another Major Market.

1.63 "Other Indication" means any indication other than Lupus, RA or an Orphan Indication.

1.64 "Patent(s)" means any provisional and non-provisional patents and patent applications, together with all additions, divisions, continuations, continuations-in-part, substitutions, reissues, re-examinations, extensions, registrations, patent term extensions, supplemental protection certificates, renewals and the like with respect to any of the foregoing.

1.65 "Person" means any individual, corporation, partnership, firm, association, joint venture, joint stock company, trust or other entity, or any government or regulatory administrative or political subdivision or agency, department or instrumentality thereof.

1.66 "Phase 1 Trial" means a clinical trial that meets the requirements of 21 CFR § 312.21(a) (or its successor regulation), including any such clinical trial in any country outside the United States.

1.67 "Phase 1a Trial" means a Phase 1 Trial of a Product meeting the Phase 1a study requirements in Pages 3 and 4 of the Pre-POC Development Plan attached hereto or otherwise agreed to by the Parties in writing.

1.68 "Phase 1b Trial" means a Phase 1 Trial of a Product meeting the Phase 1b study requirements in Pages 5 and 6 of the Pre-POC Development Plan attached hereto or otherwise agreed to by the Parties in writing.

1.69 "Phase 2 POC Trial" means a clinical trial of a Product that meets (a) the requirements of 21 CFR § 312.21(b) (or its successor regulation), including any such clinical trial in any country outside the United States and (b) the study requirements in Page 9 of the Pre-POC Development Plan attached hereto or otherwise agreed to by the Parties in writing.

1.70 "Phase 3 Trial" means a clinical trial that would satisfy the requirements for a Phase 3 study as defined in 21 CFR § 312.21(c) (or its successor regulation), including, any such clinical trial in any country outside the United States and that is intended to be of a size and power sufficient to serve as a pivotal trial for the approval of a BLA for the indication studied.

1.71 "Pre-POC Development Plan" has the meaning provided in Section 3.1.

1.72 "Pre-POC Milestone" has the meaning provided in Section 6.4.

1.73 "POC Trial Report" means the final study report from the Phase 2 POC Trial by the trial investigators, including completed case report forms for all patients who participated in the Phase 2 POC Trial. For purposes of this definition, the study report shall be deemed

"final" at such time as such report is in the form that will be filed with the FDA and Xencor has no further comments to such report and accepts such report as final.

1.74 "Post-Exercise Development Budget" has the meaning provided in Section 3.8(a).

1.75 "Post-Exercise Development Plan" has the meaning provided in Section 3.8(a).

1.76 "Post-POC Milestone" has the meaning provided in Section 6.5.

1.77 "Product" means any pharmaceutical product containing any Compound, alone or in combination with one or more other active pharmaceutical ingredients, in any dosage form or formulation.

1.78 "RA" means rheumatoid arthritis.

1.79 "Regulatory Authority" means the FDA, EMA or a regulatory body with similar regulatory authority in any other jurisdiction within the Territory.

1.80 "Regulatory Documents" means all regulatory documentation, information and submissions relating to Compound or Products, including all Regulatory Filings and correspondence with Regulatory Authorities with respect to Compound or Products.

1.81 "Regulatory Filing" means all approvals, licenses, registrations, submissions and authorizations made to or received from a Regulatory Authority in a country necessary for the Development, manufacture and/or commercialization of a pharmaceutical product in the Territory, including any INDs, BLAs, Marketing Approval Applications and Marketing Approvals.

1.82 "Restricted Antibody" means any Antibody that Binds to CD19 and has an Affinity Constant of Binding to […***…] that is […***…] higher than the Affinity Constant of Binding of […***…] to […***…].

1.83 "Royalty Term" has the meaning provided in Section 6.7(d).

1.84 "Second Option Exercise Fee" has the meaning provided in Section 6.2(b).

1.85 "Shared Development Costs" means the sum of: (a) all Development Costs incurred after the Option Exercise Date in accordance with the Post-Exercise Development Plan and the Post-Exercise Development Budget then in effect, not to exceed in any calendar year […***…] of the total Development Costs reflected for such year in the Initial Plan and Budget Forecast for such year (the amount in excess of […***…] of such total Development Costs, the "Excess Development Costs"); and (b) […***…] of the Excess Development Costs.

1.86 "Significant Pharmaceutical Company" means a company that is engaged in the business of selling pharmaceutical products, whose revenues (on a consolidated basis in the last full fiscal year prior to the closing of any Change of Control) was in excess of $[…***…]. Any affiliate (as defined in Section 1.1, *mutatis mutandis*) of such company shall be deemed to be a Significant Pharmaceutical Company.

1.87 "Sublicensee" means a Third Party to whom Amgen has granted a sublicense under the License. For clarity, the Parties agree that any bona fide Third Party distributor who purchases Products from Amgen or its Affiliates at arm's length transfer prices for resale outside the United States, Europe and Japan shall not be deemed a Sublicensee under this Agreement so long as such distributor is not granted a sublicense under the License (other than an implied sublicense arising from purchase of Products and rights to Regulatory Documents, Regulatory Filings and related Data).

1.88 "Term" has the meaning provided in Section 9.1.

1.89 "Territory" means the world.

1.90 "Third Party" means any Person other than Xencor, Amgen and their respective Affiliates.

1.91 "Valid Claim" means a claim of: (a) an issued and unexpired Patent (including the term of any patent term extension, supplemental protection certificate, renewal or other extension) within the Xencor Patents, Amgen Patents, or Joint Patents, that has not been held unpatentable, invalid or unenforceable in a final decision of a court or other government agency of competent jurisdiction from which no appeal may be or has been taken, and that has not been admitted to be invalid or unenforceable through reissue, re-examination, disclaimer or otherwise; or (b) a pending Patent application within the Xencor Patents, Amgen Patents, or Joint Patents that has not been irretrievably cancelled, withdrawn or abandoned; *provided*, *however*, that if a claim of a pending patent application within the Xencor Patents, Amgen Patents, or Joint Patents shall not have issued within 7 years after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim for the purposes of this Agreement unless and until a Patent issues with such claim (from and after which time the same would be deemed a Valid Claim subject to the first sentence of the definition above).

1.92 "[…***…]" means the […***…] Antibody that Xencor refers to internally as […***…] or […***…], which has […***…] and a […***…], and the […***…].

1.93 "Xencor Invention" has the meaning provided in Section 8.1(a).

1.94 "Xencor Know-How" means, to the extent necessary or useful for the manufacturing, Development or commercialization of a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), all Information and Materials (including Data) that Xencor Controls on the Effective Date or during the Option Period or thereafter to the extent generated by or on behalf of Xencor in the course of activities related to any Compound or Product, but excluding any rights under Patents. For the avoidance of doubt, Xencor Know-How shall exclude: (a) Information and Materials to the extent pertaining to the composition of matter or formulation of, or any method of making or using, any Antibody (including any Excluded Antibody) that is not a Compound or any product that is not a Product, unless it is Controlled by Xencor and is reasonably necessary to manufacture, Develop or commercialize a Compound or Product; and (b) Information and Materials regarding Xencor's proprietary XmAb® antibody engineering technologies, including […***…].

1.95 "Xencor Patents" means Xencor Compound-Specific Patents, Xencor CD19 Patents and/or Xencor Background Patents, as applicable, as each such term is defined below:

(a) "Xencor Compound-Specific Patents" means all Patents that Xencor Controls as of the Effective Date or during the Term that: (i) Claim the composition of matter or formulation of, or any method of making or using, a Compound (including any such composition, formulation or method that constitutes a Xencor Invention), and (ii) do not Claim the composition of matter or formulation of, or any method of making or using, any Antibody that is neither a Compound nor a Restricted Antibody; including all Patents claiming any Xencor Invention that satisfies the requirements set forth in the preceding clauses (i)

and (ii); but excluding the Joint Patents. The Xencor Compound-Specific Patents existing on the Effective Date are set forth on Schedule D.

(b) "Xencor CD19 Patents" means all Patents that Xencor Controls as of the Effective Date or during the Term that: (i) Claim only the composition of matter or formulation of, or any method of making or using, a Compound (alone or as incorporated into a Product, or a Product) and one or more other Antibodies that specifically bind to CD19, and (ii) do not Claim an Antibody that does not specifically bind to CD19; but excluding the Xencor Compound-Specific Patents and the Joint Patents. For the avoidance of doubt, the Xencor CD19 Patents exclude Patents Controlled by Xencor that Claim the composition of matter or formulation of, or any method of making or using, any Antibody that does not specifically bind to CD19. The Xencor CD19 Patents existing as of the Effective Date are set forth on Schedule E, and notwithstanding the foregoing or anything else in this Agreement, the Patents identified in Schedule E as of the Effective Date shall in any case be deemed Xencor CD19 Patents.

(c) "Xencor Background Patents" means all Patents that Xencor Controls as of the Effective Date or during the Term that:

(i) would, but for the License, be infringed by the manufacture, use sale, offer for sale or importation of a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), but are neither Xencor Compound-Specific Patents nor Xencor CD19 Patents; or

(ii) are directed to Xencor's […***…], in each case, solely as and to the extent such technology is incorporated and embodied in XmAb5871 or any other Compound;

but excluding in each of (a), (b) and (c) above, without limitation, Xencor-Controlled Patents to the extent such Patents Claim Xencor's […***…]. For avoidance of doubt, Xencor Background Patents exclude any and all Xencor Compound-Specific Patents and Xencor CD19 Patents. The Xencor Background Patents existing as of the Effective Date are set forth on Schedule F.

1.96 "Xencor Sharing Percentage" has the meaning set forth in Section 3.8(a).

1.97 "Xencor Technology" means the Xencor Patents and the Xencor Know-How.

1.98 "Xencor XmAb High ADCC (Antibody Dependent Cell Cytotoxicity) Technology" means Xencor proprietary antibody engineering technology to increase the cytotoxic effector function of an Antibody, including antibody dependent cell cytotoxicity, phagocytosis, and complement dependent cytotoxicity.

1.99 "Xencor XmAb Xtend Technology" means Xencor proprietary antibody engineering technology to prolong the half-life of an Antibody.

1.100 "XmAb5574" means that certain monoclonal anti-CD19 Antibody referred to internally by Xencor as XmAb5574, having the amino acid sequence set forth in Schedule G.

1.101 "XmAb5871" means that certain monoclonal anti-CD19 Antibody referred to internally by Xencor as XmAb5871, having the amino acid sequence set forth in Schedule H.

2. GOVERNANCE

2.1 Establishment of Development Committee. Within 30 days following the Effective Date, Xencor and Amgen shall establish a Development Committee ("Development Committee" or "DC").

2.2 Role and Responsibilities. Except as expressly set forth in this Agreement, both during and after the Collaboration Period, the DC's role shall be primarily informational and advisory. The DC's principal responsibility shall be to encourage and facilitate the exchange of Information and Materials, including the disclosure of Data and Inventions as required hereunder, between the Parties with respect to the Development of Compound and Products as contemplated by Article 3. Without limiting the generality of the foregoing, the DC shall:

(a) During the Collaboration Period, provide a forum for each Party to disclose to the other on an ongoing basis all results, including Data, of Pre-POC Development Plan activities performed by such Party;

(b) Periodically review the Development Plans, and consider and approve modifications thereto, provided that, during any period after the Option Exercise Date when Xencor is not sharing Development Costs pursuant to Section 6.3, Amgen shall have the sole authority to amend the Post-Exercise Development Plan, and the DC shall have no such authority;

(c) Oversee and coordinate the technology transfer activities contemplated by Section 3.4 and, if applicable, Section 3.7;

(d) Throughout its existence, provide a forum for each Party to keep the other Party informed regarding the progress and results of such Party's Development efforts with respect to Compound and Products;

(e) Provide a forum to allow Amgen prior to Option exercise, and Xencor after Option exercise, (i) to ask the other Party questions regarding, and discuss the progress and results of, the other Party's Development and regulatory activities, and (ii) to make comments and suggestions to the other Party regarding Product Development and regulatory strategy;

(f) Attempt in good faith to resolve misunderstandings and differences arising between the Parties arising in the course of the activities contemplated by Article 3; and

(g) Perform such other duties as are specifically assigned to the DC in this Agreement or as otherwise agreed in writing by the Parties.

2.3 Membership. The DC shall be composed of 3 representatives from each of Amgen and Xencor, each appointed by the Party they represent. Initial members of the DC will be appointed by each Party within 30 days of the Effective Date. Either Party may replace its respective DC representatives at any time by written notice to the other Party. The DC will be chaired by a Xencor representative prior to the Option Exercise Date and an Amgen representative thereafter. The chairing Party may, from time to time and in its sole discretion, change the representative who serves as the DC chairperson by written notice to the other Party.

2.4 Meetings. The DC shall meet at least once each calendar quarter, or more often as otherwise agreed by the Parties. All DC meetings may be conducted by telephone, video-conference or in person as agreed by the Parties; provided, however, that the DC

shall meet in person at least twice each calendar year, unless otherwise agreed. Unless otherwise agreed by the Parties, all in-person meetings of the DC shall be held on an alternating basis between Xencor's facilities and Amgen's facilities. Each Party shall bear its own personnel and travel costs and expenses relating to DC meetings. With the consent of the Parties (not to be unreasonably withheld), other representatives of the Parties may attend any DC meeting as non-voting observers. Each Party will have the right to designate agenda items for DC meetings. Minutes of each DC meeting will be prepared by the chairperson and distributed to the DC members for review and comment within 20 days after each DC meeting, and subject to agreed changes, will be presented for discussion and approval as the first order of business at the immediately succeeding DC meeting.

2.5 Decision-Making. At each DC meeting, at least one member appointed by each Party present in person or by telephone shall constitute a quorum. Decisions of the DC shall be made by unanimous vote, with each Party having one vote and with at least one representative from each Party participating in all votes. In the event that the DC fails to reach unanimous agreement with respect to a particular matter that is specified in this Agreement to be approved by the DC, then upon the request of either Party, such matter shall be referred to the Chief Executive Officer of Xencor and a designated representative of Amgen (who shall be a Vice President or higher), who shall attempt in good faith to resolve such matter. If such individuals are unable to resolve such matter within 45 days of initiating discussions, then, prior to the earlier of the Option Exercise Date or the date of exercise of the Completion Right, the final decision will be made by the Xencor representatives, and after the earlier of the Option Exercise Date or the date of exercise of the Completion Right, the final decision will be made by the Amgen representatives; provided, in each case, that: (a) the Party having final decision-making authority shall give good faith consideration to, and take into account, the other Party's position; and (b) the DC shall have no right to modify the Core Collaboration Period Development Activities (or to modify the Pre-POC Development Plan such that it does not contain or is inconsistent with the Core Collaboration Period Development Activities), or to designate or modify any activities to be undertaken by either Party or any Development resources to be provided by either Party, except, in each case, as expressly agreed by the Parties in writing or as expressly permitted in the exercise of the Completion Right.

2.6 Termination. The DC, and the provisions of this Article 0 shall be in effect during any periods in which Development activities hereunder with respect to Compounds or Products are being conducted, provided that if the Co-Funding Arrangement is not in effect, the DC shall terminate upon the earliest to occur of: (i) filing of a BLA for a Product in each of the U.S., a Major EU Market, and Japan; and (ii) termination of the DC by Amgen pursuant to Section 10.6.

2.7 Scope of Governance. The DC shall not be delegated or vested with rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree. The DC shall not have the power to amend or modify this Agreement, and no decision of the DC shall be made in contravention of any terms or conditions of this Agreement.

2.8 Alliance Managers. Within […***…] following the Effective Date, each Party shall appoint a representative ("Alliance Manager") to facilitate communications between the Parties (including coordinating the transfer of Data or other Information and

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Materials as required under this Agreement) and to act as a liaison between the Parties. Each Party may replace its Alliance Manager at any time upon notice to the other Party.

3. DEVELOPMENT AND COMMERCIALIZATION

3.1 Pre-POC Development Plan. The activities to be performed during the Collaboration Period, and an estimated timeline for such activities, are set forth in the Development plan attached to this Agreement as Schedule I ("Pre-POC Development Plan"). The DC shall review the Pre-POC Development Plan from time to time, and in no event less often than once each calendar half-year during the Collaboration Period.

3.2 Development During the Collaboration Period.

(a) Subject to Section 3.3, during the Collaboration Period: (i) Xencor shall conduct and complete in a reasonably diligent manner the Core Development Plan Activities and any other Development activities assigned to it in the Pre-POC Development Plan, and such other ancillary Development activities as are reasonably necessary for completion of the Core Development Plan Activities; (ii) for each biomarker specifically identified as a non-Xencor assay in the Pre-POC Development Plan for which Amgen has developed an assay as of the Effective Date (each, an "Existing Assay"), Xencor's obligation to conduct such assay is conditioned upon Amgen disclosing or transferring (as applicable) to Xencor such Amgen-Controlled Information and Materials (other than commercially-available materials) for such Existing Assay, and providing to Xencor such reasonable consulting support, as, in each case, is reasonably necessary for Xencor to perform such Existing Assay in the completion of the Core Development Plan Activities; and (iii) for each biomarker specifically identified as a non-Xencor assay in the Pre-POC Development Plan for which Amgen has not developed an assay as of the Effective Date, Xencor's obligation to conduct such assay is conditioned upon Amgen developing such assay (each, an "Additional Assay"), disclosing or transferring (as applicable) to Xencor such Amgen-Controlled Information and Materials (other than commercially-available materials) for such Additional Assay, and providing to Xencor such reasonable consulting support, as, in each case, is reasonably necessary for Xencor to perform such Additional Assay in the completion of the Core Development Plan Activities. Notwithstanding the foregoing, Xencor shall have no obligation to perform any biomarker assay not specifically identified in the Pre-POC Development Plan. During the Collaboration Period, each Party shall use reasonably diligent efforts to conduct, at its expense, and to complete in an expeditious manner, those Development activities assigned to it in the Pre-POC Development Plan. Each Party shall conduct such Development activities hereunder in accordance with the Pre-POC Development Plan, and each Party shall conduct all Development activities hereunder in compliance with all Applicable Laws and in accordance with good scientific and clinical practices (including all record keeping requirements). Each Party shall provide the DC with a written progress report at least […***…] before each regularly-scheduled quarterly DC meeting summarizing the Pre-POC Development Plan activities conducted by such Party during such calendar quarter, together with a reasonable summary of the results of such activities and the anticipated completion schedule for the remaining activities under the Pre-POC Development Plan. Notwithstanding the foregoing, Xencor will perform the Pre-POC Development Plan only in those countries listed in Schedule N, unless

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otherwise agreed in writing by Amgen or, subject to Amgen's prior written consent (not to be unreasonably withheld), in […***…].

(b) If Xencor determines in good faith that there may be a delay in the initiation or progress of a clinical trial under the Pre-POC Development Plan due to circumstances beyond Xencor's reasonable control (such as FDA comments to the IND, requests for additional data or other regulatory action, or in light of unexpected scientific, technical or clinical developments), Xencor shall promptly notify Amgen thereof in writing and disclose to Amgen all relevant material information in Xencor's or any of Xencor's Affiliates' possession or control with respect thereto, and, at Amgen's request, the DC shall promptly convene to discuss the matter. In addition, if Xencor determines in good faith that continuation of a clinical trial under the Pre-POC Development Plan poses an unacceptable medical risk to trial participants, Xencor shall have the right to suspend or terminate such trial and shall promptly notify Amgen thereof in writing and disclose to Amgen all relevant material information in Xencor's possession or control with respect thereto, and, at Amgen's request, the DC shall promptly convene to discuss the matter. Xencor shall have the right to suspend or terminate a clinical trial under the Pre-POC Development Plan if required to do so by Applicable Law or any Regulatory Authority. Xencor shall promptly notify Amgen thereof in writing and disclose to Amgen all relevant material information in Xencor's possession or control with respect thereto.

(c) In the event Amgen, in its discretion, either (1) exercises the Completion Option in accordance with Section 3.3, or (2) exercises the Option prior to completion of all Core Collaboration Period Development Activities, then, in each case, Amgen shall have the right to credit the Development Costs incurred by Amgen in performing the Core Collaboration Period Development Activities for which Xencor was responsible that were not completed by Xencor prior to exercise of the Completion Right or the Option, as applicable ("Incomplete Pre-POC Activities"), against future payments under Article 6; *provided, however,* that:

(i) Development Costs of Incomplete Pre-POC Activities shall exclude costs incurred by Amgen in performing Pre-POC Development Plan activities for which Amgen is responsible, as specified in the Pre-POC Development Plan (as it existed at the time of the exercise of the Completion Right or the Option, as applicable) or as mutually agreed by the Parties in writing; and

(ii) the total Development Costs of Incomplete Pre-POC Activities creditable by Amgen against future payments under Article 6 shall in no event exceed the aggregate estimated costs for the Incomplete Pre-POC Activities reflected in Schedule O.

3.3 Core Development Activity Completion Right. Notwithstanding Sections 3.2(a) and 3.2(b):

(a) if Xencor does not complete the Core Collaboration Period Development Activities and deliver the Option Data Package by the […***…] anniversary of the Effective Date, provided that Amgen exercises the Completion Option in such event within […***…] after such […***…] anniversary;

(b) if Xencor does not conduct any Development activities with respect to XmAb5871 (or only conducts immaterial Development activities) in any […***…] period during the Collaboration Period for any reason;

(c) if Xencor materially breaches its obligation to perform Core Collaboration Period Development Activities, as determined in accordance with Section 12.2; or

(d) at any time following consummation by Xencor and a Significant Pharmaceutical Company of a Change of Control of Xencor, so long as Amgen provides Xencor at least […***…]' prior written notice that Amgen intends to exercise the Completion Option;

Amgen shall have the option (the "Completion Option"), exercisable upon written notice to Xencor, to:

(i) in the case of subparagraphs (a), (b) and (c) above, complete the Core Collaboration Period Development Activities (as reflected in the Pre-POC Development Plan at the time of exercise), including completion of the Option Data Package, and such other ancillary Development activities as are reasonably necessary to complete the Core Collaboration Period Development Activities, in each case during the Option Period; *provided, however,* that Xencor's obligations with respect to Existing Assays and Additional Assays are subject to the conditions and limitations set forth in Section 3.2(a); or

(ii) in the case of subparagraph (d) above, direct the conduct and completion by Xencor's CROs and other contractors of the Core Collaboration Period Development Activities (as reflected in the Pre-POC Development Plan at the time of exercise), including completion of the Option Data Package, and such other ancillary Development activities as are reasonably necessary for the completion of the Core Collaboration Period Development Activities, in each case during the Option Period.

Effective upon Amgen's exercise of the Completion Option as set forth above, the provisions of Schedule M attached hereto shall apply. For the avoidance of doubt, and notwithstanding any other provision of this Agreement to the contrary, if Amgen exercises the Completion Right in accordance with this Section 3.3, then, unless the Option Exercise Date occurs, (A) Amgen shall have no rights to conduct Development with respect to Compounds or Products except for the rights expressly granted above and in Schedule M, (B) subject to the foregoing, the License shall not be exercisable, and (C) Section 5.1(b) shall continue to apply.

3.4 Technology Transfer During Collaboration Period. From time to time during the Collaboration Period, Xencor shall disclose to Amgen such Xencor Know-How (including, but not limited to, Regulatory Filings) as is reasonably necessary for Amgen to perform any Pre-POC Development Plan activity for which Amgen is responsible or that the Parties otherwise mutually agree shall be undertaken by Amgen. Without limiting the foregoing, it is expressly agreed by the Parties that prior to the Option Exercise Date, Amgen shall have the right to undertake: (i) […***…] as it deems appropriate in preparation for Development activities to be conducted by Amgen after the Option Exercise Date; and (ii) […***…] (A) that Amgen deems appropriate in preparation for Development activities to be conducted by Amgen after the Option Exercise Date and (B) the protocol for which is approved in advance by

Xencor in writing (and, if Xencor does not agree with a protocol provided by Amgen, then Xencor will provide Amgen with a protocol that it believes appropriate in good faith). During the Collaboration Period, Xencor shall promptly disclose to Amgen any Xencor Know-How as is reasonably requested by Amgen to conduct activities permitted pursuant to the preceding sentence. Throughout the Collaboration Period, each Party shall promptly and fully disclose to the other Party in writing all Data and information generated by or on behalf of such Party as a result of conducting any Pre-POC Development Plan activity. The intent of the Parties under this Section 3.4 and under Article 0 is that both Parties obtain prompt access to all available Data and information made, collected or otherwise generated by or on behalf of either Party before or during the Collaboration Period and have ample opportunity via the DC to consult with each other regarding the same on an ongoing basis during the Option Period.

3.5 POC Trial Report. Promptly after the generation by Xencor, or the receipt by Xencor from a contract services organization (as applicable), of the POC Trial Report, Xencor shall deliver the POC Trial Report to Amgen, and, during the […***…] period after such delivery, the DC shall convene one or more times as reasonably requested by Amgen in order to permit Amgen to discuss the results of the Phase 2 POC Trial with Xencor personnel.

3.6 Amgen Option. Amgen shall have the right (the "Option"), exercisable at any time during the Option Period to remove the negative covenant in Section 5.1(b) so that the License is exercisable and take over from Xencor all further research, Development and commercialization activities with respect to the Compounds and Products by so notifying Xencor in writing (the "Option Exercise Notice") and paying the Initial Option Exercise Fee to Xencor, in each case, prior to the end of the Option Period. In connection with the foregoing, unless Amgen exercises the Option prior to the completion of the Core Collaboration Period Development Activities, as promptly as possible following the completion of the Core Collaboration Period Development Activities, Xencor shall prepare and deliver to Amgen the Option Data Package. Without limiting the foregoing, Xencor shall prepare and deliver to Amgen the POC Trial Report within […***…] after data lock of the Phase 2 POC Trial, to the extent it is within Xencor's reasonable control to complete such POC Trial Report within such […***…] period.

3.7 Technology Transfer and Transition After Option Exercise.

(a) Upon request by Amgen following the Option Exercise Date, Xencor shall, at Xencor's expense, promptly transfer to Amgen, as soon as reasonably practicable and in any event within […***…] after Amgen's request, all Xencor Know-How that is available in written, graphic, electronic or other tangible form (or true and complete copies thereof), that is reasonably necessary or useful for Amgen to exercise its rights and perform its obligations under this Agreement with respect to Compound and Products, including, to the extent Controlled by Xencor and not previously provided to Amgen, all Data, all Regulatory Documents, all Information and Materials, all protocols, procedures, investigator reports, statistical analysis, expert opinions

and reports, safety and other electronic databases, manufacturing batch records, analytical results, and other items within the Xencor Know-How. Xencor shall provide the foregoing Data and other information in electronic form to the extent the same exists in electronic form.

(b) Without limiting Section 3.7(a) above, promptly following the Option Exercise Date, Xencor shall transfer to Amgen at no additional cost to Amgen responsibility for the further manufacture and supply of Compound and Product. Such transfer shall include delivering or otherwise providing to Amgen such Xencor Know-How as is reasonably necessary or useful to manufacture the Compound and Products as the same were manufactured by or on behalf of Xencor prior to the Option Exercise Date. Without limiting the foregoing, Xencor and Amgen shall develop and reasonably agree upon a detailed plan for the transfer to Amgen of the manufacture and supply of the Compound and Products, including a schedule of items to be transferred and a reasonable time period by the end of which such transfer is to be completed (not to exceed […***…] following the Option Exercise Date). To the extent requested by Amgen, Xencor shall promptly provide Amgen with existing quantities of usable Compound and finished Products, and Amgen shall reimburse Xencor for the reasonable out-of pocket costs incurred by Xencor to produce those quantities of Compound and Product so transferred to Amgen within […***…] after receipt of invoice from Xencor.

(c) During the […***…] period after the Option Exercise Date, Xencor shall cooperate with and reasonably assist Amgen in establishing direct arrangements with Third Party contractors of Xencor as of the Option Exercise Date that provide services related to the formulation, manufacture, Development or commercialization of the Compound or Products on behalf of Xencor. If Xencor's agreement with any such Third Party contractor relates solely to Compound or Products (but not to any other compound, product, technology or service) and permits assignment of the agreement to Amgen (without imposing any additional obligation on Xencor), then, at Amgen's written request made during the […***…] […***…] after the Option Exercise Date, Xencor shall assign such agreement to Amgen, and Amgen shall expressly assume in writing Xencor's future obligations thereunder. In the event Xencor does not have the right to assign any such agreement to Amgen (without imposing any additional obligations on Xencor), or if any such agreement relates to subject matter other than Compound and Products, then, at Amgen's written request made during the […***…] period after the Option Exercise Date, Xencor shall use Commercially Reasonable Efforts to make available to Amgen, as requested by Amgen, the benefits of such agreements for up to […***…] after the Option Exercise Date; provided that Amgen shall be responsible for payment of all amounts due under any such agreement in connection with the services or materials requested by Amgen thereunder.

(d) Within […***…] of the Option Exercise Date, Xencor shall (i) provide Amgen, at no charge, with copies of all documents (including file histories and then current dockets) relevant to the Xencor Compound-Specific Patents, including any communications, filings and drafts as well as written notice of any pending deadlines or communications, and (ii) execute and deliver any legal papers reasonably requested by Amgen to enable Amgen to file, prosecute, maintain and enforce the Xencor Compound-Specific Patents as expressly permitted by Article 8.

(e) During the […***…] period after the Option Exercise Date and completion of the technology transfer described in Sections 3.7(a) and 3.7(b) (the "Development Support Period"), at Amgen's request, Xencor shall provide reasonable technical

assistance to Amgen in the practice of the Xencor Know-How transferred to Amgen pursuant to this Section 3.7 to Develop, formulate and manufacture Compound and Products, in each case as practiced by or on behalf of Xencor (the "Development Support"). The Development Support shall include making its personnel who are knowledgeable of the Compound and Product, its properties, manufacture and Development, reasonably available to Amgen for scientific and technical explanations, advice and on-site support, as may reasonably be required by Amgen, relating to the Development, manufacture and/or registration of the Compound and Products. Amgen shall reimburse Xencor for the time spent in excess of […***…] by Xencor personnel providing Development Support requested by Amgen at the rate of $[…***…] per person-hour (the "Development Support Rate"). Amgen shall reimburse Xencor for the reasonable out-of-pocket expenses incurred by Xencor in providing the Development Support requested by Amgen, provided that Amgen shall not be obligated to reimburse travel expenses of Xencor personnel except to the extent Amgen has approved such travel. In no event shall Xencor be obligated to provide more than an aggregate of […***…] person-hours of technical assistance pursuant to this Section 3.7(e), or to provide technical assistance pursuant to this Section 3.7(e) after the Development Support Period, except, in each case, upon mutual written agreement of the Parties. Notwithstanding the foregoing, if at any time Amgen reasonably requires access to any Xencor Know-How (for example, access to original patient report forms, batch records or the like), Xencor agrees to use commercially reasonable efforts to cooperate with Amgen in effectuating such access even after the expiration of the Development Support Period or following the fulfillment of Xencor's maximum aggregate hours of the technical assistance described in the preceding sentence; provided that Amgen reimburses Xencor for any out-of-pocket costs incurred by Xencor for such assistance and for any internal personnel time of Xencor at the Development Support Rate. For clarity, amounts paid by Xencor to non-employee consultants in providing assistance under this Section 3.7(e) shall be deemed out-of-pocket costs.

(f) Amgen acknowledges that Xencor's ability to achieve expeditiously and effectively the transfer of items, information and responsibilities, and to provide the assistance, described above in this Section 3.7 will require the cooperation and close coordination of Amgen, including the availability of appropriately qualified personnel and suitable facilities on a timely basis. Xencor shall not be responsible for any delay or failure to perform such transfer, or to provide such assistance, to the extent such delay or failure results from Amgen's failure to provide such cooperation and coordination.

3.8 Development After Option Exercise.

(a) Post-Exercise Development Plan and Budget. Within […***…] after the Option Exercise Date, Amgen shall provide to Xencor a reasonably detailed written Development plan for all Development activities with respect to Compounds and Products that Amgen in good faith proposes to conduct, or have conducted, in the Field in the Territory for the remainder of the then-current calendar year and the two subsequent calendar years (the "Post-Exercise Development Plan"). The Post-Exercise Development Plan shall also include a budget of projected Development Costs of Post-Exercise Development Plan activities for each such calendar year (the "Post-Exercise Development Budget"). The Post-Exercise

Development Budget, and each annual update thereto pursuant to Section 6.3, will constitute Amgen's reasonable estimate, as of the date such budget or update is delivered to Xencor, of the actual direct and indirect costs of performance of the Post-Exercise Development Plan (including reasonable provision for contingencies) and will have been prepared in good faith and accordance with fair and reasonable cost accounting practices. Xencor shall have […***…] after receipt of the Post-Exercise Development Plan and Post-Exercise Development Budget in which to notify Amgen whether or not Xencor elects to share Development Costs under the Post-Exercise Development Plan in accordance with Section 6.3 (the "Cost Sharing Election Notice"). If Xencor indicates in its Cost Sharing Election Notice that it does not wish to share any such Development Costs in accordance with Section 6.3, the Co-Funding Arrangement shall be deemed terminated as of the Option Exercise Date and Xencor will not have any right thereafter to reinstate the Co-Funding Arrangement. If Xencor elects to share such Development Costs in accordance with Section 6.3, the Cost Sharing Election Notice shall also specify whether Xencor elects to share […***…]%,[…***…]% or […***…]% (the "Xencor Sharing Percentage") of Shared Development Costs. The Xencor Sharing Percentage specified in the Cost Sharing Election Notice shall apply from the Option Exercise Date until the end of the first full calendar year after the Option Exercise Date. Xencor agrees and acknowledges that Xencor's failure to provide any such notice within such period shall be deemed to constitute Xencor's election to share […***…]% of Shared Development Costs.

(b) Conduct of Post-Exercise Development Plan. From and after the Option Exercise Date, Amgen shall have the right to control, and as between the Parties shall be solely responsible (subject to the Co-Funding Arrangement) for the costs associated with, the Development and registration of Compound and Products in the Field in the Territory. Regardless of whether or not Xencor elects to share Development Costs pursuant to this Section 3.8 and Section 6.3, Amgen shall use Commercially Reasonable Efforts to conduct and to complete the Post-Exercise Development Plan, as in effect from time to time. Amgen shall conduct such activities in accordance with the Post-Exercise Development Plan, in compliance with all Applicable Laws and in accordance with good scientific and clinical practices (including all record keeping requirements). In addition to the Development Cost reports due pursuant to Section 6.3 (if applicable), Amgen shall provide the DC with a written progress report at least […***…] before each regularly-scheduled quarterly DC meeting summarizing the Post-Exercise Development Plan activities conducted by or on behalf of Amgen during such calendar quarter, together with a reasonable summary of the results of such activities and the anticipated completion schedule for the remaining activities under the then-current Post-Exercise Development Plan.

3.9 Development; Commercialization. Subject to the terms and conditions of this Agreement from and after such time as Amgen exercises the Option, Amgen shall have the right to control, and as between the Parties shall be solely responsible (subject to the Co-Funding Arrangement) for the costs associated with, the Development, commercialization, manufacturing, distribution, marketing, promotion and other exploitation of Compounds and Products in the Field in the Territory. Without limiting the generality of the foregoing, except as expressly set forth in Section 3.7, Amgen shall

be responsible for the worldwide supply of all Compound and Products necessary for the foregoing activities.

4. REGULATORY MATTERS

4.1 During Collaboration Period. Prior to the Option Exercise Date, Xencor shall own and be responsible, at its expense, for filing, obtaining and maintaining all Regulatory Filings for the Compound and Products during the Collaboration Period; and all such Regulatory Filings shall be held in the name of Xencor. Throughout the Collaboration Period, Xencor shall keep Amgen regularly informed via the DC regarding interactions with Regulatory Authorities relating to Compound and Products, including promptly disclosing copies of material communications between Xencor and any Regulatory Authority regarding Compound or Products (including summaries of any such oral communications) and Regulatory Filings, and Xencor agrees to consider in good faith Amgen's reasonable comments and suggestions regarding regulatory matters with respect to Compound and Products. However, Xencor shall have the sole right to control all communications and interactions with, and all submissions to, Regulatory Authorities relating to Compound and Products during the Collaboration Period.

4.2 Subsequent to Option Exercise Date. Subsequent to the Option Exercise Date, Amgen shall have the right to own and control the filing, obtaining and maintaining of all Regulatory Filings for the Compound and each Product in the Territory; and unless otherwise agreed, all such approvals shall be held in the name of Amgen or its designee. Following the Option Exercise Date, Xencor shall not initiate, with respect to the Compound or any Product, any meetings or contact with Regulatory Authorities without Amgen's prior written consent, except as necessary to comply with Applicable Law (*e.g.*, prior to completion of transfer of Regulatory Submissions into Amgen's name). To the extent Xencor receives any written or oral communication from any Regulatory Authority relating to a Product, Xencor shall promptly notify Amgen and provide Amgen with a copy of any written communication received by Xencor or, if applicable, complete and accurate minutes of such oral communication. Xencor will provide reasonable cooperation and assistance to Amgen in the event that Amgen must respond to questions from Regulatory Authorities in the Territory concerning Development activities conducted by or on behalf of Xencor with the Compound or Product, or in the event that any Regulatory Authority requests or requires access to relevant sites of Xencor or its contractors in connection with any audit or inspection relating to the Development or manufacture of Compound or Product, provided that Amgen shall compensate Xencor for the time devoted by Xencor personnel to providing such cooperation and assistance at the Development Support Rate and shall reimburse Xencor for out-of-pocket costs incurred in connection therewith.

4.3 Assignment of Regulatory Filings and Marketing Approvals. Within […***…] of the Option Exercise Date, Xencor shall, at Xencor's expense, assign and cause to be assigned to Amgen all Regulatory Filings for the Compound and each Product in the Territory. Effective upon such assignment, Amgen agrees to, and hereby does, accept all responsibilities with respect to such Regulatory Filings. Prior to such assignment and transfer, Xencor shall maintain such Regulatory Filings at its expense and shall take all reasonable actions to make available to Amgen and/or its designee the benefits of such Regulatory Filings, to the extent required by Amgen in connection with its activities under this Agreement.

4.4 Inspections. After the Option Exercise Date, if required or requested by a Regulatory Authority, or if Amgen otherwise reasonably requires access in connection with

preparing Regulatory Filings or interacting with Regulatory Authorities with respect to Compounds and Products, Xencor shall permit Amgen and its representatives (and those of any Regulatory Authority and/or Third Party that Amgen reasonably requests) during normal business hours and upon reasonable advance notice, to enter the relevant sites of Xencor and its contractors who were involved in the generation of any Xencor Know-How or the Development or manufacture or handling of a Compound or any Product, including clinical trial sites and, if applicable, manufacturing sites, to inspect and verify such Xencor Know-How and the activities related to the Compound and/or Product, including compliance with Applicable Law. Xencor shall provide reasonable assistance for such inspection, provided that Amgen shall compensate Xencor for the time devoted by Xencor personnel to providing such assistance at the Development Support Rate and shall reimburse Xencor for out-of-pocket costs incurred in connection therewith. Xencor shall use commercially reasonable efforts to secure for Amgen the rights set forth in this Section 4.4 from Xencor's trial sites and other contractors with respect to the Compound and/or any Product (but Xencor shall not be required to make any payments in order to secure such rights) and shall, at a minimum, obtain for itself reasonable and customary rights to inspect such trial sites and contractors for such purposes. If Xencor is unable to obtain the right for Amgen to conduct such inspections, then Xencor shall exercise its right to inspect the relevant sites of such trial sites and contractors at the request and expense of Amgen and provide a copy of any resulting inspection report to Amgen at the same time it is sent to Xencor.

4.5 Clinical Safety Reporting; Pharmacovigilance. Prior to the Option Exercise Date, as between the Parties, Xencor shall be responsible for the timely reporting of all adverse drug events and safety data relating to the Compound and Products and similar matters to the appropriate Regulatory Authorities. Subsequent to the Option Exercise Date, as between the Parties, Amgen shall be responsible for the reporting of all new adverse drug events in compliance with the required timeframes in the Territory and safety data that arise or occur with respect to activities conducted by Amgen after such Option Exercise Date. Amgen shall also be responsible for the reporting of all new information related to previously reported adverse drug events by Xencor that are have not been resolved prior to the Option Exercise Date, other than such reporting required to be undertaken by Xencor under Applicable Law. In connection with the foregoing, upon request by either Party on or after the Option Exercise Date, the Parties shall promptly enter into a reasonable pharmacovigilance agreement concerning such operating procedures and related obligations to enable each Party to comply with Applicable Laws regarding adverse event and safety reporting.

4.6 Clinical Trial Register. Notwithstanding anything in this Agreement to the contrary, including Article 7, after the Option Exercise Date, Amgen shall have the right to disclose on publicly-accessible clinical trial registries the results or summaries of the results of all clinical trials for the Compound and Products conducted by either Party in the Territory pursuant to this Agreement.

4.7 Global Safety Database. Prior to the Option Exercise Date, Xencor shall maintain the global safety database with respect to Products for the Territory. Following the Option Exercise Date, and the transfer to Amgen of such safety database under Section 3.7 above, Amgen or its designee shall maintain the global safety database with respect to the Product for the Territory.

5. GRANT AND EXERCISE OF OPTION AND LICENSE

5.1 License and Option.

(a) Subject to the terms and conditions of this Agreement, Xencor hereby grants to Amgen an exclusive, royalty-bearing license, with the right to sublicense through multiple tiers, under the Xencor Technology and Xencor's interest in the Joint Patents, to Develop, make, have made, use, sell, have sold, offer for sale and import the Compound and Products in the Field in the Territory (the "License"), which License shall be in effect during the Term but shall be exercisable only in the event that Amgen provides the Option Exercise Notice and pays Xencor the Initial Option Exercise Fee. The License shall be exclusive even as to Xencor, except that Xencor retains the right during the Collaboration Period to conduct Development activities of the Compound and Product (other than those activities expressly allocated to Amgen) in accordance with the Pre-POC Development Plan under Section 3.2.

(b) Notwithstanding the foregoing, except as expressly permitted pursuant to Section 3.3 and Schedule M, Amgen hereby covenants and agrees that prior to the Option Exercise Date: (i) Amgen shall not exercise or practice any license rights granted to Amgen under this Section 5.1 or any other rights that become effective after the Option Exercise Date under this Agreement and (ii) Amgen shall not, directly or indirectly (including through any Affiliate or Third Party), Develop, make, have made, use, sell, have sold, offer for sale or import Compound or Products, except to the extent (if any) necessary to perform Pre-POC Development Plan activities allocated to Amgen under the Pre-POC Development Plan or that are authorized under Section 3.3 above.

(c) Notwithstanding any other provision of this Agreement to the contrary, the License does not include the right to use the Xencor XmAb High ADCC (Antibody Dependent Cell Cytotoxicity) Technology to increase the cytotoxic effect or function of a Compound.

5.2 Option Exercise. Amgen may exercise the Option at any time during the Option Period as set forth in Section 3.6.

5.3 Effect of Expiration or Termination of Option Period. If the Option Period expires or terminates without Amgen having exercised the Option in accordance with Section 3.6, or if the Option Exercise Date occurs but Amgen fails to make timely payment of the Second Option Exercise Fee within […***…] after written notice by Xencor describing such failure, then, in each case, effective automatically upon such expiration or termination of the Option Period or the expiration of such […***…] notice period (unless Amgen makes such payment within such […***…] period), as applicable, and without any further action on the part of either Party, subject to Section 9.2: (a) the Option shall terminate and be of no further force or effect; (b) the License shall be deemed null and void *ab initio*; (c) Xencor shall have no further obligation to Amgen with respect to Compound or Products and Amgen shall have no further obligation to Xencor (except, in each case, for those obligations expressly stated to survive under Sections 9.7 and 9.9 below); and (d) this Agreement will terminate in accordance with Section 9.2, subject to all applicable provisions of Article 9.

5.4 Sublicenses. Amgen may grant and authorize sublicenses under the License; provided that such sublicenses shall be subordinate to the terms and conditions of this Agreement, and that Amgen shall remain responsible to Xencor for any payments due

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hereunder with respect to activities of any Sublicensee and for the compliance of its Sublicensees with this Agreement. Prior to the Option Exercise Date, Amgen shall not grant any sublicenses under the License.

5.5 Restrictions. During the Term, Amgen (and, subject to Section 13.8, its Affiliates): (a) shall not make, use, sell, offer for sale, import, Develop or commercialize any Restricted Antibody; and (b) shall not license or authorize, under any Amgen Patent or Joint Patent, any Third Party to, make, use, sell, offer for sale, import, Develop or commercialize any Restricted Antibody; except, in each case, for activities with respect to Compounds hereunder. During the Term, Xencor (and, subject to Section 13.8, its Affiliates) shall not, and shall not license or authorize any Third Party to, make, use, sell, offer for sale, import, Develop or commercialize any Restricted Antibody, except, in each case, for its activities with respect to Compounds hereunder.

5.6 No Other Rights. Except for the rights and licenses expressly granted in this Agreement, Xencor retains all rights under its intellectual property, and no additional rights shall be deemed granted to Amgen by implication, estoppel or otherwise. Without limiting the generality of the foregoing, in no event shall Amgen as a result of this Agreement have any right or license to develop, make, have made, use, sell, have sold, offer for sale or import any compound (including any Excluded Antibody) that is not a Compound. For clarity, Xencor retains the right at all times during the Term to practice the Xencor Patents and Xencor Know-How for all purposes, except, from the Option Exercise Date and thereafter during the Term, to Develop, make, have made, use, sell, have sold, offer for sale or import the Compound and Products in the Field in the Territory.

6. PAYMENTS; BOOKS AND RECORDS

6.1 Upfront Fee. Amgen shall pay to Xencor a non-refundable, non-creditable upfront fee in the amount of $11,000,000 within […***…] of the Effective Date in accordance with the payment provisions of Section 6.10.

6.2 Option Exercise Fee. In connection with its exercise of the Option, Amgen shall pay to Xencor a non-refundable, non-creditable Option exercise fee of $50,000,000, which shall be payable as follows:

(a) […***…] (the "Initial Option Exercise Fee") together with the Option Exercise Notice. For clarity, Amgen's exercise of the Option shall not become effective unless and until the Initial Option Exercise Fee is paid; and

(b) […***…] (the "Second Option Exercise Fee") before the later of (1) that date which is […***…] after the Option Exercise Date, and (2) […***…] beginning after the Option Exercise Date.

6.3 Development Co-Funding. If Amgen exercises the Option, then, unless Xencor notifies Amgen within […***…] after receipt of the Post-Exercise Development Plan and Post-Exercise Development Budget pursuant to Section 3.8(a) that Xencor elects not to share Development Costs under the Post-Exercise Development Plan (in which case Xencor shall have no obligation to reimburse any Development Costs under this Section 6.3), Xencor shall be responsible for the applicable Xencor Sharing Percentage of Shared Development Costs as set forth in this Section 6.3 ("Co-Funding Arrangement"). It is understood that the initial Xencor Sharing Percentage shall be elected by Xencor in accordance with Section 3.8(a) above.

(a) No later than November […***…] of each calendar year after the Option Exercise Date, Amgen shall provide to the DC a […***…] Post-Exercise Development Plan

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and Post-Exercise Development Budget covering the next […***…] full calendar years, and the DC shall promptly convene to review and consider such Plan and Budget. Once approved by the DC, and during the period from delivery of such any Plan or Budget to the DC up to such approval, such Post-Exercise Development Plan and Post-Exercise Development Budget shall be deemed the Post-Exercise Development Plan and the Post-Exercise Development Budget for the periods covered by such Plan and Budget.

(b) Between […***…] of each calendar year after the Option Exercise Date (the "Annual Election Period"), Xencor shall notify Amgen in writing if it elects to change the Xencor Sharing Percentage to either […***…]%,[…***…]% or […***…]% (the "Succeeding Year Percentage Notice"). The percentage specified in such Succeeding Year Percentage Notice shall be deemed the Xencor Sharing Percentage for the next calendar year beginning after the date of such Succeeding Year Percentage Notice. If Xencor does not provide such a Succeeding Year Percentage Notice during the Annual Election Period, then Xencor shall be deemed to have delivered a Succeeding Year Percentage Notice as of the end of the Annual Election Period electing to maintain the same Xencor Sharing Percentage as was then currently in effect (i.e., from Xencor's prior year's election). For clarity, it is understood that the Xencor may only elect […***…]%,[…***…]% or […***…]% (and not any other percentage) as the Xencor Sharing Percentage. The Post-Exercise Development Plan and the Post-Exercise Development Budget in effect for the next calendar year at the time of Xencor's delivery (or deemed delivery) of the Succeeding Year Percentage Notice is referred to below collectively as the "Initial Plan and Budget Forecast" for such next calendar year.

(c) If Amgen proposes to update the Post-Exercise Development Plan and/or the Post-Exercise Development Budget from time to time (i.e., beyond the annual updates provided in Section 6.3(a) above), it shall provide such updated Plan and Budget to the DC. The DC shall promptly convene to consider such update, and upon approval by the DC, the updated Plan and/or Budget, respectively, shall be deemed the Post-Exercise Development Plan and Post-Exercise Development Budget, respectively.

(d) Amgen shall calculate Development Costs under the Post-Exercise Development Plan in accordance with GAAP, consistently applied. Within […***…] after the end of each calendar quarter during the term of the Co-Funding Arrangement, Amgen shall provide to Xencor a statement reflecting the total Development Costs incurred by Amgen during such calendar quarter, and the corresponding Shared Development Costs, which statement shall include a reasonably detailed breakdown of the components of such Development Costs and the Post-Exercise Development Plan activities to which such Development Costs are attributable. Together with the statement for the calendar quarter ending December 31 of each calendar year, Amgen shall provide an invoice for the then-applicable Xencor Sharing Percentage of the Shared Development Costs for such calendar year, subject to Section 6.3(b) above, and Xencor shall pay Amgen the invoiced amount within […***…] from receipt of the invoice as provided in Section 6.10.

(e) Xencor may terminate the Co-Funding Arrangement by so notifying Amgen between […***…] of any calendar year, in which case the Co-Funding Arrangement shall terminate effective as of […***…] of the next

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succeeding calendar year. Upon any termination by Xencor of the Co-Funding Arrangement under this Section 6.3(e) or Section 3.8(a), Xencor will not have any right thereafter to reinstate the Co-Funding Arrangement. If Xencor terminates the Co-Funding Arrangement, the royalties payable to Xencor with respect to Annual Net Sales of Products shall be adjusted as specified in Section 6.7(a).

6.4 Pre-POC Development Milestone Payments. Upon the first achievement of each of the events set forth below (each, a "Pre-POC Milestone") by Xencor, Amgen or their Affiliates, or (in the case of Amgen) a Sublicensee, the milestone payment corresponding to such Pre-POC Milestone shall be payable as follows: (a) if the applicable Pre-POC Milestone occurs on or before the earlier of (i) the Option Exercise Date, or (ii) Amgen's exercise of the Completion Right, Xencor shall notify Amgen in writing of the occurrence of such Pre-POC Milestone Event and deliver a written invoice to Amgen for the corresponding milestone payment amount, and Amgen shall pay such invoice within […***…]; and (b) if the applicable Pre-POC Milestone occurs after the earlier of (i) the Option Exercise Date, or (ii) Amgen's exercise of the Completion Right, Amgen shall notify Xencor in writing of the occurrence of such Pre-POC Milestone Event and pay the corresponding milestone payment amount to Xencor within […***…] after such occurrence:

PRE-POC CLINICAL DEVELOPMENT MILESTONES

Milestone Event		Milestone Payment
Initiation of the first phase 1b Trial	$	2,000,000
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
Maximum Total Pre-POC Clinical Development Milestones	**$**	**14,000,000**

Each of the Pre-POC Milestone payments shall be non-refundable and, except as expressly set forth in Section 3.2(c), non-creditable.

6.5 Post-POC Milestone Payments. Within […***…] after the first achievement of each of the events set forth below (each, a "Post-POC Milestone" and, collectively with the Pre-POC Milestones, the "Milestone(s)") by Amgen, its Affiliate or Sublicensee, Amgen shall notify Xencor in writing of such occurrence and pay the corresponding Milestone payment amount to Xencor:

POST-POC CLINICAL DEVELOPMENT MILESTONES

Milestone Event		Milestone Payment
[…***…]		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]

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POST-POC CLINICAL DEVELOPMENT MILESTONES

Milestone Event		Milestone Payment
[…***…]	$	[…***…]*
Maximum Total Post-POC Clinical Development Milestones	**$**	**50,000,000**

* The Milestone payment in the table above for the first […***…] for a Product for an […***…] (i) shall only be triggered if […***…].

MARKETING APPROVAL MILESTONES

Milestone Event		Milestone Payment
[…***…]:		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]:		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]:		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]:		
[…***…]	$	[…***…]**
[…***…]	$	[…***…]**
[…***…]	$	[…***…]**
Maximum Total Approval Milestones	**$**	**150,000,000**

** The Milestone payments in the table above for the […***…] for an […***…] in the specified regions (i) shall be fully […***…], and (ii) are not payable if […***…].

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SALES MILESTONES

[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
Maximum Total Sales Milestones	**$**	**225,000,000**
MAXIMUM TOTAL MILESTONES	**$**	**439,000,000**

6.6 Certain Terms Regarding Milestone Payments. Each Milestone shall be paid only once, regardless of whether the Milestone is achieved again with respect to additional Products or indications. In addition, each Pre-POC Milestone shall be payable regardless of whether it is achieved by Xencor, Amgen, or any of their respective Affiliates, or, in the case of Amgen, Sublicensees, and each Post-POC Milestone shall be payable regardless of whether it is achieved by Amgen or any of its Affiliates or Sublicensees, subject to Section 3.2(c).

6.7 Royalty Payments.

(a) Royalty Rates. Subject to the terms and conditions of this Agreement (including Section 6.8), in further consideration of the rights granted to Amgen under this Agreement, Amgen shall pay to Xencor royalties on worldwide, Annual Net Sales of each Product by Amgen, its Affiliates and Sublicensees:

(i) Subject to Section 6.7(c) below, at the rates set out in Table A below if the Co-Funding Arrangement pursuant to Section 6.3 is in effect; and

(ii) at the rates set out in Table B below if the Co-Funding Arrangement has been terminated.

Notwithstanding the foregoing, in the event the Co-Funding Arrangement is in effect during the performance of a portion of the Post-Exercise Development Plan but is subsequently terminated, Amgen shall pay to Xencor royalties on Net Sales of Products (x) at the rates set out in Table A below (as adjusted pursuant to Section 6.7(c)) until such time as the difference between the cumulative royalties paid under this Section 6.7 for all Products and the cumulative royalties for Net Sales of such Products that would have been payable under Table B below equals the aggregate amount paid by Xencor to Amgen for Development Costs pursuant to the Co-Funding Arrangement under Section 6.3, and (y) at the rates set out in Table B following the period described in (x).

TABLE A — CO-FUNDING ROYALTY RATES

Annual Net Sales of Product	Royalty Rate
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%

TABLE B — BASE ROYALTY RATES

Annual Net Sales of Product	Royalty Rate
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%

(b) Royalty Floors. Notwithstanding Section 6.7(a):

(i) In any calendar year in which Table A is applicable for the full calendar year and total aggregate Annual Net Sales of a Product exceed $[…***…], if the total amount payable pursuant to Section 6.7(a) for such calendar year is less than (A) […***…]%, if the Xencor Sharing Percentage is […***…]% for such calendar year and Xencor has reimbursed […***…]% of total Shared Development Costs for all prior periods, or (B) […***…]% in all other cases, of the Annual Net Sales of such Product in such calendar year (such percentage, in each case, the "Table A Floor Percentage"), then Amgen shall pay Xencor an additional amount (payable together with the last payment of royalties paid pursuant to Section 6.7(a) for such calendar year) such that total royalties payable for such Product for such calendar year equals the Table A Floor Percentage of the Annual Net Sales of such Product in such calendar year, unless the total royalties paid pursuant to Section 6.7(a) for such calendar year exceed the Table A Floor Percentage of the Annual Net Sales of such Product in such calendar year. For example, if the Table A Floor Percentage for a calendar year is […***…]% and Annual Net Sales of a Product for such calendar year are $[…***…], then royalties payable pursuant to Section 6.7(a) would be $[…***…]: (($[…***…] * […***…]%) + ($[…***…] * […***…]%)). But since $[…***…] is less than $[…***…] ($[…***…] * […***…]%), Amgen would pay Xencor an additional $[…***…] pursuant to this Section 6.7(b)(i).

(ii) In any calendar year in which Table B is applicable and total aggregate Annual Net Sales of a Product exceed $[…***…] but do not exceed $[…***…], if the total amount payable pursuant to Section 6.7(a) for such calendar year is less than […***…]% of the Annual Net Sales of such Product in such calendar year, then Amgen shall pay Xencor an additional amount (payable together with the last payment of royalties paid pursuant to Section 6.7(a) for such calendar year) such that total

royalties payable for such Product for such calendar year equals […***…]% of the Annual Net Sales of such Product in such calendar year, unless the total royalties paid pursuant to Section 6.7(a) for such calendar year exceed […***…]% of the Annual Net Sales of such Product in such calendar year. For example, if Annual Net Sales of a Product for a calendar year are $[…***…], then royalties payable pursuant to Section 6.7(a) would be $[…***…]: (($[…***…] * […***…]%) + ($[…***…] * […***…]%)). But since $[…***…] is less than $[…***…] ($[…***…] * […***…]%), Amgen would pay Xencor an additional $[…***…] pursuant to this Section 6.7(b)(ii).

(iii) In any calendar year in which Table B is applicable and total aggregate Annual Net Sales of a Product exceed $[…***…], if the total amount payable pursuant to Section 6.7(a) for such calendar year is less than […***…]% of the Annual Net Sales of such Product in such calendar year, then Amgen shall pay Xencor an additional amount (payable together with the last payment of royalties paid pursuant to Section 6.7(a) for such calendar year) such that total royalties payable for such Product for such calendar year equals […***…]% of the Annual Net Sales of such Product in such calendar year, unless the total royalties paid pursuant to Section 6.7(a) for such calendar year exceed […***…]% of the Annual Net Sales of such Product in such calendar year. For example, if Annual Net Sales of a Product for a calendar year are $[…***…], then royalties payable pursuant to Section 6.7(a) would be $[…***…] (($[…***…] * […***…]%) + ($[…***…] * […***…]%) + ($[…***…] * […***…]%) + ($[…***…] * […***…]%)). But since $[…***…] is less than $[…***…] ($[…***…] * […***…]%), Amgen would pay Xencor an additional $[…***…] pursuant to this Section 6.7(b)(iii).

(c) Adjusted Royalty Rates. In the event that Xencor elects a Xencor Sharing Percentage of less than […***…]% for any period pursuant to Section 3.8(a) or 6.3, and/or (without prejudice to other remedies Amgen may have), Xencor does not reimburse […***…]% of Shared Development Costs for any period when due pursuant to Section 6.3(d), then the royalty rates in Table A and Section 6.7(f) below shall be reduced in accordance with the specific methodology set forth on Schedule K.

(d) Reports and Royalty Payment. Royalties shall be calculated and reported for each calendar quarter and shall be paid within […***…] after the end of each calendar quarter. Each payment shall be accompanied by a report of Net Sales of Products by Amgen, its Affiliates and Sublicensees in sufficient detail to permit confirmation of the accuracy of the royalty payment made, including, without limitation and on a country-by-country basis (or, where the Amgen Finance Department does not track information relating to the calculation of Net Sales on a country-by-country basis, on a region-by-region basis): (i) Net Sales, applicable royalty rates, and the amount of royalties payable hereunder; and (ii) such information as the Amgen Finance Department tracks for the purpose of calculating Net Sales, applicable royalty rates, and the royalties payable hereunder, including (to the extent so tracked) gross sales, applicable royalty adjustments, the amount of any applicable credits taken against royalties, the royalties payable, the method used to calculate the royalties payable, and the exchange rates used.

(e) Royalty Term. Amgen shall pay to Xencor royalties as set forth in this Section 6.7, on a Product-by-Product and country-by-country basis, during the Royalty Term for each Product in each country. The "Royalty Term" means, with respect to a Product in a country, the period beginning on the First Commercial Sale of such Product in such country, and expiring on the later of:

(i) expiration of the last-to-expire Valid Claim covering the manufacture, use, sale, offer for sale or import of such Product in such country; or

(ii) 10 years from the date of the First Commercial Sale of such Product in such country.

(f) Effect of Expiration of Royalty Term. On a Product-by-Product and country-by-country basis, upon expiration of the Royalty Term with respect to each Product in each country of the Territory, Amgen's License with respect to such Product in such country shall continue in full force and effect but become perpetual and, except as set forth below in this Section 6.7(f), fully paid-up and royalty-free. Notwithstanding the foregoing, if Xencor co-funded Development Costs pursuant to Section 6.3 and the Co-Funding Arrangement was not earlier terminated under Section 3.8(a), 6.3 or 9.6, then Amgen shall continue to pay royalties to Xencor with respect to Net Sales of each Product in each country after expiration of the Royalty Term for such Product in such country, for so long as Amgen or any of its Affiliates or Sublicensees is selling such Product in such country, at the rate of […***…]% of such Net Sales, as adjusted pursuant to Section 6.7(c) (if applicable). In no event shall a royalty be payable under this Section 6.7(f) with respect to Net Sales for which a royalty is due under Section 6.7(a) above.

6.8 Certain Reductions to Royalties.

(a) Third Party Royalties.

(i) In the event that Amgen, its Affiliates or Sublicensee obtains a license under Patents of a Third Party in any country that Amgen or its Affiliate, on the advice of patent counsel, determines, in the absence of a license thereunder could be considered to be infringed by the manufacture, use, sale, offer for sale or import of the Compound contained in a Product sold by Amgen (or its Affiliate or Sublicensee) in such country (in each case, a "Necessary Third Party License"), then Amgen may deduct […***…]% of the royalties actually paid to such Third Party under such Necessary Third Party License with respect to sales of such Product in such country from the royalty payments owed to Xencor pursuant to Section 6.7 with respect to Net Sales of such Product in such country, provided that the royalties payable to Xencor with respect to such Product in such country may not be reduced by more than […***…]% in any calendar quarter as a result of any and all such offsets in the aggregate.

(ii) In the event that Amgen, its Affiliates or Sublicensee obtains a license (other than a Necessary Third Party License) under Patents of a Third Party in any country that Amgen or its Affiliate determines are necessary or reasonably useful to Develop, make, use, sell, offer for sale or import a Compound or Product sold by Amgen (or its Affiliate or Sublicensee) in such country (in each case, a "Useful Third Party License"), then Amgen may deduct […***…]% of the […***…] actually paid to such Third Party under such Useful Third Party License with respect to sales of such Product in

such country from the royalty payments owed to Xencor pursuant to Section 6.7 with respect to Net Sales of such Product in such country, provided that the royalties payable to Xencor with respect to such Product in such country may not be reduced by more than […***…]% in any calendar quarter as a result of any and all such offsets in the aggregate.

(iii) For the avoidance of doubt, subject to the foregoing, it is understood that a Party shall be solely responsible for payment of any and all royalties and other amounts owed by such Party under its license or other agreements with Third Parties that were entered into prior to the Effective Date; *provided, however,* that Amgen shall be responsible for payment of all payments that become due after the Option Exercise Date under the Catalent Agreement (defined in Section 10.2(b)) as a result of the Development, manufacture, use, sale, offer for sale or import of any Product by or on behalf of Amgen or any of its Affiliates or Sublicensees.

(b) No Valid Claim of Xencor Patent or Joint Patent. On a country-by-country and Product-by-Product basis, for any portion of the Royalty Term with respect to a Product in a country during which no Valid Claim(s) of Xencor Patents and Joint Patents cover the (i) the manufacture, sale, offer for sale and import of such Product in such country, and (ii) the use of such Product for any approved use(s) in such country, other than Valid Claims that are contained in Amgen Patents, the royalties payable pursuant to Section 6.7 with respect to sales of such Product in such country shall be reduced by […***…]%.

(c) No Valid Claim. On a country-by-country and Product-by-Product basis, for any portion of the Royalty Term with respect to a Product in a country during which none of (i) the manufacture, sale, offer for sale and import of such Product in such country, and (ii) the use of such Product for any approved use(s) in such country, is covered by a Valid Claim in such country, the royalties payable pursuant to Section 6.7 with respect to sales of such Product in such country shall be reduced by […***…]%.

(d) Order of Operations. Deductions taken pursuant to this Section 6.8 shall be taken following any recalculation of royalties made pursuant to Section 6.7(b).

(e) Absolute Floor. In no event shall the cumulative amount of all reductions applicable to any Product in any country pursuant to this Section 6.8 reduce the royalties that would otherwise payable with respect to such Product in such country pursuant to Section 6.7 by more than […***…]% in any quarter.

6.9 Prepayment. Amgen shall have the right to prepay any amounts payable pursuant to this Agreement without penalty, regardless of whether the event that would otherwise trigger such payment has occurred or whether Amgen has received an invoice for such payment.

6.10 Payment Method; Invoices. All payments under this Agreement shall be made by bank wire transfer in immediately available funds to an account designated in an invoice from the Party to whom such payments are due to the other Party, which invoice should include bank details and the contact name for any issue resolution. Any payments or portions thereof due under this Agreement that are not paid by the date such payments are due under this Agreement shall bear interest at a rate equal to: (i) the prime rate as reported by Citibank N.A., plus […***…]% per year; or (ii) if lower, the maximum rate

permitted by law; calculated on the number of days such payment is delinquent, compounded annually and computed on the basis of a 365-day year.

6.11 Currency Conversion. With respect to sales of the Product invoiced and Development Costs paid in United States dollars, the amounts due hereunder (and the amounts upon which such payments are based) will be expressed in United States dollars. With respect to sales of the Product invoiced and Development Costs paid in a currency other than United States dollars, the amounts due hereunder (and the amounts upon which such payments are based) will be reported in United States dollars, calculated using the applicable exchange rate for such currency used throughout Amgen's group reporting system and published accounts for the applicable quarter.

6.12 Taxes Generally; Withholding Taxes.

(a) All excises, taxes, and duties, with the exception of value added taxes ("VAT"), (collectively "Taxes") levied on account of a payment made by one Party to the other Party pursuant to this Agreement will be the responsibility of and paid by the Party receiving the payment or shall be subject to the withholding of this Section 6.12, as provided herein.

(b) If Taxes are required under Applicable Law to be withheld by the Party making a payment from any payment hereunder, such Party will (i) deduct those Taxes from the payment and (ii) pay the Taxes to the proper taxing authority. In the event such taxing authorities routinely provide a Tax receipt upon payment, such Party will procure a receipt for any such withholding evidencing payment of such Taxes, which will be forwarded to the Party receiving the payment. Each Party represents and warrants that it is resident for tax purposes in the United States and agrees to provide upon request a properly completed Form W-9 or other tax form necessary to certify United States residency or claim a reduction of, or exemption from, withholding.

(c) All payments due one Party from the other Party pursuant to this Agreement shall be paid exclusive of any VAT (which, if applicable, shall be payable upon receipt of a valid VAT invoice).

6.13 Records; Inspection. Amgen shall keep (and shall cause its Affiliates and require its Sublicensees to keep) complete, true and accurate books of accounts and records pertaining to the sale or other disposition of Products (including the number of Products sold, the gross sales and Net Sales of such Products, the royalties payable, the method used to calculate the royalties payable, and the exchange rates used) and of Development Costs incurred pursuant to Section 3.2(c) or 6.3, each in sufficient detail to permit verification of the amount of (a) royalty and sales milestone payments due by Amgen to Xencor, (b) if applicable, Development Costs for Incomplete Pre-POC Activities deductible by Amgen from Milestone payments hereunder, and (c) if applicable, Development Costs for the Post-Exercise Development Plan subject to sharing under the Co-Funding Arrangement. Such books and records shall be kept for at least […***…] following the end of the calendar year to which they pertain and shall be open for inspection and audit by Xencor during such […***…] period on the terms of this Section 6.13. Upon not less than […***…] prior written notice, Amgen shall permit an independent, certified public accountant selected by Xencor and reasonably acceptable to Amgen, which acceptance will not be unreasonably withheld (for the purposes of this Section 6.13, the "Auditor"), to audit or inspect such books and records, for the sole purpose of whether there has been any under- or over-payment or

under- or over-statement of any such amount. The Auditor will disclose to Xencor only such information as is reasonably necessary for Xencor to determine its rights and obligations under this Article 6. The Auditor will send a copy of the report to Amgen at the same time it is sent to Xencor. The report sent to both Parties will include the methodology and calculations used to determine the results. Such inspections may be made no more than once each calendar year and during normal business hours. Such records for any particular calendar year shall be subject to no more than one inspection. The Auditor shall be obligated to execute a reasonable confidentiality agreement prior to commencing any such inspection. Inspections conducted under this Section 6.13 shall be at the expense of Xencor, unless a variation or error producing an underpayment in amounts payable exceeding […***…]% of the amount paid for a period covered by the inspection is established, in which case the reasonable out-of-pocket costs to conduct the inspection for such period and any unpaid amounts that are discovered shall be paid by Amgen, together with interest on such unpaid amounts at the rate set forth in Section 6.10 above. Xencor and the Auditor shall conduct any such inspection in a manner that minimizes disruption of Amgen's normal business activities. Amgen shall use commercially reasonable efforts to obtain for Xencor the right to audit Sublicensees pursuant to the terms of this Section 6.13 and shall, at a minimum, obtain for itself reasonable and customary rights to audit Sublicensees for such purposes. If Amgen is unable to obtain the right for Xencor to audit a Sublicensee, then Amgen shall exercise its right to audit such Sublicensee at the request and expense of Xencor (subject to reimbursement by Amgen as set forth above) and provide a copy of its auditor's report to Xencor at the same time it is sent to Amgen.

7. CONFIDENTIALITY

7.1 Confidential Information. Except as expressly provided in this Agreement, the receiving Party shall not publish or otherwise disclose and shall not use for any purpose any non-public, proprietary information furnished to it by the other Party pursuant to this Agreement (collectively, "Confidential Information"). Notwithstanding the foregoing, Confidential Information shall not include information that, in each case as demonstrated by written documentation:

(a) was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure or, as shown by written documentation, was developed by the receiving Party prior to its disclosure by the disclosing Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;

(d) was subsequently lawfully disclosed to the receiving Party by a person other than the disclosing Party, and who did not directly or indirectly receive such information from disclosing Party; or

(e) is developed by the receiving Party without use of or reference to any Confidential Information disclosed by the disclosing Party.

7.2 Permitted Disclosures. Notwithstanding the provisions of Section 7.1 above and subject to Sections 7.3 and 7.4 below, the receiving Party may disclose Confidential Information

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of the disclosing Party as expressly permitted by this Agreement, and if and to the extent such disclosure is reasonably necessary in the following instances:

(a) filing or prosecuting Patents as expressly permitted by this Agreement;

(b) prosecuting or defending litigation as expressly permitted by this Agreement;

(c) establishing, enforcing or defending its rights under this Agreement;

(d) in the case of Amgen, as reasonably necessary to Develop, manufacture or Commercialize Compounds and Products in accordance with this Agreement, including providing Xencor Know-How to Regulatory Authorities, subject (where applicable) to compliance with Section 7.2(f);

(e) complying with a valid order of a court or other governmental body having jurisdiction or otherwise to comply with Applicable Laws; provided that the receiving Party shall, except where impracticable, give reasonable advance notice to the disclosing Party of the required disclosure, and, at the disclosing Party's request and expense, cooperate with the disclosing Party's efforts to contest such required disclosure, to obtain a protective order preventing or limiting the disclosure or requiring that the Confidential Information so disclosed be used only for the purposes for which such disclosure is required, or to obtain other confidential treatment of the Confidential Information required to be disclosed. In any event, the receiving Party shall disclose only such Confidential Information as it is required by such order or Applicable Laws to disclose and shall only disclose such Confidential Information for the purpose and to the entity(ies) required by such order or Applicable Laws;

(f) disclosure to Affiliates, actual or potential Sublicensees (in the case of Amgen but only after the Option Exercise Date and thereafter during the Term), employees, consultants, advisors (including financial advisors, attorneys and accountants) or agents of the receiving Party who have a need to know such information in order for the receiving Party to exercise its rights or fulfill its obligations under this Agreement, provided, in each case, that any such Affiliate, Sublicensee, employee, consultant, advisor or agent is, or agrees to be, bound by terms of confidentiality and non-use as materially protective of such Confidential Information as this Article 7;

(g) disclosure to actual or potential Third Party investors, funding sources or acquirers in connection with due diligence or similar investigations by such Third Parties, and in confidential financing documents, provided, in each case, that any such Third Party agrees to be bound by reasonable obligations of confidentiality and non-use; and

(h) either Party may issue such press releases and make such disclosures as it determines, based on advice of counsel, are reasonably necessary to comply with applicable laws or regulations, including the rules or regulations of the United States Securities and Exchange Commission or a similar regulatory agency in a country other than the United States or of any stock exchange.

7.3 Confidential Terms. Each Party agrees not to disclose to any Third Party the terms of this Agreement without the prior written consent of the other Party hereto, except each Party may disclose the terms of this Agreement as permitted by Section 7.2. Notwithstanding the foregoing, promptly following the Effective Date, Xencor or and Amgen may each (or if mutually agreed, jointly) issue a mutually agreed press release

announcing the execution of this Agreement disclosing the information set forth on Schedule J. Prior to issuance of such press release, the Parties shall mutually agree upon a Question & Answer outline for use in responding to inquiries about this Agreement; thereafter, each Party may each disclose to Third Parties the information contained in such press release and Question & Answer outline without the need for further approval by the other Party. In addition, Xencor shall have the right, following the Option Exercise Date and the achievement of each Milestone, to issue a press release, either alone or, if agreed by Amgen, jointly with Amgen, announcing such exercise or achievement but without disclosing the amounts of any associated payments hereunder; provided that Xencor shall provide Amgen with a copy of the proposed release at least five business days prior to its public disclosure.

7.4 Publication of Product Information. Amgen shall not publish any Data relating to the Compound or Products prior to the Option Exercise Date, without Xencor's prior written consent. Thereafter, Amgen shall have the right to publish such Data relating to Compounds and Products as Amgen considers appropriate, without the approval of Xencor. During the Collaboration Period, Xencor shall have the right to publish the Data that it generates under the Development Plan, provided that Xencor first delivers to Amgen for review a copy of the proposed written publication or an outline of an oral disclosure at least 30 days prior to submission for publication and presentation, and agrees to consider in good faith Amgen's comments thereto.

7.5 Prior Non-Disclosure Agreements. Upon execution of this Agreement, the terms of this Article 7 shall supersede any prior non-disclosure, secrecy or confidentiality agreement between the Parties. Any information disclosed under such prior agreements shall be deemed disclosed under this Agreement.

8. INTELLECTUAL PROPERTY

8.1 Ownership of Inventions.

(a) Title to all Inventions made solely by Xencor personnel ("Xencor Inventions"), including all Patent and other intellectual property rights therein, shall be owned solely by Xencor. Title to all Inventions made solely by Amgen personnel ("Amgen Inventions"), including all Patent and other intellectual property rights therein, shall be owned solely by Amgen. Title to all Inventions made jointly by personnel of Amgen and Xencor ("Joint Inventions"), including all Joint Patents and other intellectual property rights in Joint Inventions, shall be jointly owned by Xencor and Amgen.

(b) Subject to the terms of this Agreement, including the License grant set forth in Section 5.1 and the provisions of Article 6, it is understood that neither Party shall have any obligation to obtain any approval of, nor pay a share of the proceeds to, the other Party to practice, enforce, license, assign or otherwise exploit Joint Inventions and Joint Patents, and each Party hereby waives any right it may have under the Applicable Laws of any jurisdiction to require such approval or accounting.

8.2 Prosecution and Maintenance of Xencor Patents.

(a) Xencor Compound-Specific Patents and Xencor CD19 Patents.

(i) During Collaboration Period. Within […***…] after the Effective Date, Xencor shall file in the United States one or more divisional, continuation or continuation-in-part patent applications of the Xencor CD19 Patents or

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Xencor Background Patents as Xencor Compound-Specific Patents that (i) will Claim and contain disclosure supporting claims to the composition of matter or formulation of, and/or any method of making or using, XmAb5871 and other Compounds and/or Products, and (ii) will not contain any claims, and will not be amended by Xencor to contain claims, to the composition of matter or formulation of, and/or any method of making or using, any Antibody that is subject to license rights owed to any Third Party. Without limiting the foregoing, within […***…] after the Effective Date, Xencor shall file in the United States, one or more divisional, continuation or continuation-in-part patent applications with respect to patent application […***…] that (i) will Claim and contain disclosure supporting claims to the composition of matter or formulation of, and/or any method of making or using, XmAb5871 and other Compounds and/or Products, and (ii) will not contain any claims, and will not be amended by Xencor to contain claims, to the composition of matter or formulation of, and/or any method of making or using, any Antibody that is subject to license rights owed to any Third Party. Xencor will use reasonable efforts to promptly complete similar applications in other countries where relevant Patents exist or are pending and will, upon Amgen's reasonable request, use reasonable efforts to take similar action within a reasonable period of time with respect to any other Xencor Background Patent in the United States or any other jurisdiction. In addition, Xencor shall use reasonable efforts to file one or more divisional, continuation or continuation-in-part patent applications of the Xencor Background Patents as Xencor CD19 Patents. During the Collaboration Period, Xencor shall have the sole right to Prosecute and Maintain the Xencor Compound-Specific Patents and the Xencor CD19 Patents, at Xencor's expense, in good-faith consultation with Amgen. Xencor shall provide Amgen with a copy of each application for a Xencor Compound-Specific Patent or a Xencor CD19 Patent as filed, together with notice of its filing date and serial number. Xencor shall keep Amgen advised of the status of all material communications, actual and prospective filings or submissions regarding such Xencor Patents, to the extent the same pertain to Compounds or Products, and shall give Amgen an opportunity to review and comment on any such communications, filing and submissions proposed to be sent to any patent office. Xencor shall consider in good faith Amgen's comments on the communications, filings and submissions for such Xencor Patents, as such Xencor Patents pertain to Compounds and Products. During the Collaboration Period, Xencor will not abandon or otherwise decline to pursue the Prosecution and Maintenance of any Xencor Compound-Specific Patent or Xencor CD19 Patent, to the extent such Xencor Patent pertains to a Compound or Product, without Amgen's prior consent (not to be unreasonably withheld). From and after the Option Exercise Date, the Prosecution and Maintenance of Xencor Patents shall be handled as set forth in Sections 8.2(a)(ii) and 8.2(b) below. For the purposes of this Section 8.2, "Prosecution and Maintenance" (including variations such as "Prosecute and Maintain") means, with respect to a Patent, the preparing, filing, prosecuting and maintenance of such Patent, in any jurisdiction, as well as re-examinations, reissues and requests for Patent term extensions and

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the like with respect to such Patent, together with the conduct of interferences, the defense of oppositions and other similar proceedings with respect to a Patent. It is understood that Xencor is not obligated to keep Amgen informed regarding, or to obtain Amgen's consent to abandon, any Xencor Background Patent.

(ii) Following Option Exercise Date. Following the Option Exercise Date and thereafter during the Term:

(1) Amgen shall have the first right, at its expense, to control the Prosecution and Maintenance of Xencor Compound-Specific Patents in the Field in the Territory. Amgen shall consult with Xencor as to the Prosecution and Maintenance of the Xencor Compound-Specific Patents reasonably prior to any deadline or action with the U.S. Patent & Trademark Office or any foreign patent office, and shall furnish to Xencor copies of all relevant documents reasonably in advance of such consultation. In the event that Amgen desires to abandon any Xencor Compound-Specific Patent, or if Amgen later declines responsibility for any Xencor Compound-Specific Patent, Amgen shall provide reasonable prior written notice to Xencor of such intention to abandon or decline responsibility (which notice shall, in any event, be given no later than […***…] prior to the next deadline for any action that may be taken with respect to such Xencor Compound-Specific Patent with the U.S. Patent & Trademark Office or any foreign patent office), and subject to Section 8.5 below, Xencor shall have the right, at its expense, to Prosecute and Maintain such Xencor Compound-Specific Patent.

(2) Xencor shall continue to control the Xencor CD19 Patents in the same manner as provided in Section 8.2(a)(i) above; provided that Xencor shall have the right to abandon any Xencor CD19 Patent as follows: In the event that Xencor desires to abandon any Xencor CD19 Patent, or if Xencor later declines responsibility for any Xencor CD19 Patent, in each case as such Xencor Patent pertains to a Compound or a Product, Xencor shall provide reasonable prior written notice to Amgen of such intention to abandon or decline responsibility (which notice shall, in any event, be given no later than […***…] prior to the next deadline for any action that may be taken with respect to such Xencor CD19 Patent with the U.S. Patent & Trademark Office or any foreign patent office), and Amgen shall have the right, at its expense, to Prosecute and Maintain such Xencor CD19 Patent and shall use reasonable efforts to amend the claims to convert said Xencor CD19 Patent to a Xencor Compound-Specific Patent and Prosecute and Maintain such Xencor Compound-Specific Patent in each case in Xencor's name.

(iii) As used in this Section 8.2, to "abandon" a Patent shall include failing to defend or deciding not to defend against an opposition, failing to pursue or deciding not to pursue an interference or similar proceeding or failing to pursue or deciding not to pursue an appeal of an adverse decision, in

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each case with respect to such Patent in the United States Patent & Trademark Office or a corresponding patent examining authority in another country of the Territory.

(b) Xencor Background Patents. Both before and after the Option Exercise Date, Xencor shall have the sole right, but not the obligation, at its expense, to control the Prosecution and Maintenance of the Xencor Background Patents.

(c) Joint Patents. Following the Option Exercise Date and thereafter during the Term, with respect to any Joint Patent that is directed to the composition of matter or formulation of, or any method of making or using, a Compound or Product, the Parties' rights and obligations regarding Prosecution and Maintenance shall be as set forth in Section 8.2(a), *mutatis mutandis*. With respect to any other Joint Patent, before or after the Option Exercise Date, the Parties shall mutually agree on a case-by-case basis which Party will be responsible for the Prosecution and Maintenance of such Joint Patent, and unless otherwise agreed by the Parties in writing, the Parties shall share equally (50%/50%) the cost of Prosecution and Maintenance of such Joint Patent.

(d) Amgen Patents. Amgen shall have the sole right, but not the obligation, at its expense, to control the Prosecution and Maintenance of Amgen Patents.

(e) Cooperation. Each Party shall cooperate with the other Party in connection with all activities relating to the Prosecution and Maintenance of the Xencor Compound-Specific Patents, Xencor CD19 Patents and Joint Patents undertaken by such other Party pursuant to this Section 8.2, including: (i) making available in a timely manner any documents or information such other Party reasonably requests to facilitate such other Party's Prosecution and Maintenance of the Xencor Compound-Specific Patents, Xencor CD19 Patents or Joint Patents pursuant to this Section 8.2; and (ii) if and as appropriate, signing (or causing to have signed) all documents relating to the Prosecution and Maintenance of any Xencor Compound-Specific Patents, Xencor CD19 Patents or Joint Patents by such other Party. Each Party shall also promptly provide to the other Party all information reasonably requested by such other Party with regard to such Party's activities with respect to Xencor Compound-Specific Patents, Xencor CD19 Patents and Joint Patents pursuant to this Section 8.2, and if requested, permit such other Party to participate at its own expense in any opposition, interference, appeal or similar proceeding with respect to any such Xencor Patent, to the extent the same are directed to the Compound or any Product, and/or manufacturing and/or use thereof, in the Field in the Territory.

8.3 Defense and Settlement of Third Party Claims. Each Party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either of the Parties pursuant to this Agreement infringes or may infringe the intellectual property rights of such Third Party. Xencor shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by Xencor's activities at its own expense and by counsel of its own choice, and Amgen shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Amgen shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by Amgen's activities at its own expense and by counsel of its own choice, and Xencor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Neither Party shall have the right to settle any patent infringement litigation under this Section 8.3 in a manner

that admits the invalidity or unenforceability of the other Party's Patents or imposes on the other Party restrictions or obligations, without the written consent of such other Party (which shall not be unreasonably withheld).

8.4 Enforcement.

(a) Notice. In the event that Xencor or Amgen becomes aware of actual or threatened infringement or misappropriation of any Xencor Patent, Amgen Patent, Joint Patent, Xencor Know-How or Joint Invention by the manufacture, sale, use or importation in the Territory of a Product containing a Compound, including the filing of any certification pursuant to the Biologics Price Competition and Innovation Act of 2009 (or any amendment or successor statute thereto) or any equivalent thereof (any of the foregoing, an "Infringement"), that Party shall promptly notify the other Party in writing.

(b) Enforcement of Xencor Compound-Specific Patents and Joint Patents.

(i) During Collaboration Period. During the Collaboration Period, Xencor shall have the sole right, but not the obligation, to initiate infringement proceedings or take other appropriate actions against an Infringement of Xencor Compound-Specific Patents or Joint Patents in the Territory with respect to an Infringement.

(ii) Following Option Exercise Date. Following the Option Exercise Date and thereafter during the Term, Amgen shall have the first right, but not the obligation, to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of the Xencor Compound-Specific Patents or Joint Patents in the Territory, at its own expense and by counsel of its own choice, and Xencor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Upon Amgen's request following the Option Exercise Date, Xencor shall take all necessary actions to transition and transfer control to Amgen of any ongoing infringement proceedings or actions against an Infringement of the Xencor Compound-Specific Patents or Joint Patents then ongoing, and shall promptly provide all information reasonably requested by Amgen with regard to such proceedings or actions. If Amgen fails to bring any such action or proceeding with respect to an Infringement by the sooner of (a) […***…] following a request by Xencor to do so or (b) five days before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, then Xencor shall have the right, with Amgen's consent, to bring and control any such action at its own expense and by counsel of its own choice, and Amgen shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. It is understood that Amgen may exercise its rights under this Section 8.4(b)(ii) through a Sublicensee or other designee, and actions of such a Sublicensee or designee under authority from Amgen shall be deemed actions of Amgen for purposes of this Section 8.4(b)(ii). For the avoidance of doubt, Amgen shall have the first right to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of any Xencor Compound-Specific Patent that claims priority to a Xencor Patent listed in Schedule P, as described above in this Section 8.4(b)(ii). Notwithstanding the foregoing, to the

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extent a Xencor Compound-Specific Patent claims priority to a Xencor Background Patent other than those listed in Schedule P, then Amgen's right to initiate an action to enforce such Xencor Compound-Specific Patent shall be subject to Xencor's prior written consent.

(c) Enforcement of Xencor CD19 Patents.

(i) During Collaboration Period. During the Collaboration Period, Xencor shall have the sole right, but not the obligation, to initiate infringement proceedings or take other appropriate actions against an Infringement of Xencor CD19 Patents in the Territory with respect to an Infringement.

(ii) Following Option Exercise Date. Following the Option Exercise Date and thereafter during the Term, Xencor shall have the first right, but not the obligation, to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of the Xencor CD19 Patents in the Territory, at its own expense and by counsel of its own choice. If Xencor fails to bring any such action or proceeding with respect to an Infringement by the sooner of (a) […***…] following a request by Xencor to do so or (b) five days before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, then Amgen shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Xencor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. For the avoidance of doubt, Amgen shall have the first right to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of any Xencor CD19 Patent that claims priority to a Xencor Patent listed in Schedule P, as described above in this Section 8.4(c)(ii). Notwithstanding the foregoing, to the extent a Xencor CD19 Patent claims priority to a Xencor Background Patent other than those listed in Schedule P, then Amgen's right to initiate an action to enforce such Xencor CD19 Patent shall be subject to Xencor's prior written consent.

(d) Enforcement of Xencor Background Patents. Amgen shall have no right to initiate any infringement proceedings to enforce any Xencor Background Patent with respect to an Infringement in the Territory.

(e) Enforcement of Amgen Patents. Subject to Section 8.4(f), Amgen shall have the sole right to initiate any infringement proceedings or take other appropriate actions against an Infringement of any Amgen Patent in the Territory.

(f) Allocation of Recoveries. Except as otherwise agreed to by the Parties as part of a cost-sharing arrangement, any recovery realized as a result of litigation pursuant to this Section 8.4, after reimbursement of any litigation expenses of Xencor and Amgen, shall be retained by the Party that brought and controlled such litigation for purposes of this Agreement, except that (i) any recovery realized by Amgen as a result of such litigation, after reimbursement of the Parties' litigation expenses, shall be treated as Net Sales of Products for purposes of royalty calculations in the period in which payment of such recovery was received; and (ii) any recovery realized by Xencor as a result of such litigation, after reimbursement of the Parties' litigation expenses, shall be

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treated as Net Sales, *mutatis mutandis*, of Products by Xencor, and Xencor shall pay royalties to Amgen with respect thereto at the applicable rates set forth in Section 6.7 (subject to Section 6.8(b) or 6.8(c), if applicable), *mutatis mutandis*, in the period in which payment of such recovery was received. Notwithstanding the foregoing, to the extent any such recoveries are obtained with respect to Amgen Patents, the amount payable to Xencor with respect to that portion of such recovery attributable to an Amgen Patent (after reimbursement of litigation expenses) shall be reduced by […***…]%.

(g) Valid Claims. In the event that, after Option Exercise Date, Amgen requests that Xencor bring (or permit Amgen to bring) an enforcement action in any jurisdiction with respect to a Xencor Patent and Xencor refuses to do so, then the claims of such patent will no longer be considered "Valid Claims" hereunder in such jurisdiction.

(h) Cooperation. In the event a Party brings an infringement action in accordance with this Section 8.4, the other Party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a party. The Parties shall keep one another informed of the status of their respective activities regarding any litigation undertaken with respect to a Xencor Patent or a Joint Patent pursuant to this Section 8.4 or settlement thereof, and the Parties shall assist one another and cooperate in any such action at the other's reasonable request. Without limiting the foregoing, upon request by Amgen, Xencor shall join as a party plaintiff (including if required by Applicable Law, as the sole party plaintiff) in any action initiated by Amgen or its designee with respect to an Infringement; provided that Amgen reimburses the reasonable out-of-pocket expenses incurred by Xencor in fulfilling Amgen's request in connection with participating in such action as a party plaintiff (it being understood that Amgen shall have the right to maintain control of such action). Neither Party shall have the right to settle any patent infringement litigation under this Section 8.4 in a manner that admits the invalidity or unenforceability of the other Party's Patents or imposes on the other Party restrictions or obligations, without the prior written consent of the other Party, which shall not be unreasonably withheld.

8.5 Patent Extensions. Following the Option Exercise Date and thereafter during the Term, the Parties shall cooperate in obtaining patent term restorations, supplemental protection certificates and/or their equivalents, and other forms of patent term extensions for Products with respect to the Xencor Compound-Specific Patents in any country and/or region where applicable; provided that, notwithstanding Section 8.2 above, Amgen shall have the final decision making authority with respect thereto. Amgen shall not have the right to seek any such restoration, supplemental protection certificate or other extension of any Xencor CD19 Patent or Xencor Background Patent without Xencor's prior written consent, which Xencor may withhold in its sole discretion. Xencor shall not, without Amgen's prior written consent, seek any such restoration, supplemental protection certificate or other extension of (i) a Xencor Compound-Specific Patent, with respect to any product (i.e., whether or not a "Product" hereunder), or (ii) any Xencor CD19 Patent or Xencor Background Patent, with respect to a Compound or a Product.

8.6 Trademarks. As between the Parties, Amgen shall own all right, title and interest in and to any trademarks adopted by Amgen for use with the Products within the

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Territory, and shall be responsible for the registration, filing, maintenance and enforcement thereof. Xencor shall not at any time do or authorize to be done any act or thing which is likely to materially impair the rights of Amgen therein, and shall not at any time claim any right of interest in or to such marks or the registrations or applications therefor.

9. TERM AND TERMINATION

9.1 Term. The term of this Agreement (the "Term") shall commence on the Effective Date, and unless terminated earlier as provided in this Article 9, shall continue in full force and effect until expiration of the last-to-expire Royalty Term for any Product in the Territory.

9.2 Termination If Option Not Exercised During Option Period. This Agreement shall immediately and automatically terminate in its entirety upon expiration or termination of the Option Period in the event Amgen has not exercised the Option prior to such expiration or termination (including as described in Schedule M), subject to Section 5.3 and to Sections 9.7, 9.8, 9.9 and 9.11 below. Notwithstanding the foregoing, in the event of a dispute as to whether all Core Collaboration Period Development Activities or the Option Data Package have been completed or delivered, this Agreement shall not terminate under this Section 9.2, and the Option Period shall be tolled until such dispute has been resolved in accordance with Article 12.

9.3 Termination by Amgen For Convenience. Amgen shall have the right to terminate this Agreement for convenience upon 90 days prior written notice to Xencor.

9.4 Termination for Breach. Either Party to this Agreement may terminate this Agreement in the event the other Party shall have materially breached or defaulted in the performance of any of its material obligations hereunder, and such default shall have continued for 90 days (or, in the case of breach of undisputed payment obligations, 30 days) after written notice thereof was provided to the breaching Party by the non-breaching Party. Any such termination shall become effective at the end of such 90-day (or 30-day, as applicable) period unless the breaching Party has cured any such breach or default prior to the expiration of such period (or, except in the case of breach or default of payment obligations, if such breach or default cannot reasonably be cured within such 90-day period, unless, prior to the expiration of the 90-day period, the breaching Party has undertaken appropriate steps to commence such cure during such 90-day period and diligently continues to pursue reasonable efforts to cure such breach in a manner reasonably assuring such cure within a reasonable period of time thereafter). Any right to terminate under this Section 9.4 shall be stayed and the cure period tolled in the event that, during any cure period, the Party alleged to have been in material breach or default shall have initiated dispute resolution in accordance with Article 12 with respect to the alleged breach, which stay and tolling shall continue until such dispute has been resolved in accordance with Article 12. In addition, Xencor shall have: (a) the right to terminate this Agreement immediately upon written notice to Amgen, if Amgen or its Affiliate initiates a Xencor Patent Challenge; and (b) the right to terminate any sublicense under the License granted to a Sublicensee, if such Sublicensee or its affiliate initiates a Xencor Patent Challenge, provided that, in each of (a) and (b) above Xencor shall not have such termination right if the Xencor Patent Challenge is withdrawn or dismissed within 30 days after a request by Xencor to do so. For such purposes, a "Xencor Patent Challenge" means the commencement or assertion by Amgen, its Affiliate or Sublicensee (i) in any lawsuit or reexamination proceeding (excluding any administrative opposition proceeding), of any claim challenging the

validity or enforceability of an issued Xencor Patent to the extent such Patent and such challenge apply to a Compound, or (ii) in any administrative opposition proceeding, of any claim challenging the validity or enforceability of a Xencor Patent; *provided, however,* that none of the following shall constitute a "Xencor Patent Challenge" for purposes of this Section 9.4: (A) Amgen's or its Affiliate's good faith assertion that (x) any Invention claimed by a Patent filed by or on behalf of Xencor as a Xencor Patent was an Amgen Invention or Joint Invention, or (y) any Invention claimed by a Joint Patent filed by or on behalf of Xencor

as a Joint Patent was a Joint Invention; (B) Amgen's or its Affiliate's good faith assertion, in the context of whether a payment of royalties is due to Xencor, that no Valid Claim within the Xencor Patents applies with respect to a Product; (C) any claim made by Amgen or its Affiliate as a defense in any lawsuit or administrative proceeding brought by Xencor; and (D) any lawsuit, reexamination proceeding or opposition brought by Amgen or its Affiliate challenging the validity or enforceability of any claim within an issued Xencor Patent which claim does not Claim the composition of matter or formulation of, or any method of making or using, a Compound (and not challenging the validity or enforceability of any claim within an issued Xencor Patent that Claims the composition of matter or formulation of, or any method of making or using, a Compound).

9.5 Termination for Bankruptcy. Either Party may terminate this Agreement upon written notice to the other Party in the event any of the following occurs with respect to such other Party: (i) the other Party becomes bankrupt, or files a petition in bankruptcy or makes a general assignment for the benefit of creditors or otherwise acknowledges in writing insolvency, or is adjudged bankrupt, and such Party (A) fails to assume this Agreement in any such bankruptcy proceeding within 30 days after filing or (B) assumes and assigns this Agreement to a Third Party; (ii) the other Party is placed in a process of complete liquidation; (iii) a trustee or receiver is appointed for any substantial portion of the other Party's business and such trustee or receiver is not discharged within 60 days after appointment; (iv) any case or proceeding shall have been commenced or other action taken against the other Party in bankruptcy or seeking liquidation, reorganization, dissolution, a winding-up arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or similar act or law of any jurisdiction now or hereafter in effect and is not dismissed or converted into a voluntary proceeding governed by clause (i) above within 60 days after filing; or (v) there shall have been issued a warrant of attachment, execution, distraint or similar process against any substantial part of the property of the other Party and such event shall have continued for a period of 60 days and none of the following has occurred: (1) it is dismissed, (2) it is bonded in a manner reasonably satisfactory to the Party with the termination right under this Section 9.5, or (3) it is discharged.

9.6 Alternative to Amgen Termination for Xencor Breach. In the event that Amgen is entitled to terminate this Agreement for Xencor's material breach (after notice, opportunity to cure, and any dispute resolution proceedings, all as set forth in Section 9.4), but Amgen wishes to retain the License, Option and other rights granted to it hereunder, Amgen may, in lieu of terminating this Agreement, terminate Article 0, and/or (ii) if Amgen has not yet exercised the Option, Amgen shall have the right to exercise the Completion Option as described in Section 3.3; *provided, however*, that, except for any such terminated provisions, this Agreement, including the License and, if not previously exercised, the Option, will remain in full force and effect in accordance with its terms, subject to Amgen's continued compliance with its obligations hereunder. Notwithstanding the foregoing, if the Xencor breach that entitled Amgen to terminate

this Agreement was a breach of Section 6.3, then upon exercise of its rights under this Section 9.6, Amgen shall also have the right to terminate Section 6.3.

9.7 Consequences of Termination.

(a) Upon any termination of this Agreement by either Party as permitted by this Article 9, all rights and obligations of the Parties hereunder (including the License granted by Xencor to Amgen hereunder) shall terminate and be of no further force or effect, except as otherwise expressly set forth below in this Section 9.7 and in Sections 9.8, 9.9 and 9.11.

(b) Solely in the case of termination of this Agreement pursuant to Section 9.2, Section 5.3 shall survive.

(c) Solely in the case of termination of this Agreement pursuant to Section 9.2 or 9.3, or termination of this Agreement by Xencor pursuant to Section 9.4, the following shall apply:

(i) Effective upon any such termination, Amgen shall, and it hereby does, grant to Xencor an exclusive, perpetual, royalty-free license, with the right to sublicense through multiple tiers, under Amgen and Joint Compound-Specific Patents, to Develop, make, have made, use, sell, have sold, offer for sale and import Reverted Products. For such purposes: "Amgen and Joint Compound-Specific Patents" means all Amgen Patents and Joint Patents that, in each case, (A) Claim only Option Period Invention(s) and/or the composition of matter or formulation of, or any method of making or using, a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), and (B) do not Claim the composition of matter or formulation of, or any method of making or using, any Antibody that is not a Compound or any product that is not a Product.

For purposes of the foregoing, "Reverted Product" means any Product containing any of the following:

a. XmAb5871;

b. any Compound that comprises any of the Fc variants listed in Schedule A attached hereto (as "variant" is defined in such Schedule);

c. any Compound that comprises any other Fc variant owned by, or licensed to, Xencor during the Option Period, provided that Xencor notifies Amgen in writing of the identity of such Fc variant within 90 days after the earlier of (A) the Option Exercise Date or (B) the termination of this Agreement, which written notice shall expressly refer to this Section 9.7(c)(i)c; or

d. any Compound for which (A) Amgen or Xencor conducted any clinical trial prior to termination of this Agreement or (B) Xencor conducts any clinical trial within 3 years after such termination.

For clarity, Amgen retains the right at all times after termination of this Agreement pursuant to Section 9.2 or 9.3, or termination of this

Agreement by Xencor pursuant to Section 9.4, to practice the Amgen and Joint Compound-Specific Patents and Amgen Know-How for all purposes, except, from the date of such termination, to Develop, make, have made, use, sell, have sold, offer for sale or import Reverted Products;

(ii) Effective upon any such termination, Amgen shall, and it hereby does, grant to Xencor a non-exclusive, perpetual, royalty-free license, with the right to sublicense, under Amgen Blocking Patents, solely to Develop, make, have made, use, sell, offer for sale, have sold and import Reverted Products in the Field in the Territory. "Amgen Blocking Patents" means Amgen Patents, other than Amgen Patents within Amgen and Joint Compound-Specific Patents, that Claim inventions actually practiced or generated by or on behalf of Amgen in the Development, manufacture, use, sale, offer for sale or import of Compound or Products in the Field in the Territory prior to termination of this Agreement;

(iii) As promptly as practicable (and in any event within 90 days) after such termination, Amgen shall (A) deliver to Xencor all then—existing Regulatory Documents and Data Controlled by Amgen to the extent they pertain to Compound and Products (or true, correct and complete copies thereof), and hereby grants to Xencor, effective as of the effective date of such termination, the right to use and reference all such Regulatory Documents and Data as necessary or useful for the exercise of the licenses granted to Xencor under Section 9.7(c)(i) or (ii) as applicable, (B) disclose to Xencor all Amgen Know-How necessary or useful for the practice of the licenses granted pursuant to Section 9.7(c)(i) or (ii), to the extent such Amgen Know-How was actually used or generated by Amgen in the course of manufacturing, Developing or commercializing a Reverted Product, and hereby grants to Xencor, effective as of the effective date of such termination, the right to use and practice such Amgen Know-How as necessary or useful for the exercise of the license granted to Xencor under Section 9.7(c)(i) or (ii), (C) transfer and assign to Xencor all of its right, title and interest in and to all then-existing Regulatory Filings with respect to the Reverted Products, and (D) cooperate reasonably in transitioning the Reverted Products to Xencor;

(iv) To the extent that any of the foregoing licenses or rights granted by Amgen include Patents or Know-How that were acquired from a Third Party, but that are subject to payment or other obligations to a Third Party, then Amgen shall so notify Xencor, together with a true, complete and correct written description of such payment and/or other obligations (a "Third Party Technology Notice"), and the inclusion of such Third Party technology in such licenses shall be subject to Xencor's agreeing in writing to reimburse, and promptly reimbursing, Amgen for any payments that become owing to such Third Party by reason of the grant to, or the exercise of Xencor's rights with respect to, the Third Party technology, to the extent the same were disclosed to Xencor in the Third Party Technology Notice. In addition, as a condition of such license, upon request, Xencor shall agree in writing to be bound by any obligations that are applicable to sublicensees of the applicable Third Party technology

under the agreement under which such Third Party technology was acquired;

(v) Xencor shall have the right, but not the obligation, to purchase from Amgen at Amgen's fully-burdened manufacturing cost (calculated in accordance with GAAP, consistently applied) any or all quantities of usable clinical and/or commercial GMP-grade Compound or Products in Amgen's or its Affiliates' possession as of the date of termination. Any packaging, transport, insurance and other costs relating to delivery shall be at Xencor's expense; and

(vi) If Amgen was manufacturing, or having manufactured on its behalf, any Reverted Product, or the Compound contained therein, prior to termination, then at Xencor's request, until the earlier of (A) such time as Xencor has secured another source of Compound or Product that is able to meet Xencor's Compound and Product quality and quantity requirements, and (B) 18 months after such termination, Amgen shall use Commercially Reasonable Efforts to supply, or cause to be supplied, to Xencor such quantities of Compound or Product as Xencor may reasonably require for the Development and commercialization of Compound and Products in the Field in the Territory; provided that Xencor shall use commercially reasonable efforts to secure another source of supply of such Compound and Product as soon as reasonably practicable.

(vii) Notwithstanding the foregoing, in no event shall Xencor as a result of this Section 9.7(c) have any right or license with respect to any Antibody or compound that is not a "Compound" as defined in this Agreement.

9.8 Accrued Obligations. The expiration or termination of this Agreement for any reason shall not release either Party from any liability that, at the time of such expiration or termination, has already accrued to the other Party or that is attributable to a period prior to such expiration or termination, nor will any termination of this Agreement preclude either Party from pursuing all rights and remedies it may have under this Agreement, or at law or in equity, with respect to breach of this Agreement. Notwithstanding the foregoing, in the event that Amgen provides notice of termination under Section 9.3 or 9.4 above prior to the date the Second Option Exercise Fee is due, then such payment shall not be deemed to have accrued and Amgen shall not be obligated to make such payment.

9.9 General Survival. The following provisions of this Agreement shall survive expiration or termination of this Agreement for any reason: Articles 1, 11, 12 and 13, and Sections 6.10 through 6.13, 7.1, 7.2, Section 8.1, Section 9.1, Sections 9.7 through 9.11, Section 10.8, Section 10.9, and the first sentence of Section 7.3. In addition, upon the expiration, but not an earlier termination, of this Agreement, the following Sections shall also survive: Section 6.7(f), if applicable, and the corresponding provisions of Sections 6.7(c), 6.7(d) and 6.8; and Section 8.4, with respect to Infringements occurring prior to such expiration.

9.10 Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Xencor or Amgen are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code and other similar laws in a jurisdiction outside the United States, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that the Parties, as

licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the U.S. Bankruptcy Code or such similar laws in a jurisdiction outside the United States. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the U.S. Bankruptcy Code, the Party hereto that is not a party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property (including, in the case of Xencor as the party to such proceeding, all Xencor Know-How and all Xencor Information and Materials and Data), and same, if not already in its possession, shall be promptly delivered to them (i) upon any such commencement of a bankruptcy proceeding upon its written request therefor, unless the Party subject to such proceeding elects to continue to perform all of its obligations under this Agreement, or (ii) if not delivered under (i) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

9.11 Additional Rights. Neither Party will be precluded from pursuing all rights and remedies that it may have hereunder at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation.

10. REPRESENTATIONS, WARRANTIES AND COVENANTS

10.1 Representations and Warranties of the Parties. Each Party hereby represents and warrants to the other Party as of the Effective Date that it has full corporate power and authority and has taken all requisite corporate action necessary to enter into and perform this Agreement, and that this Agreement is a legal and valid obligation binding upon such Party and enforceable in accordance with its terms. The execution, delivery and performance of this Agreement by such Party do not conflict with, or constitute a default under, any agreement, instrument or understanding, oral or written, to which such Party is a party or by which it is bound, nor, to its knowledge as of the Effective Date, violate any Applicable Law.

10.2 Representations and Warranties of Xencor. Xencor represents and warrants to Amgen as of the Effective Date that:

(a) it has as of the Effective Date the full right, power and authority to grant the licenses granted to Amgen under Section 5.1, including the exclusive license, with the right to sublicense through multiple tiers, under the Patents identified in Schedules D, E and F and Xencor's interest in the Joint Patents, to Develop, make, have made, use, sell, have sold, offer for sale and import the Compound and Products in the Field in the Territory, and Xencor has not previously granted and, during the Term, will not grant any rights that would conflict with, or that would otherwise materially interfere with, diminish or negatively affect the rights and licenses granted to Amgen herein, including such right and licenses with respect to the Patents identified in Schedules D, E and F;

(b) there are no agreements in effect as of the Effective Date with a Third Party under which rights with respect to the Xencor Patents or Xencor Know-How are being licensed to Xencor other than (i) that certain […***…], and (ii) that certain Development and Manufacturing Services Agreement dated September 15, 2008, between Catalent Pharma

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Solutions, Inc. ("Catalent") and Xencor (the "Catalent Agreement"). Neither Xencor nor, to Xencor's knowledge, […***…] or Catalent, is in breach or default under the […***…] Agreement or Catalent Agreement, as applicable. Xencor has provided true and complete copies of the […***…] Agreement and the Catalent Agreement to Amgen;

(c) it holds good title to and is the sole and exclusive owner or licensee of all right, title and interest in and to the Xencor Patents free and clear of any lien, mortgage, security interest, pledge, license, restriction on transferability, defect of title or other claim, charge or encumbrance, except for: (i) […***…] ownership of […***…] on Xencor's Behalf […***…] pursuant to the […***…] Agreement, and, if Xencor elects to obtain a license with respect to any […***…], the obligation under the […***…] to pay upfront or license fees, annual maintenance fees and milestone payments as set forth in the […***…] Agreement with respect to such […***…]; (ii) the […***…]; and (iii) licenses and other rights granted to Third Parties under […***…] and Xencor Background Patents for purposes other than the Development, manufacture, use, sale, offer for sale or import of Compounds and Products;

(d) Xencor has the right to disclose the Xencor Know-How to Amgen as contemplated by this Agreement;

(e) Schedules D, E and F attached hereto accurately and completely identify all Patents in which Xencor has any rights as of the Effective Date that have been used in connection with or are reasonably necessary or useful for, the Development, manufacture or commercialization of Compounds or Products, and Xencor does not have rights in or to any Patent or Information or Materials that would be within the Xencor Patents or the Xencor Know-How, but for the fact that Xencor does not Control such Patent or Information or Materials. XmAb5871 does not use or incorporate any Xencor XmAb Xtend Technology. To Xencor's knowledge as of the Effective Date, (i) the issued patents within the Xencor Patents are valid and enforceable, (ii) there are no claims against Xencor as of the Effective Date, nor any reissue, reexamination, interference, opposition or similar proceedings pending or threatened, with respect to the Xencor Patents or Xencor Know-How, and (iii) with respect to all Patents of Third Parties Xencor has disclosed to Amgen prior to the Effective Date as being relevant to the Development, manufacture, or commercialization of Compound, all information disclosed by Xencor to Amgen regarding such Patents is correct, and Xencor has not knowingly omitted to disclose to Amgen any material information in Xencor's possession regarding such Patents;

(f) it has conducted, and has caused its contractors to conduct, all preclinical and clinical studies for Products and manufacturing of the Compound and Products, in accordance with (i) all Applicable Laws of the United States and the country in which such clinical studies are conducted, (ii) the applicable published standards and guidelines of the FDA and the Regulatory Authority in such country, and (iii) the scientific standards applicable to the conduct of such studies and activities in the United States and in such country including current good laboratory practice, current good clinical practice and current good manufacturing practice. Neither Xencor, nor to its knowledge any officer,

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employee or agent of Xencor, has made an untrue statement of a material fact to any Regulatory Authority with respect to the Compound or Products (whether in any submission to such Regulatory Authority or otherwise), or has knowingly failed to disclose a material fact required to be disclosed to any Regulatory Authority with respect to the Compound or Products;

(g) to its knowledge, Xencor has not employed any personnel, and has not knowingly used a contractor or consultant, debarred by the FDA (or subject to a similar sanction of a Regulatory Authority), or who is subject of an FDA debarment investigation or proceeding (or similar proceeding of a Regulatory Authority);

(h) Except as disclosed to Amgen prior to the Effective Date, there are no inquiries, actions or other proceedings pending before or, to Xencor's knowledge, threatened by, any Regulatory Authority or other government agency with respect to the Compound or Products or any facility where the Compound or any Product is manufactured, and neither Xencor nor, to the knowledge of Xencor, its subcontractors, has received written notice threatening any such inquiry, action or other proceeding;

(i) Xencor has made available to Amgen for its review all material Data generated by or on behalf of Xencor with respect to the Compound or Products. To Xencor's knowledge, all of the Data and information relating to Compound and Products that Xencor has disclosed or made available to Amgen is accurate in all material respects, and Xencor has not omitted therefrom any material Data or information relating to the Compound or Products in Xencor's possession or control prior to the Effective Date that a reasonable person in Amgen's position would want to have examined prior to executing this Agreement.

10.3 Covenants.

(a) Covenant by Xencor. Following delivery of the Option Data Package, if Amgen requests that Xencor provide information known to Xencor relating to the accuracy of any representation or warranty made by Xencor in Section 10.2 as if made on the date of such request, then to the extent such

information has not previously been disclosed to Amgen, Xencor shall provide such information to Amgen within 30 days after such request.

(b) Mutual Covenants. Each Party hereby covenants to the other Party that:

(i) it will conduct, and will cause its contractors to conduct, all preclinical and clinical studies for Products and manufacturing of the Compound and Products, in accordance with (i) all Applicable Laws of the United States and the country in which such clinical studies are conducted, (ii) the known or published standards of the FDA and the Regulatory Agency in such country, and (iii) the scientific standards applicable to the conduct of such studies and activities in the United States and in such country including current good laboratory practice, current good clinical practice and current good manufacturing practice. Neither such Party, nor any officer, employee or agent of such Party, will make an untrue statement of a material fact to any Regulatory Authority with respect to the Compound or Products (whether in any submission to such Regulatory Authority or otherwise), and neither will knowingly fail to disclose a material fact required to be disclosed to any Regulatory Authority with respect to the Compound or Products; and

(ii) it will not knowingly employ any personnel or knowingly use a contractor or consultant that has been debarred by the FDA (or subject to a similar sanction of a Regulatory Authority), or that is subject of an FDA debarment investigation or proceeding (or similar proceeding of a Regulatory Authority).

10.4 Diligence Obligations of Amgen. Except as otherwise provided herein, following the Option Exercise Date, Amgen shall use Commercially Reasonable Efforts (directly and/or through one or more Affiliates and/or Sublicensees) to Develop, obtain Marketing Approval for and commercialize at least one Product. The foregoing shall include use of Commercially Reasonable Efforts (directly and/or through one or more Affiliates and/or Sublicensees) with respect to each of the Major Markets. Amgen shall keep Xencor reasonably informed as to its progress and activities relating to the Development, commercialization, marketing and promotion of Compound and Products in the Territory, as follows:

(a) during the existence of the DC, via DC meetings and required reports to the DC under Article 0;

(b) after the DC ceases to exist and prior to First Commercial Sale of the first Product, by delivering […***…] written reports to Xencor in […***…] summarizing the status of Amgen's and its Affiliates' and Sublicensees' efforts with respect to Products, including significant Development, clinical trial progress, regulatory approval and commercialization plans, activities and results with respect to Products; and

(c) after First Commercial Sale of the first Product, by delivering annual written reports to Xencor in January of each year summarizing the status of Amgen's and its Affiliates' and Sublicensees' efforts with respect to Products, including significant Development, clinical trial progress, regulatory approval and commercialization plans, activities and results with respect to Products.

Without limiting the generality of the foregoing (and both during and after the DC's existence), Amgen shall provide Xencor with written notice with respect to the following within […***…] after occurrence: (i) filing of any IND for a Compound or Product in a Major Market; (ii) initiation of any clinical trial of a Compound or Product; (iii) filing of a BLA with respect to any Product in a Major Market; (iv) receipt of Marketing Approval for any Product in a Major Market; and (v) First Commercial Sale of a Product in a Major Market; in each case to the extent such activity is undertaken by or on behalf of Amgen or its Affiliates or Sublicensees.

10.5 Exclusivity of Efforts. For clarity, it is understood that any Antibody that Amgen Develops or commercializes and which meets the definition "Compound" under Section 1.21 above, shall be deemed a "Compound" hereunder for all purposes of this Agreement, including the milestone and royalty obligations in Sections 6.5 and 6.7, whether or not such Compound incorporates or utilizes any Xencor Patents or Xencor Know-How. Similarly any Antibody that is Controlled by Xencor as of the Effective Date or during the Term that meets the definition of "Compound" under Section 1.21 above shall also be deemed a "Compound" for all purposes of this Agreement, including the milestone and royalty provisions of Sections 6.5 and 6.7.

10.6 Change of Control of Xencor. Xencor shall notify Amgen in writing promptly of the closing of any Change of Control of Xencor involving a Significant Pharmaceutical Company. With respect to any such Change of Control occurring prior to the Option

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Exercise Date, Amgen shall have the rights set forth in Section 3.3 and Schedule M. With respect to any such Change of Control occurring after the Option Exercise Date, during the […***…] period after Xencor provides notice of the closing of such Change of Control, Amgen may, by written notice to Xencor, terminate Article 0. If Amgen so terminates Article 2, then any decision that would otherwise have been made by the DC shall be made by Amgen; it being understood that the limitations on a Party's deciding vote on the DC specified in Section 2.5 shall also apply to Amgen's right to make decisions under this Section 10.6. For the avoidance of doubt, except as expressly set forth above in this Section 10.6, no Change of Control of either Party shall have any effect on the respective rights and obligations of the Parties under this Agreement.

10.7 Review of Material Agreements. During the Collaboration Period, prior to entering into any material agreements with respect to either the Compound or Products (including the Development or manufacture thereof), Xencor shall provide Amgen with a reasonable opportunity to review and comment on any such agreement and shall consider in good faith any comments provided thereon by Amgen.

10.8 Disclaimer. Except as expressly set forth in this Agreement, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS," AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES.

10.9 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 7 NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided, however,* that this Section 10.9 shall not be construed to limit either Party's indemnification obligations under Article 11.

11. INDEMNIFICATION

11.1 Indemnification of Xencor. Amgen shall indemnify and hold harmless each of Xencor, its Affiliates and the directors, officers, stockholders and employees of such entities and the successors and assigns of any of the foregoing (the "Xencor Indemnitees"), from and against any and all liabilities, damages, penalties, fines, costs, expenses, including, reasonable attorneys' fees and other expenses of litigation ("Liabilities"), from any claims, actions, suits or proceedings brought by a Third Party (a "Third Party Claim") to which any Xencor Indemnitee may become subject, to the extent such Liabilities arise directly or indirectly out of: (a) the research, Development, manufacture, use, handling, storage, marketing, distribution, importation, sale or other disposition of any Compound or Product by or on behalf of Amgen, its Affiliates or Sublicensees; (b) the gross negligence or willful misconduct of any Amgen Indemnitee; or (c) Amgen's breach of any representation, warranty, covenant or other agreement made by Amgen in this Agreement; except, in each case, to the extent such Liabilities result from the gross negligence or willful misconduct of any Xencor Indemnitee or the breach by Xencor of any warranty, representation, covenant or agreement made by Xencor in this Agreement. For purposes of clarification, the foregoing shall not relieve Xencor of its co-funding obligations under Section 6.3 (if applicable).

11.2 Indemnification of Amgen. Xencor shall indemnify and hold harmless each of Amgen, its Affiliates and Sublicensees and the directors, officers and employees of Amgen, its Affiliates and Sublicensees and the successors and assigns of any of the foregoing (the "Amgen Indemnitees"), from and against any and all Liabilities from any Third Party Claims incurred by any Amgen Indemnitee, arising from, or occurring as a result of (a) the research, Development, manufacture, use, handling, storage, marketing, distribution, importation, sale or other disposition of any Compound or Product by or on behalf of Xencor, its Affiliates or its Third Party licensees; (b) the gross negligence or willful misconduct of any Xencor Indemnitee; or (c) Xencor's breach of any representation, warranty, covenant or other agreement made by Xencor in this Agreement; except, in each case, to the extent such Liabilities result from the gross negligence or willful misconduct of any Amgen Indemnitee or the breach by Amgen of any warranty, representation, covenant or agreement made by Amgen in this Agreement.

11.3 Procedure. A Party that intends to claim indemnification under this Article 11 (the "Indemnitee") shall promptly notify the other Party (the "Indemnitor") in writing of the assertion or the commencement of a Third Party Claim and will provide the Indemnitor such information with respect thereto that the Indemnitor may reasonably request. The Indemnitor shall be entitled to participate in the defense of any Third Party Claim and, subject to the limitations set forth in this Section, shall be entitled to control and appoint lead counsel for such defense, in each case at its expense. If the Indemnitor shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 11.3, the Indemnitor shall obtain the prior written consent of the Indemnitee (not to be unreasonably withheld) before entering into any settlement of such Third Party Claim. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any action with respect to a Third Party Claim, to the extent prejudicial to its ability to defend such action, shall relieve such Indemnitor of any liability to the Indemnitee under this Section 11.3, but the omission to so deliver written notice to the Indemnitor shall not relieve the Indemnitor of any liability that it may have to any Indemnitee otherwise than under this Section 11.3. The Indemnitee under this Section 11.3 shall cooperate fully with the Indemnitor and its legal representatives in the investigation of any action with respect to a Third Party Claim covered by this indemnification.

12. DISPUTE RESOLUTION

12.1 Discussions. Upon the written request of either Party to the other Party, any claim, dispute, or controversy as to the breach, enforcement, interpretation or validity of this Agreement (other than any dispute the resolution of which is within the express authority of the DC), including any action or claim based on tort, contract, or statute, or concerning the interpretation, effect, termination, validity, performance and/or breach of this Agreement (each, a "Dispute Claim"), will be referred to the Chief Executive Officer of Xencor and a designated official of Amgen (who shall be a Vice President or higher with authority to resolve such matter), for resolution. In the event the two individuals referred to in the preceding sentence are unable to resolve such dispute within […***…] after the initial written request, then, upon the written demand of either Party, the Dispute Claim shall be subject to arbitration, as provided in Section 12.2.

12.2 Arbitration.

(a) Claims. Subject to Section 12.3 below, any Dispute Claim that is not resolved under Section 12.1 within […***…] after a Party's initial written request for resolution, shall be resolved by final and binding arbitration administered by JAMS (the "Administrator") in accordance with its Comprehensive Arbitration Rules and Procedures (the "Rules"), except to the extent any such Rule conflicts with the express provisions of this Section 12.2. (Capitalized terms used but not otherwise defined in this Agreement shall have the meanings provided in the Rules.) The Arbitration shall be conducted by one neutral arbitrator selected in accordance with the Rules, provided that such individual shall not be a current or former employee or director, or a current stockholder, of either Party, any of their respective Affiliates or any Sublicensee. The Arbitration shall be held in Los Angeles, California.

(b) Discovery. Within […***…] after selection of the Arbitrator, the Arbitrator shall conduct the Preliminary Conference. In addressing any of the subjects within the scope of the Preliminary Conference, the Arbitrator shall take into account both the needs of the Parties for an understanding of any legitimate issue raised in the Arbitration and the desirability of making discovery efficient and cost-effective. In that regard, the Parties agree to the application of the E-Discovery procedures set forth in Rule 16.2(c) of JAMS' Expedited Procedures. In addition, each Party shall have the right to take up to […***…] of deposition testimony, including expert deposition testimony. The Parties agree that the Arbitrator shall set a discovery cutoff not to exceed […***…] (rather than […***…]) calendar days after the Preliminary Conference for percipient discovery and not to exceed […***…] (rather than […***…]) calendar days after the Preliminary Conference for expert discovery. These dates may be extended by the Arbitrator for good cause shown.

(c) Hearing; Decision. The Hearing shall commence within […***…] calendar days after the discovery cutoff. The Arbitrator shall require that each Party submit concise written statements of position and shall permit the submission of rebuttal statements, subject to reasonable limitations on the length of such statements to be established by the Arbitrator. The Hearing shall be no longer than […***…] business days in duration. The Arbitrator shall also permit the submission of expert reports. The Arbitrator shall render the Award within […***…] days after the Arbitrator declares the Hearing closed, and the Award shall include a written statement describing the essential findings and conclusions on which the Award is based, including the calculation of any damages awarded. The Arbitrator will, in rendering his or her decision, apply the substantive law of the State of

California, without giving effect to its principles of conflicts of law, and without giving effect to any rules or laws relating to arbitration. The Arbitrator's authority to award special, incidental, consequential or punitive damages shall be subject to the limitation set forth in Section 10.9. The Award rendered by the Arbitrator shall be final, binding and non-appealable, and judgment may be entered upon it in any court of competent jurisdiction. However, the Parties agree that the JAMS Optional Arbitration Appeal Procedures shall apply to the Arbitration, at the request by either Party in accordance with such Appeal Procedures. If a Party appeals the Award rendered by the Arbitrator, the Award issued by the Appeal Panel (as defined in such Appeal Procedures) shall be final,

binding and non-appealable, and judgment may be entered upon it in any court of competent jurisdiction.

(d) Costs. Each Party shall bear its own attorney's fees, costs, and disbursements arising out of the Arbitration, and shall pay an equal share of the fees and costs of the Arbitrator; provided, however, the Arbitrator shall be authorized to determine whether a Party is the prevailing party, and if so, to award to that prevailing party reimbursement for any or all of its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.), and/or the fees and costs of the Administrator and the Arbitrator.

12.3 Court Actions. Nothing contained in this Agreement shall deny either Party the right to seek injunctive or other equitable relief from a court of competent jurisdiction in the context of a bona fide emergency or prospective irreparable harm, and such an action may be filed and maintained notwithstanding any ongoing discussions between the Parties or any ongoing arbitration proceeding. In addition, either Party may bring an action in any court of competent jurisdiction to resolve disputes pertaining to the validity, construction, scope, enforceability, infringement or other violations of Patents or other intellectual property rights, and no such claim shall be subject to arbitration pursuant to Section 12.2.

13. GENERAL PROVISIONS

13.1 Force Majeure. If the performance of any part of this Agreement (except for any payment obligation under this Agreement) by either Party is prevented, restricted, interfered with or delayed by an event or circumstance of *force majeure* (including, fire, flood, embargo, power shortage or failure, acts of war, insurrection, riot, terrorism, strike, lockout or other labor disturbance or acts of God) that is not within the reasonable control, directly or indirectly, of the Party seeking to have its performance excused thereby, the Party so affected shall, upon giving written notice to the other Party, be excused from such performance to the extent of such prevention, restriction, interference or delay; provided that the affected Party shall use its reasonable efforts to avoid or remove such causes of non-performance and shall continue performance with the utmost dispatch whenever such causes are removed. The Parties agree that a Party's financial inability or other inability to obtain funds sufficient to perform its obligations hereunder shall not be grounds for obtaining relief under this Section 13.1.

13.2 Governing Law. This Agreement and all questions regarding its validity or interpretation, or the breach or performance of this Agreement, shall be governed by, and construed and enforced in accordance with, the laws of the State of California, without reference to conflict of law principles.

13.3 Waiver. Except as otherwise expressly provided in this Agreement, any term of this Agreement may be waived only by a written instrument executed by a duly authorized representative of the Party waiving compliance. The delay or failure of either Party at any time to require performance of any provision of this Agreement shall in no manner affect such Party's rights at a later time to enforce the same. No waiver by either Party of any condition or term in any one or more instances shall be construed as a further or continuing waiver of such condition or term or of another condition or term.

13.4 Modification. No amendment or modification of any provision of this Agreement shall be effective unless in writing signed by a duly authorized representative of each Party.

No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by a duly authorized representative of each Party.

13.5 Severability. In the event any provision of this Agreement should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and all other provisions of this Agreement shall remain in full force and effect in such jurisdiction. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

13.6 Entire Agreement. This Agreement (including the Exhibits and Schedules attached hereto) constitutes the entire agreement between the Parties relating to its subject matter and supersedes all prior or contemporaneous agreements, understandings or representations, either written or oral, between Xencor and Amgen with respect to such subject matter.

13.7 Notices. Unless otherwise agreed by the Parties or specified in this Agreement, all communications between the Parties relating to, and all written documentation to be prepared and provided under, this Agreement shall be in the English language. Any notice required or permitted under this Agreement shall be in writing in the English language: (a) delivered personally; (b) sent by registered or certified mail (return receipt requested and postage prepaid); (c) sent by express courier service providing evidence of receipt, postage pre-paid where applicable; or (d) sent by facsimile (receipt verified and a copy promptly sent by another permissible method of providing notice described in (a), (b) or (c) above), to the following addresses of the Parties or such other address for a Party as may be specified by like notice:

To Amgen:
Amgen Inc.
One Amgen Center Drive
Thousand Oaks, CA 91320-1799
Telephone: (805) 447-1000
Facsimile: (805) 499-4531
Attention: Corporate Secretary

To Xencor:
Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Telephone: (626) 305-5900
Facsimile: (626) 305-0350
Attention: Chief Executive Officer

With a copy to:

Wilson, Sonsini, Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304
Telephone: (650) 493-9300
Facsimile: (650) 493-6811
Attention: Kenneth A. Clark

Any notice required or permitted to be given concerning this Agreement shall be effective upon receipt by the Party to whom it is addressed or within two (2) business days of dispatch whichever is earlier.

13.8 Assignment. This Agreement shall not be assignable by either Party to any Third Party hereto without the written consent of the other Party hereto; except either Party may assign this Agreement without the other Party's consent:

(a) to a Third Party in connection with the transfer or sale of all or substantially all of the business of such Party to which this Agreement relates, whether by merger, sale of stock, sale of assets or otherwise (a "Sale Transaction"), subject to Section 13.9; or

(b) to an Affiliate, provided that the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate.

Neither Party shall transfer to a Third Party (other than a permitted assignee of this Agreement) title to or ownership of any Patents within such Party's Compound-specific Patents (i.e., the Xencor Compound-Specific Patents or the Amgen and Joint Compound-Specific Patents, as applicable) relating to a Compound or Product and licensed (or required to be licensed) to the other Party hereunder, without the other Party's prior written consent, not to be unreasonably withheld. Xencor shall not transfer to a Third Party (other than a permitted assignee of this Agreement) title to or ownership of, any Patent within the Xencor CD19 Patents or Xencor Background Patents, if such Patent covers a Compound or a Product, unless such Third Party expressly takes such Patent subject to the License (and agrees to similarly obligate any further assignee). In addition, if Xencor requests in writing within […***…] after a termination of this Agreement to which Section 9.7(c) applies, Amgen shall not transfer to any Third Party any Amgen Blocking Patent specified in such request by Xencor, unless such Third Party expressly takes such Patent subject to Xencor's license under Section 9.7(c)(ii) (and agrees to similarly obligate any further assignee). Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of each Party, its successors and permitted assigns. Any assignment of this Agreement in contravention of this Section 13.8 shall be null and void.

13.9 Sale Transaction or Amgen Acquisition. In the event of (x) a Sale Transaction (as defined in Section 13.8(a)), or (y) the acquisition by Amgen of all or substantially all of the business of a Third Party (together with any entities that were affiliates of such Third Party immediately prior to such acquisition, an "Amgen Acquiree"), whether by merger, sale of stock, sale of assets or otherwise (an "Amgen Acquisition"):

(a) intellectual property rights of the acquiring party in a Sale Transaction, if other than one of the Parties to this Agreement (together with any entities that were affiliates of such Third Party immediately prior to such Sale Transaction, a "Third Party Acquirer"), or the Amgen Acquiree, as applicable, shall not be included in the technology licensed hereunder or otherwise subject to this Agreement, provided that to the extent any Confidential Information of the acquired Party in the case of a Sale Transaction or of Amgen in the case of an Amgen Acquisition that, in each case, is within the Information and Materials licensed hereunder (i.e., within the Xencor Know-How if Xencor is the acquired Party, or the Amgen Know-How (i) if Amgen is the acquired Party or (ii) in the event of an Amgen Acquisition), is used by such Third Party Acquirer or Amgen Acquiree, in any material manner for the Development, manufacture or commercialization of a Compound or Product, such Compound or Product, respectively, and the intellectual property rights generated by the Third Party Acquirer or Amgen Acquiree in connection with the use of such Confidential Information shall be included in the technology licensed hereunder and subject to this Agreement to the extent it would fall within the definition of Xencor Technology or Amgen Technology, as applicable, but for this Section 13.9(a);

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(b) notwithstanding any other provision of this Agreement to the contrary, no Antibody or product of the Third Party Acquirer or Amgen Acquiree (each such Antibody or product, an "Excluded Product"), shall be deemed a "Compound" or "Product" hereunder (even if such Excluded Product would be within the definition of "Compound" or "Product" hereunder), *so long as* such Excluded Product is: (i) controlled by the Third Party Acquirer prior to the Sale Transaction, or by the Amgen Acquiree prior to consummation of the Amgen Acquisition, as applicable; (ii) acquired (whether by in-license or otherwise) by the Third Party Acquirer, or by the Amgen Acquiree, as applicable, in each case, from another Third Party after consummation of such Sale Transaction or Amgen Acquisition; or (iii) solely in the case of a Sale Transaction, developed internally by the Third Party Acquirer without material use of or reference to Confidential Information of the acquired Party within the Information and Materials licensed hereunder and without the practice of intellectual property of the acquired Party licensed hereunder; and

(c) notwithstanding any other provision of this Agreement to the contrary, Section 5.5 shall not be construed to prohibit or restrict any Third Party Acquirer of a Party or any Amgen Acquiree, or, in each case, its Affiliated Companies, from making, Developing, using, selling, offering for sale, importing or commercializing any Restricted Antibody, *so long as* such Restricted Antibody is: (i) controlled by the Third Party Acquirer prior to the Sale Transaction, or by the Amgen Acquiree prior to consummation of the Amgen Acquisition, as applicable; (ii) acquired (whether by in-license or otherwise) by the Third Party Acquirer , or by the Amgen Acquiree , as applicable, in each case, from another Third Party after consummation of such Sale Transaction or Amgen Acquisition; or (iii) solely in the case of a Sale Transaction, developed internally by the Third Party Acquirer without material use of or reference to Confidential Information of the acquired Party within the Information and Materials licensed hereunder and without the practice of intellectual property of the acquired Party licensed hereunder.

13.10 No Partnership or Joint Venture. Nothing in this Agreement is intended, or shall be deemed, to establish a joint venture or partnership (or any fiduciary duty) between Xencor and Amgen. Neither Party to this Agreement shall have any express or implied right or authority to assume or create any obligations on behalf of, or in the name of, the other Party, or to bind the other Party to any contract, agreement or undertaking with any Third Party.

13.11 Interpretation. The captions to the several Articles and Sections of this Agreement are not a part of this Agreement, but are included for convenience of reference and shall not affect its meaning or interpretation. In this Agreement: (a) the word "including" shall be deemed to be followed by the phrase "without limitation" or like expression; (b) the singular shall include the plural and vice versa; and (c) masculine, feminine and neuter pronouns and expressions shall be

interchangeable. Each accounting term used herein that is not specifically defined herein shall have the meaning given to it under GAAP. All references to a "business day" or "business days" in this Agreement means any day other than a day which is a Saturday, a Sunday or any day banks are authorized or required to be closed in the United States. Ambiguities and

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uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the Parties regarding this Agreement shall be in the English language.

13.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Collaboration and Option Agreement as of the date first set forth above.

XENCOR, INC.

BY: /s/ Bassil Dahiyat

NAME: Bassil Dahiyat

TITLE: President and CEO

AMGEN INC.

BY: /s/ Robert A. Bradway

NAME: Robert A. Bradway

TITLE: President and Chief Operating Officer

LIST OF SCHEDULES

Schedule A - Compound

Schedule B - Excluded Antibodies

[…***…]

Schedule D - Xencor Compound Specific Patents as of the Effective Date

Schedule E - Xencor CD19 Patents as of the Effective Date

Schedule F - Xencor Background Patents as of the Effective Date

Schedule G - XmAb5574

[…***…]

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Schedule A

Compound

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Schedule B

Excluded Antibodies

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Schedule C

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Schedule D

Xencor Compound - Specific Patents as of the Effective Date

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Schedule E

Xencor CD19 Patents as of the Effective Date

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Schedule F

Xencor Background Patents as of the Effective Date

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Schedule H

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Schedule J

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Schedule M

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Exhibit 10.22

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

CLINICAL SUPPLY AGREEMENT

THIS CLINICAL SUPPLY AGREEMENT (this "**Agreement**") is entered into and effective this 1st day of October, 2012 ("**Effective Date**"), by and between Cook Pharmica LLC ("COOK"), an Indiana limited liability company with offices at 1300 South Patterson Drive, Bloomington, Indiana 47403 and Xencor, Inc. ("CLIENT"), a Delaware corporation, with offices at 111 West Lemon Avenue, Second Floor, Monrovia, CA, 91016. In this Agreement, COOK and CLIENT each may be referred to individually as a "**Party**" and together as "**Parties.**"

RECITALS

WHEREAS, COOK is in the business of, among other things, manufacturing and testing biological products; and

WHEREAS, subject to the terms and conditions set forth in this Agreement, CLIENT wishes to have COOK produce for CLIENT the Bulk Drug Substance for use in clinical studies.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

AGREEMENT

1. **Definitions.** For purposes of this Agreement, the following terms will have the meanings set forth below:

1.1 "**Affiliate**" means any Person, corporation, partnership or other entity that directly or indirectly controls or is controlled by or is under common control with a Party, where "control" is determined by direct or indirect ownership of fifty percent (50%) or more of the shares of stock or membership interests entitled to vote for the election of directors or managers as applicable.

1.2 **"Ancillary Intellectual Property"** shall mean the portion of Intellectual Property that is discovered, generated, conceived, first reduced to practice or writing, or developed (in whole or in part) by a party during performance of this Agreement, and which does not specifically claim the Protein Molecule and which is generally useful for the production, formulation, or use of protein molecules in addition to the Protein Molecules. Examples of Ancillary Intellectual Property include, but are not limited to; cell culture media improvements, cell culture method improvements, and cell transfection improvements.

1.3 "**Agreement**" has the meaning stated in the opening paragraph.

1.4 "**Applicable Laws**" means all ordinances, rules and regulations of any kind whatsoever of any Regulatory Authority, including, without limitation, the FDCA, that are applicable with respect to the context in which the term is used.

1.5 "**Batch**" means a specific quantity of the Product (including samples) which is produced as a result of the completion of one operation of the Process for the Product in accordance with the Product Specifications and CGMP as required by the Project Plan.

1.6 **"Batch Record"** shall mean an accurate reproduction of the Master Batch Record documenting each significant step in the manufacturing, processing, testing, packaging and/or holding of a particular Batch.

1.7 **"BLA"** shall mean the FDA required Biologic License Application or a corresponding license required by a Regulatory Authority.

1.8 **"Bulk Drug Substance**" shall mean a solution in which the active ingredient is a Protein Molecule in a purified and appropriately formulated form as specified in the Bulk Drug Substance Specifications

1.9 **"Bulk Drug Substance Specifications"** shall mean a list of the analytical testing methods or references to analytical procedures and corresponding acceptance criteria (numerical limits, ranges or other criteria for the tests described), to be performed on each Batch of the purified Bulk Drug Substance prior to its disposition. Bulk Drug Substance Specifications shall be set forth in the COOK document for the Bulk Drug Substance, which shall be agreed upon by CLIENT and COOK prior to any Production of Bulk Drug Substance.

1.10 "**Cell Line**" means the cell line used to express the Protein Molecule that is listed in the Project Plan.

1.11 "**CGMP**" means those current practices, as amended from time to time, related to the manufacture of biologics as set forth in the FDCA and such standards of good manufacturing practice as are required by the FDA or other Regulatory Authorities, as agreed in the Project Plan and as may be set forth in the United States Code of Federal Regulations (Title 21, Parts 210-211), and relevant EMEA regulations and ICH guidelines.

1.12 **"Certificate of Analysis"** shall mean a document issued by COOK summarizing testing parameters relative to the Bulk Drug Substance Specifications and test results for each Batch of Bulk Drug Substance, in a format set forth in Exhibit A.

1.13 **"Certificate of Compliance"** shall mean a document prepared by COOK (a) listing the production date, unique Batch number, and quantity of Drug Substance in such batch (b) certifying that such Batch was produced in accordance with the Master Batch Record

1.14 "**Change Order**" has the meaning stated in Section 3.5(a).

1.15 "**CLIENT**" has the meaning stated in the opening paragraph.

1.16 "**CLIENT Confidential Information**" means all Confidential Information owned or controlled by CLIENT that is disclosed to COOK under this Agreement.

1.17 "**CLIENT Intellectual Property Rights**" means (a) all patent and other intellectual property rights owned or controlled by CLIENT as of the Effective Date (including any patent filings made by CLIENT after the date of this Agreement for intellectual property/know how developed by CLIENT before the date of this Agreement) which claim or cover the (i) Product, (ii) CLIENT Materials and/or (iii) a method or process exclusive to the Production of Product; and (b) intellectual property developed independently of the activities contemplated in this Agreement by any employee of CLIENT without any reference to any of the Confidential Information disclosed by COOK.

1.18 "**CLIENT Materials**" mean the materials for use in the Services supplied by CLIENT to COOK as outlined in the signed and accepted Project Plan, including, without limitation, the Cell Line.

1.19 "**Confidential Information**" shall mean all information acquired from the other Party or its Affiliates, employees, subcontractors, suppliers, agents, distributors, licensees or customers in connection with this Agreement, including, without limitation, all information concerning the process, Product Specifications, Client Intellectual Property Rights, Cook Intellectual Property Rights, Inventions, Price, and Services.

1.20 "**COOK Confidential Information**" means all Confidential Information owned or controlled by COOK that is disclosed to CLIENT under this Agreement.

1.21 "**COOK Intellectual Property Rights**" means (a) all patent and any other intellectual property rights owned or controlled by COOK as of the Effective Date; (b) those patent and any other intellectual property rights owned or controlled by COOK as of the Effective Date that are further developed or refined in the course of Production; and (c) those intellectual property rights that are developed by COOK outside the performance of the Production and include without limitation, those which claim, cover or relate to any method, process, know-how, trade secret or other technology that COOK may incorporate or use in the course of performing the Services.

1.22 "**Damages**" means any and all costs, losses, claims, actions, liabilities, fines, penalties, costs and expenses, court costs, and fees and disbursements of counsel, consultants and expert witnesses incurred by a party hereto (including interest which may be imposed in connection therewith).

1.23 "**Dedicated Equipment**" means the capital equipment identified in a Project Plan that is dedicated for use in the provision of the Services.

1.24 **"Drug Product"** shall mean each pharmaceutical product set forth in a Project Plan to be produced by COOK in bulk or finished dosage form for development and/or clinical use only.

1.25 "**Effective Date**" has the meaning stated in the opening paragraph.

1.26 "**Facility**" means the COOK manufacturing facility located at 1300 Patterson Drive, Bloomington, IN 47403.

1.27 "**FDA**" means the United States Food and Drug Administration and any successor agency or entity that may be established hereafter.

1.28 "**FDCA**" means the Federal Food, Drug and Cosmetic Act (21 U.S.C. § 301 et seq.).

1.29 "**Force Majeure**" means causes beyond the reasonable control of a Party (or its Affiliates, suppliers, public utilities, or common carriers) including, without limitation, acts of God (including but not limited to earthquake, tornado or hurricane), laws or regulations of any government or agency thereof (that could not reasonably have been expected or anticipated on the Effective Date following diligent inquiry into current and proposed federal, state, local and other regulatory requirements), war, terrorism, civil commotion, damage to or destruction of production facilities or materials, scientific or technical events, labor disturbances (whether or not any such labor disturbance is within the power of the affected Party to settle) and epidemic.

1.30 "**Indemnitee**" has the meaning stated in Section 7.3.

1.31 "**Indemnitor**" has the meaning stated in Section 7.3.

1.32 "**Intellectual Property**" means a patentable Invention that relates directly to the Product and that is: (a) first conceived and reduced to practice during the Term in the course of, and as a direct result of, performing the Services; and (b) uses CLIENT Materials. For the avoidance of doubt, Intellectual Property shall include Inventions made solely by employees of COOK, employees of CLIENT or jointly by employees of COOK and employees of CLIENT.

1.33 "**Inventions**" means all innovations, inventions, improvements, original works of authorship, developments, concepts, know-how or trade secrets, whether or not patentable, directly resulting from the performance of the Services pursuant to the Project Plan during the Term of this Agreement.

1.34 "**Master Batch Record**" (MBR) means the document that contains the complete procedure for the Producing of the Product, setting forth materials and components required, formulation, theoretical yield, manufacturing procedures, assay requirements, and labeling of batches or production runs. Any changes or additions to

the Master Batch Records shall be made by the written agreement of COOK and CLIENT.

1.35 "**Nonconforming Product**" has the meaning stated in Section 4.1.

1.36 "**Party**" or "**Parties**" has the meaning stated in the opening paragraph.

1.37 "**Person**" means a natural person, a corporation, a partnership, a trust, a joint venture, a limited liability company, any governmental authority or any other entity or organization.

1.38 "**Price**" means the price(s) specified in the signed and accepted Project Plan attached hereto.

1.39 "**Process**" means the process for the Production of the Product from the Cell Line using the Product Specifications, including any improvements thereto from time to time made as a direct result of the Services during the Term of the Agreement.

1.40 "**Process Consumables**" shall mean materials used as an aid in the Production of Product that do not become part of the finished Product including but not limited to filters, tubing, and bags.

1.41 "**Produce**" or "**Production**" means the production of Product under the terms of this Agreement using the Process.

1.42 "**Producer Price Index**" means the U.S. Bureau of Labor Statistics Producer Price Index.

1.43 "**Product**" means the Bulk Drug Substance described more specifically in the Project Plan, Produced by COOK utilizing the Process.

1.44 "**Product Specifications**" means the Production and Product Specifications set forth in the Master Batch Records for the Product.

1.45 "**Project Plan**" means the document set forth in Exhibit B, as may be amended by the Parties from time to time, as well as any additional project plans that refer to this Agreement, that are signed by authorized representatives of both Parties setting forth the proposed course of action for the Production of the Product. Any changes or additions to the Project Plan shall be made by written agreement of COOK and CLIENT.

1.46 **"Protein Molecule"** shall mean the Protein Molecule as detailed in the Project Plan

1.47 **"Protein Molecule Specific Intellectual Property**" shall mean the portion of Intellectual Property (as defined above) that is discovered, generated,

conceived, first reduced to practice or writing, or developed (in whole or in part) by a party during performance of this Agreement, and which specifically claims the Protein Molecule or is solely useful for the production, formulation, or use of the Protein Molecule in the Bulk Drug Substance and Product Development and Production. Examples of Protein Molecule Specific Intellectual Property include, but are not limited to: nucleic acid constructs made by COOK or CLIENT for the production of the Protein Molecule specifically, and addition of Protein Molecule-specific stabilizing agents or Protein Molecule-specific nutrients to the cell culture media to increase yield.

1.48 "**Quality Agreement**" shall mean a written document outlining the responsibilities, roles, deliverables and time requirements with respect to the quality assurance of the Bulk Drug Substance and/or intermediaries thereof produced by COOK for CLIENT. The Quality Agreement agreed by COOK and CLIENT as of the effective date is attached to this Agreement as Exhibit C and is incorporated herein by this reference.

1.49 "**Regulatory Authority**" means any national, state, provincial, or local or any foreign or supranational government, governmental, regulatory or administrative authority, agency or commission of any court, tribunal or judicial or arbitral body.

1.50 "**Services**" means all or any part of the services, including the Production of Product for sale to CLIENT, to be provided by COOK (or any permitted subcontractor) pursuant to this Agreement as further described in the signed and accepted Project Plan.

1.51 "**Supply Deficiency**" means a failure by COOK to produce the number of Batches at least equal to the number specified in the delivery schedule in the Project Plan.

1.52 "**Term**" has the meaning stated in Section 10.1.

1.53 "**Testing Laboratory**" means any third party instructed by COOK to carry out tests on the Cell Line or the Product.

1.54 "**Tests**" means the tests to be carried out on the Product immediately following pick-up of the Product by CLIENT, as stated in the Project Plan.

1.55 "**United States**" means the fifty (50) states, the District of Columbia and all of the territories of the United States of America.

2. **Supply of CLIENT Materials.**

2.1 **License Grant.** CLIENT hereby grants COOK, its Affiliates and its subcontractors the non-exclusive right to use the CLIENT Confidential Information, the CLIENT Intellectual Property Rights and the CLIENT Materials solely for the purpose of performing COOK's obligations under this Agreement. The foregoing license grant

shall also include any and all information, data and processes developed subsequent to the Effective Date relating to the Production of the Product. The foregoing license grant shall extend beyond termination of this Agreement as necessary to complete the Production of outstanding open orders.

2.2 **Supply of CLIENT Materials.** Immediately following the Effective Date of this Agreement, CLIENT shall supply to COOK the CLIENT Materials and CLIENT Confidential Information necessary for COOK's performance of the Services. CLIENT shall provide COOK in written form all information currently known (or of which CLIENT becomes aware during the Term of this Agreement) regarding handling precautions, toxicity and hazards associated with the CLIENT Materials and the Production of related bulk compounds. CLIENT shall also provide COOK with appropriate Material Safety

Data Sheets for the CLIENT Materials. All property rights in the CLIENT Confidential Information and/or CLIENT Materials supplied to COOK shall remain vested in CLIENT, except as set forth in Section 2.1 and Article 9.

2.3 **COOK Obligations Relating to CLIENT Materials.** COOK shall:

(a) at all times use reasonable efforts to keep the CLIENT Materials secure and safe from loss or damage, but in no case shall COOK be obligated to use efforts greater than COOK uses to store its own material of similar nature; and

(b) not transfer to a third party any part of the CLIENT Materials or the Product, except to Affiliates and subcontractors, or for the purpose of any Tests at the Testing Laboratories, provided that CLIENT is given prior notification or if CLIENT has given prior written consent to such transfer; and provided further that any such Affiliates, subcontractors or Testing Laboratories are subject to obligations of confidentiality at least as restrictive as those obligations of confidence imposed on COOK under this Agreement.

3. **Services and Supply.**

3.1 **Services Generally.**

(a) **Appointment.** CLIENT hereby appoints COOK to perform the Services and to Produce the Product; and COOK accepts such appointment.

(b) **Performance.** COOK shall use commercially reasonable efforts to perform the Services as provided in Exhibit A and shall use commercially reasonable efforts to achieve the estimated schedules, Product Specifications and amounts of Product.

(c) **Project Plan.**

(i) Each Project Plan shall describe the Services with respect to the applicable Product and certain other relevant terms and conditions for performance of the Services by COOK under this Agreement. Each agreed upon

Project Plan shall be attached hereto as an exhibit and incorporated herein by reference.

(ii) From time to time, but no less often than once per quarter, the Parties will meet to review and, if necessary, update, by mutual agreement, each Project Plan. In the event that the Parties agree to update, modify or expand the Project Plan, such amended Project Plan will become part of this Agreement in the manner stated in Section 3.1(c)(i) upon execution of that Project Plan by authorized representatives of both Parties.

3.2 **Product Yield.** CLIENT acknowledges and agrees that, due to the unpredictable nature of biological processes, Product yield cannot be guaranteed and may vary.

3.3 **Supply Deficiencies.**

(a) **Supply Deficiency.** If there is a Supply Deficiency, COOK shall immediately notify CLIENT and COOK may, in its sole discretion, take one or more of the following steps to remedy any remaining Supply Deficiency:

(i) Utilize any production capacity which is not then committed to the performance of the Services or to performance of services for third party customers;

(ii) Utilize suitable production capacity (i.e., fully validated for production of Batches of the Product in accordance with this Agreement) of COOK or its Affiliates not then committed to third party customers; and

(iii) Coordinate and cooperate with CLIENT to reschedule Batches of Product ordered hereunder in order to maximize COOK's ability to rectify the Supply Deficiency while minimizing the disruption to any open orders and any commitments to third party customers.

(b) **Remedy.** If COOK fails to initiate a rescheduled Production Batch within […***…], the CLIENT at its discretion may cancel any and all unfulfilled part of the Services.

3.4 **Joint Communication.** COOK and CLIENT shall communicate and cooperate on a regular basis during the provision of Services herein. Representatives of the Parties shall meet at such times and in such places as the Parties shall deem appropriate to discuss the Services.

3.5 **Changes to Process, Product Specifications or Project Plan.**

(a) **Voluntary Changes.** From time to time during the Term of this Agreement, either Party may submit to the other Party a written proposal requesting changes to

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the Process, Product Specifications, or Project Plan, but no change to the Process, Product Specifications or Project Plan shall be made except by an agreement in writing signed by the authorized representatives of the Parties ("**Change Order**"). CLIENT agrees to pay COOK any commercially reasonable increase in cost for Process, materials or equipment associated with the agreed upon Change Order provided the cost is outlined and agreed by the CLIENT prior to the initiation of any proposed changes

(b) **Changes Required by Applicable Law.** Notwithstanding Section 3.5(a), COOK shall not unreasonably refuse any written request from CLIENT to make changes to the Process, Product Specifications or Project Plan that are required by changes in an applicable Regulatory Authority or Applicable Laws, provided that it is feasible for COOK to effect such improvement without requiring any capital investment or major process changes on the part of COOK. Notwithstanding the provisions of this Section 3.5(b), no change to Services, Process, Product Specifications or any Project Plan shall be made except by a Change

Order signed by the authorized representatives of the Parties. CLIENT agrees to pay COOK any commercially reasonable increase in cost for Services, materials or equipment associated with a change in Services under this Section 3.5(b).

3.6 **Savings.** All savings due to cost improvements or other improvements for work or services performed by Cook shall be for the benefit of and shall accrue to COOK except as otherwise may be agreed upon in writing by both Parties.

3.7 **Packaging and Labeling.** Unless otherwise agreed, COOK shall package and label Product for delivery in accordance with its standard operating procedures. CLIENT shall provide prior written notice to COOK of any special packaging and labeling requirements for Product. All additional costs and expenses (including reasonable profit) of whatever nature incurred by COOK in complying with such special requirements shall be charged to CLIENT in addition to the Price.

3.8 **Delivery.** The Product shall be delivered Ex-Works, the Facility. Title for Product shall pass to CLIENT upon release by COOK as outlined in the terms of the Quality Agreement and payment as set forth in a Project Plan. CLIENT shall pick up the Product within […***…][…***…] days of formal notice of Product release by the Cook quality department CLIENT shall be solely responsible for arranging for, at CLIENT's sole risk and expense: (a) insurance to cover the storage of the Product at the Facility after such […***…][…***…] day period, and (b) the transportation or shipping of Product from the Facility.

3.9 **Audit.** […***…] per calendar year upon […***…] days prior written notice, CLIENT shall have the right to conduct an audit of that portion of the Facility directly used in the provision of Services. Notwithstanding the foregoing notice period, for purposes of confidentiality, safety and to avoid the possibility of contamination, if a third party's product is being manufactured during the time that CLIENT intends to conduct an audit, such audit may be reasonably delayed upon prior written notice to CLIENT. The form, participants and procedures of the audit shall be subject to

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COOK's reasonable prior approval. When conducting an audit, each of CLIENT's representatives will (a) be subject to a nondisclosure obligation at least as restrictive as the obligations contained in Article 8, (b) follow such security and facility access procedures as designated by COOK, (c) be accompanied by a COOK representative, (d) not enter areas of any COOK facility at times when any third party's products are being manufactured to assure protection of the COOK Confidential Information or the confidential information of a third party, and (e) use best efforts to avoid disrupting COOK's operations. In addition to an audit by CLIENT, COOK agrees to reasonably cooperate with applicable Regulatory Authorities and shall permit reasonable Product-specific inspections by such Regulatory Authorities.

3.10 **Orders.**

(a) **Quantity and Delivery Schedule.** The quantity of Product to be Produced, by Batch, by COOK hereunder and the delivery schedule for the Product shall be stated in the Project Plan.

(b) **Obsolescence Charge.** To the extent COOK purchases stock materials for Production and such materials are not necessary to Produce the quantity of Product ordered, CLIENT shall, in accordance with Section 5.2, reimburse COOK for any such materials that were unused and unable to be reused for any subsequent Production. COOK shall make reasonable commercial efforts to use such stock materials for other scheduled production in its facility when practicable.

(c) **Materials Expiration.** In the event of a delay in the Production of any Batch, including a Force Majeure event, CLIENT shall, in accordance with Section 5.2, reimburse COOK for the cost of any expired materials purchased by COOK for the Production of such Batch. This provision shall not apply if it is determined that such delay is due solely to the gross negligence of COOK.

3.11 **Rescheduling by CLIENT**

(a) **Rescheduling of Drug Substance Batches.** Subject to Section 3.10(b), with respect to each Batch that is rescheduled to a subsequent date by CLIENT:

(i) if the applicable Batch is rescheduled by notifying COOK more than […***…] days prior to the scheduled start date, there will be no rescheduling fee;

(ii) if the applicable Batch is rescheduled by notifying COOK more than […***…] days but less than […***…] days prior to the scheduled start date, […***…] ([…***…]%) of the Price for the applicable Batch will be invoiced at the time the rescheduling takes place, […***…] ([…***…]%) will be invoiced upon such rescheduled start date and the remaining […***…] ([…***…]%) will be invoiced upon the COOK release of such Batch;

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(iii) if the applicable Batch is rescheduled by notifying COOK more than […***…] days but less than […***…] days prior to the Scheduled start date, […***…] ([…***…]%) of the Price for the applicable Batch will be invoiced at the time the rescheduling takes place, […***…] ([…***…]%) will be invoiced on the rescheduled start date, and the remaining […***…] ([…***…]%) will be invoiced upon the COOK release of such Batch; and

(iv) if the applicable Batch is rescheduled by notifying COOK less than […***…] days prior to the scheduled start date, […***…] ([…***…]%) of the Price for the applicable Batch will be invoiced at the time the rescheduling takes place, and the remaining […***…] ([…***…]%) will be invoiced upon the COOK release of such Batch.

(b) **Procedure.** The rescheduled start date that CLIENT requests must be within […***…] of the scheduled start date, and both Parties must agree to the rescheduled start date; *provided*, *however*, that COOK may only reject a rescheduled start date proposed by CLIENT if COOK's manufacturing schedule is booked for a third party customer for such date. Each Batch may be rescheduled only once unless otherwise agreed in writing. COOK reserves the right to set a

rescheduled start date outside of the […***…] period only if COOK's manufacturing schedule is booked for a third party customer. If COOK is required, as a result of any rescheduling, to purchase additional materials, COOK shall be reimbursed for the cost of those additional materials plus any applicable markup set forth in Section 5.2. Notwithstanding anything to the contrary in this Section 3.10, CLIENT may exchange scheduled manufacturing slots between Batches as may be mutually agreed by both Parties without triggering the provisions of Section 3.10(a).

3.12 **Cancellation by CLIENT.**

(a) **Cancellation of Drug Substance Batches.** Subject to Section 3.11(b), with respect to each Batch scheduled (including, without limitation, a rescheduled Batch) that is cancelled by CLIENT:

(i) if the applicable Batch is cancelled more than […***…] days prior to the applicable scheduled start date or rescheduled start date, as applicable, there will be no cancellation fee;

(ii) if the applicable Batch is cancelled more than […***…] days but less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run;

(iii) if the applicable Batch is cancelled more than […***…] days but less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run;

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(iv) if the applicable Batch is cancelled more than […***…] days but less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run; and

(v) if the applicable Batch is cancelled less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run.

(vi) If COOK notifies the CLIENT at any time that its previously scheduled slot for manufacturing will not be available and there is more than a […***…] day delay in availability, the CLIENT may cancel the Batch with no cancellation fee and any deposit or funds previously advanced will be refunded.

(b) **Procedure.** With respect to any rescheduled Batch that is subsequently cancelled, any fees due under this Section 3.11 shall be reduced by the amount of payments paid by CLIENT to COOK under Section 3.10(a) with respect to such same Batch. With respect to any cancelled Batch, COOK shall use commercially reasonable efforts to sell the applicable manufacturing capacity to other customers, and some portion, or all, as applicable, of the fees paid or due under this Section 3.11 shall be refunded to CLIENT (or CLIENT shall not be obligated to pay, as applicable) in the event that COOK is able to sell the manufacturing capacity that corresponds to such cancelled Batch. For the avoidance of doubt, (i) if a Batch is rescheduled, the rescheduled start date shall be used for purposes of determining the amount of the applicable cancellation fee, if any, and (ii) the price of the stability studies for such cancelled run shall not be included in the calculation of any applicable cancellation fee under this Section 3.11.

(c) **Cancellation of Other Services.** If CLIENT cancels a Project Plan related to stability or development services, CLIENT is responsible for paying: (i) all fees and costs incurred for the portion of the work completed and all related costs which have been ordered and cannot be cancelled; and ii) a cancellation fee in an amount equal to that portion of the Price, as set forth in the Project Plan, of the work scheduled for the four (4) months subsequent to the date of cancellation.

3.13 **Dedicated Equipment.**

(a) **Selection and Procurement.** COOK shall select and procure the Dedicated Equipment at CLIENT's sole cost, plus the applicable COOK markup (as set forth in Section 5.2) to cover handling costs, in accordance with the Product Specifications. COOK shall use commercially reasonable efforts to determine whether the Dedicated Equipment conforms to the applicable Product Specifications and will work in the Facility for purpose stated in the Project Plan.

(b) **Use of Dedicated Equipment.** COOK may use the Dedicated Equipment only for performing its obligations under this Agreement. COOK shall use the Dedicated

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Equipment only in accordance with any written instructions prescribed by CLIENT or the manufacturer of the Dedicated Equipment, and shall perform such routine maintenance for the Dedicated Equipment as is reasonably required by such written instructions at no additional charge to CLIENT. All costs for any extraordinary or non-routine maintenance that may be required will be approved in advance by CLIENT, and the appropriate Project Plan will be revised to reflect any additional maintenance costs that may be required during the Term. Except (i) in connection with such routine maintenance, (ii) as required by the Services, or (iii) as directed in writing by CLIENT, COOK shall not make any alterations, additions or improvements to the Dedicated Equipment. All alterations, additions or improvements made to the Dedicated Equipment will be at CLIENT's sole cost and expense.

(c) **Ownership and Risk of Loss; Disposition of Equipment.** CLIENT owns and shall continue to own all right, title and interest in and to any Dedicated Equipment. CLIENT assumes any risk of loss, damage, theft or destruction of the Dedicated Equipment while that Dedicated Equipment is in COOK's possession or on COOK's premises unless it is determined that any loss, theft, or damage to the Dedicated Equipment is due to the gross negligence of COOK. Upon termination or expiration of this Agreement, CLIENT shall have the right and obligation to, upon reasonable notice, reclaim possession of such Dedicated Equipment at its sole expense (including all costs of disconnection, removal, physical transfer and any subsequent reinstallation and requalification costs). COOK shall reasonably cooperate with CLIENT to remove and return such Dedicated Equipment to CLIENT in accordance with CLIENT's written instructions and shall invoice CLIENT for (i) direct costs incurred and (ii) any damage other than reasonable wear and tear to the COOK Facility incurred as a result of the use and removal of the Dedicated Equipment. Notwithstanding the above, upon termination or expiration of this Agreement, CLIENT may offer to sell to COOK, or COOK may offer to purchase from

CLIENT, the Dedicated Equipment at its then depreciated cost or fair market value, whichever is less. Neither COOK nor CLIENT shall be obligated to make or accept such offers. In the event that CLIENT has not removed the Dedicated Equipment within 60 days after reasonable notice, the Dedicated Equipment shall be deemed to be abandoned and COOK may dispose of it or use it as it sees fit.

3.14 **Certificates of Analysis.** COOK shall test, or cause to be tested by third parties, in accordance with the Bulk Drug Substance Specifications, each batch of Bulk Drug Substance produced pursuant to the Project Plan(s) before delivery to CLIENT. A Certificate of Analysis for each batch delivered shall set forth the items tested, Bulk Drug Substance Specifications, and test results. COOK shall also submit a Certificate of Compliance to certify that all Batch Production and batch records have been reviewed and approved by the appropriate quality assurance unit at COOK. COOK shall send such Certificates to CLIENT prior to or at the same time as shipment of Bulk Drug Substance. CLIENT shall test for final release of each Bulk Drug Substance as meeting Bulk Drug Substance specifications. CLIENT assumes full responsibility for final release of each batch of Bulk Drug Substance.

4. **Nonconforming Product.**

4.1 **Tests.** Client and COOK will mutually agree on Bulk Drug Substance Specifications ahead of any production batch. Within […***…] business days following receipt by CLIENT of the Batch Documentation for a given batch of Bulk Drug Substance, CLIENT shall determine whether the production run was in compliance with CGMP and whether the Bulk Drug Substance conforms to the Bulk Drug Substance Specifications and shall notify COOK of said acceptance or non-acceptance of the Bulk Drug Substance. If CLIENT determines, within the above time period, that the Bulk Drug Substance is non-conforming, ("**Nonconforming Product**"), then CLIENT shall give COOK written notice thereof as soon as practicable but in no event later than […***…] days from the date of receipt of the Batch documentation and shall, unless otherwise directed by COOK, return the Batch for further testing by COOK. Failure to provide such written notice and return the Batch for further testing by COOK shall constitute an irrevocable acceptance by CLIENT of such Batch and an admission that the Batch meets Bulk Drug Substance Specifications. If, after conducting its own review, COOK agrees, or it is determined pursuant to Section 4.2, that the returned Batch fails to meet the Bulk Drug Substance Specifications and, to the extent that such failure is not due (in whole or in part) to acts or omissions of CLIENT or any third party after pick-up of such Batch, the provisions of Section 4.3 shall apply. For the avoidance of doubt, where the specifications have not been agreed upon by the parties hereto, COOK shall be obligated only to use its reasonable endeavors to Produce Bulk Drug Substance that meets CGMP and draft Bulk Drug Substance Specifications.

4.2 **Disputes.** If there is any dispute concerning whether a Batch meets the applicable Bulk Drug Substance Specifications and/or the reasons therefore, the Parties shall designate an independent expert (acting as an expert and not as an arbitrator) to determine whether or not the Batch at issue meets the applicable Bulk Drug Substance Specifications. The decision of such independent expert shall be in writing and shall be binding on both COOK and CLIENT. The costs of such independent expert shall be borne by the Parties equally; provided, however that the Party that is determined to be incorrect in the dispute shall be responsible for all such costs and shall indemnify the prevailing Party for its share of the costs incurred.

4.3 **Nonconforming Product.** In the event the Product is determined to be Nonconforming Product (whether by agreement of COOK pursuant to Section 4.1 or by an independent expert pursuant to Section 4.2), all such Nonconforming Product shall be either returned to COOK or destroyed, at COOK's option; notwithstanding, CLIENT may retain a limited amount of Nonconforming Product for archival purposes and for comparability testing. Additionally, COOK shall re-perform its Services to replace such Nonconforming Product at its own cost and expense and shall use commercially reasonable efforts to replace such Nonconforming Product in a reasonable time given any contractually obligated capacity constraints but in no case less than […***…] from the date that the Bulk Drug Substance is determined to be nonconforming.

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CLIENT shall be responsible for all costs and expenses for all materials (including without limitation, CLIENT MATERIALS) and Process Consumables utilized in replacement of Nonconforming Product except where it is determined that the failure of the nonconformance product is determined to be due to COOK's negligence, in which case COOK shall be responsible for all costs and expenses including materials and process consumables.

4.4 **Remedy.** In the event that COOK is unable initiate a replacement batch run within the […***…] days provided in Section 4.3, CLIENT may request and receive a full refund of all amounts paid for the cost of the batch production run.

4.5 **Sole Remedy.** The provisions of this Article 4 shall be the sole remedies available to CLIENT with respect to Product that fails to meet Product Specifications.

5. **Price; Payment Terms; Insurance.**

5.1 **Price.** CLIENT shall pay the Price for Services rendered by COOK in accordance with the Project Plan.

5.2 **Cost Reimbursement.** For all pass-through and out-of-pocket costs specified in the Project Plan, CLIENT shall pay COOK, at cost plus the applicable mark-up specified below. Such mark-up shall be inclusive of packaging and shipping materials:

Raw Materials:	[…***…]%
Resins and multiuse ultrafiltration membranes:	[…***…]%
Filters, containers, and product contact disposable:	[…***…]%
Dedicated Equipment (e.g. tanks, columns):	[…***…]%

5.3 **Payment Terms.** COOK shall generate invoices for all fees and cost reimbursements. Invoices for engineering and production Batches will be sent after completion and COOK's release as outlined under the terms of the Quality Agreement of each Batch. Invoices for cost reimbursement will be sent monthly. Unless otherwise indicated in writing by COOK, all Price(s) and charges are exclusive of any applicable taxes, levies, import duties and fees of whatever nature imposed by or under the authority of any government or public authority, all of which shall be paid by CLIENT (other than taxes on COOK's net income). CLIENT shall pay invoices within thirty […***…] of invoice date. Invoices not disputed within […***…] days of receipt shall be

deemed accepted and payment shall be made without deduction, deferment, set-off, lien or counterclaim of any nature. Invoices that remain unpaid more than […***…] days beyond the scheduled payment due date may be subject to an interest charge equal

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to […***…] ([…***…]%) per month, calculated from the scheduled payment due date forward; provided that in no event shall such annual rate exceed the maximum interest rate permitted by Applicable Law in regard to such payments. Such payments when made shall be accompanied by all interest so accrued. Payments may either be made by check or wire transfer of immediately available funds to the following account or such other account as COOK may designate from time to time:

By Wire:

[…***…] Bank

Routing: […***…]

Account: […***…]

Account Title: […***…]

5.4 **Insurance.** Each of CLIENT and COOK shall during the Term of this Agreement, and for […***…] thereafter, maintain in full force and effect insurance coverage adequate in scope for: (a) as to COOK, the Services performed by it, and (b) as to CLIENT, the development, testing, marketing and commercialization of the Product (including product liability coverage). CLIENT acknowledges that the Price(s) set forth in Exhibit A remain subject to adjustment pending COOK's discussion with its insurance carrier regarding any special coverage or premium required in order to adequately cover the Services.

6. **Representations and Warranties.**

6.1 **Mutual Representations and Warranties.** Each Party hereby represents and warrants to the other Party as follows:

(a) Such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized.

(b) Such Party (i) has the requisite power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and (ii) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder.

(c) This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms.

(d) All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such Party in connection with this Agreement have been obtained.

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(e) The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (i) do not conflict with or violate any requirement of Applicable Laws or regulations and (ii) do not conflict with, or constitute a default under, any contractual obligation of such Party.

6.2 **Representations and Warranties of CLIENT.** CLIENT further represents and warrants, and covenants that:

(a) CLIENT has lawful access to and the right to license or sublicense the CLIENT Confidential Information, CLIENT Intellectual Property Rights and CLIENT Materials to COOK under this Agreement.

(b) CLIENT is not subject to any claim or notice of infringement or misappropriation of any third party intellectual property rights relating to the CLIENT Confidential Information, CLIENT Intellectual Property Rights and CLIENT Materials used by COOK under this Agreement.

(c) The biological and chemical properties of the CLIENT Materials have been evaluated prior to the Effective Date and CLIENT shall provide to COOK an accurate and complete Material Safety Data Sheet sufficient to allow COOK to safely handle CLIENT Materials during the performance of the Services hereunder.

6.3 **Representations and Warranties of COOK.** COOK represents, warrants and covenants that:

(a) Bulk drug substance produced under this Agreement will be Produced, tested, and packaged in accordance with CGMP as specified in a Project Plan and Quality Agreement, will meet the Bulk Drug Substance Specifications that were in effect at time of Production when made available at COOK's shipping docks, and shall be free from defects in material and workmanship.

(b) COOK has obtained and will remain in compliance with all permits, licenses and other authorizations during the Term of this Agreement which are required under Applicable Laws.

(c) Bulk Drug Substance provided to CLIENT by COOK hereunder will not be adulterated or misbranded within the meaning of the FDCA. THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS SECTION 6.3 ARE EXPRESSLY IN LIEU OF AND EXCLUDE, AND COOK HEREBY EXPRESSLY DISCLAIMS, ALL OTHER REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ARISING FROM A COURSE OF

DEALING OR USAGE OR TRADE PRACTICE, WITH REGARD TO ANY PRODUCT DELIVERED HEREUNDER, WHETHER USED ALONE OR IN COMBINATION WITH OTHER SUBSTANCES OR NON-INFRINGEMENT OF THE

PATENT RIGHTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY OTHER PERSON.

7. **Indemnification; Limitation of Liability.**

7.1 **CLIENT Indemnification.** CLIENT shall indemnify, defend and hold harmless COOK against any Damages, whether or not foreseeable or in the contemplation of COOK or CLIENT, that COOK may suffer as a result of any third party claims, suits or actions arising out of or incidental to (a) any breach of the representations and warranties set forth in Sections 6.1 and 6.2, (b) the distribution or use of the Product, except to the extent such loss, damage, costs and expenses are directly caused by COOK's gross negligence or willful misconduct, (c) product liability in respect of the Product, (d) any bodily injury arising from the Product, (e) negligence (active, passive or imputed), gross negligence or intentional acts or omissions of CLIENT in relation to the use, processing, storage or sale of the Product, or (f) any claims by third parties alleging COOK's use of the Cell Line, CLIENT Materials, CLIENT Confidential Information, CLIENT Intellectual Property Rights or the Product Specifications infringes any rights (including, without limitation, any intellectual or other proprietary rights) of any third party (whether or not CLIENT knew or should have known about such alleged infringement) except to the extent COOK infringes any rights of any third parties by application of COOK's existing production techniques while performing the Services unless such application or production technique has been developed specifically as part of the Services.

7.2 **COOK Indemnification.** COOK shall indemnify, defend and hold harmless CLIENT against any Damages, whether or not foreseeable or in the contemplation of CLIENT or COOK, that CLIENT may suffer as a result of any third party claims, suits or actions arising from COOK's breach of the representations and warranties in Sections 6.1 and 6.3, except to the extent the loss, damage, costs and expenses are a result of (a) CLIENT's gross negligence or willful misconduct, (b) COOK's use of an application or production technique that has been developed as part of the Services or is provided by CLIENT, or (c) and COOK's use of CLIENT Materials.

7.3 **Procedure for Indemnification.** A Party (the "**Indemnitee**") that intends to claim indemnification under Sections 7.1 or 7.2 shall promptly notify the other Party (the "**Indemnitor**") of any claim, demand, action or other proceeding for which the Indemnitee intends to claim such indemnification. The Indemnitor shall have the right to participate in, and to the extent the Indemnitor so desires, to assume the defense thereof with counsel selected by the Indemnitor; provided, however, that the Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitor, if representation of the Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between the Indemnitee and any other Party represented by such counsel in such proceeding. The indemnity obligations under Sections 7.1 and 7.2 shall not apply to

amounts paid in settlement of any claim, demand, action or other proceeding if such settlement is effected without the prior express written consent of the Indemnitor, which consent shall not be unreasonably withheld or delayed. The failure to deliver notice to the Indemnitor within a reasonable time after notice of any such claim or demand, or the commencement of any such action or other proceeding, if prejudicial to its ability to defend such claim, demand, action or other proceeding, shall relieve such Indemnitor of any liability to the Indemnitee under Sections 7.1 and 7.2 with respect thereto, but the omission so to deliver notice to the Indemnitor shall not relieve it of any liability that it may have to the Indemnitee otherwise than under Sections 7.1 and 7.2. The Indemnitor may not settle or otherwise consent to an adverse judgment in any such claim, demand, action or other proceeding that diminishes the rights or interests of the Indemnitee without the prior express written consent of the Indemnitee, which consent shall not be unreasonably withheld or delayed. The Indemnitee, its employees and agents shall reasonably cooperate with the Indemnitor and its legal representatives in the investigation and defense of any claim, demand, action or other proceeding covered by this Section 7.3.

7.4 **Complete Indemnification.** As the Parties intend complete indemnification, all costs and expenses incurred by an Indemnitee in connection with enforcement of Sections 7.1 and 7.2 shall also be reimbursed by the Indemnitor.

7.5 **Limitation of Liability.** IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY THIRD PARTY UNDER THIS AGREEMENT FOR ANY PUNITIVE DAMAGES OR SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS, BUSINESS OR REVENUE) EVEN IF ADVISED OR AWARE OF THE POSSIBILITY OF SUCH DAMAGES. In addition, without prejudice or modification to the terms of Sections 7.1 and 7.3, the liability of Cook to Client, its permitted assigns and successors in interest, for any loss suffered by Client or its permitted assigns and successors in interest, arising as a direct result of a breach of this Agreement, or of any other liability, including without limitation, misrepresentation and negligence (whether active, passive or imputed), arising out of this Agreement and Services provided hereunder, including without limitation the production and/or supply of the Product and COOK's liability under Section 7.2, shall be limited to the payment of Damages in an amount which shall not exceed the amount received by Cook from Client for Services under the Project Plan covering the Product or Services to which the claim relates during the twelve (12) months immediately preceding the event that constitutes the basis of the claim for Damages; provided, however, if and to the extent such Damages are caused by Cook's willful or intentional misconduct in the performance of the Services, then the damage limitation in this Section 7.5 shall not apply.

7.6 **Abatement.** Notwithstanding anything to the contrary in this Agreement, in the event that the use of the Process is held in a suit or proceeding to infringe any intellectual property rights of a third party (or to constitute the misappropriation of a trade secret of a third party) and the use of the Process is

enjoined, or COOK has an objective basis (confirmed by an opinion of its legal counsel) for believing that it is likely to be found to infringe or constitute a misappropriation, or is likely to be enjoined, then COOK shall, at its option, either (a) procure the right to continue the use of the Process or (b) modify the Process so that it becomes non-infringing or no longer constitutes a misappropriation, provided that such modification has no adverse effect on CLIENT hereunder; provided, however, that if (i) and (ii) are not reasonably practicable, then COOK shall have the right, in its sole discretion, to terminate this Agreement by giving CLIENT […***…] prior written notice upon which notice the provisions of Section 10.3(a) shall apply.

7.7 **Limitations an Essential Element of the Agreement.** The Parties are willing to enter into this Agreement only in consideration of and in reliance upon the provisions of this Agreement limiting their exposure to loss or liability. Such provisions are an essential part of the bargain underlying this

Agreement and have been reflected in the pricing and other consideration specified in this Agreement. Both Parties understand and agree that the exclusion of warranties, limitation of liability and the limitation of remedies allocate risks between the Parties as authorized under Applicable Laws.

8. **Confidentiality and Non-Solicitation of Employees.**

8.1 **Confidential Information.** Each Party agrees that during the Term of this Agreement and for a period of […***…] thereafter, it will keep the Confidential Information of the other Party secret and confidential, respect the other Party's proprietary rights therein and make use of and permit to be made use of such information only as necessary to perform its obligations and exercise its rights under this Agreement. Neither Party may disclose or permit the Confidential Information of the other Party to be disclosed to any third party except as expressly provided herein without the other Party's prior written consent.

8.2 **Disclosure of Confidential Information.** CLIENT and COOK shall grant access to the Confidential Information only to Affiliates, subcontractors, employees, consultants, marketing collaborators and contractors who reasonably need to know such information for purposes such Party's exercise of its rights or performance of its obligations under this Agreement and who are subject to the same obligations of confidentiality as COOK and CLIENT under appropriate confidentiality agreements.

8.3 **Exception to Confidentiality.** The obligations in Article 8 shall not apply to Confidential Information to the extent that it:

(a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving Party in breach of Article 8, generally known or available;

(b) is known by the receiving Party at the time of receiving such information, as shown by contemporaneous written records predating such receipt;

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(c) is furnished after the Effective Date to the receiving Party by a third party, without breach of and not subject to any obligation of confidentiality;

(d) is independently developed by the receiving Party without use of or reference to Confidential Information of the other Party, as shown by independent written records, contemporaneous with such development; or

(e) COOK or CLIENT is required to disclose under any statutory, regulatory, stock exchange or similar legislative requirement or court order, provided, however, that (i) receiving Party gives the disclosing Party prior written notice of such required disclosure and assists the disclosing Party in its reasonable efforts to prevent or limit such disclosure; and (ii) the Confidential Information so disclosed otherwise remains the Confidential Information of the disclosing Party for the purposes of Article 8.

8.4 **Restrictions on Soliciting or Hiring COOK Employees**. During the Term of the Agreement and for […***…] after the Agreement terminates or expires, CLIENT shall not, directly or indirectly, solicit, hire, employ or attempt to solicit, hire or employ any person who is or was an employee of COOK during the Term (or the following […***…]), or in any other way directly or indirectly seek to solicit, induce, bring about, influence, promote, facilitate, or encourage any such individual to work for CLIENT or any party other than COOK.

8.5 **Restrictions on Soliciting or Hiring CLIENT Employees or Consultants engaged by CLIENT**. During the Term of the Agreement and for […***…] after the Agreement terminates or expires, COOK shall not, directly or indirectly, solicit, hire, employ or attempt to solicit, hire or employ any person who is or was an employee or consultant of CLIENT during the Term (or the following […***…]), or in any other way directly or indirectly seek to solicit, induce, bring about, influence, promote, facilitate, or encourage any such individual to work for COOK or any party other than CLIENT.

8.6 **Remedies.** Each Party acknowledges and agrees that neither Party shall have an adequate remedy at law for a violation of this Article 8 and therefore shall be entitled to enforce this Article 8 by temporary or permanent injunctive or mandatory relief obtained in any court of competent jurisdiction without the necessity of proving Damages, posting any bond or other security, and without prejudice to any other rights and remedies which may be available to such Party at law or in equity.

8.7 **Use of Name.** Neither Party shall use the name or trademarks of the other Party, except to the extent that a Party is permitted to use the Confidential Information of the other Party or required to do so pursuant to this Article 8, without the prior written consent of such other Party, such consent not to be unreasonably withheld. Under no circumstances shall either Party state or imply in any promotional material, publication or other published announcement that the other Party has tested or approved any product.

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9. **Intellectual Property.**

9.1 **Disclosure.** Subject to the obligations of confidentiality set forth in Article 8, each Party shall disclose to the other Party any and all Inventions made pursuant to the activities undertaken relating to this Agreement at least quarterly or as may otherwise be agreed to in writing by the Parties.

9.2 **COOK Intellectual Property Rights.** COOK shall solely own all right, title and interest in and to the COOK Intellectual Property Rights. During the Term of this Agreement to the extent that the making, use or sale of the Product by CLIENT requires a license under the COOK Intellectual Property Rights, COOK shall grant a nonexclusive license under the COOK Intellectual Property Rights to CLIENT to make use and sell (but not to have made or import) the Product and with no right to sublicense. Except within the scope of the license granted by COOK to CLIENT under Section 9.5 below with respect to Ancillary Intellectual Property, CLIENT shall not, without COOK's prior written consent, use the COOK Intellectual Property Rights for any purpose other than as stated in this Section 9.2.

9.3 **CLIENT Intellectual Property Rights.** CLIENT shall solely own all right, title and interest in and to the CLIENT Intellectual Property Rights. CLIENT will retain all right, title and interest in Client Intellectual Property Rights in and to the Cell Line, the Bulk Drug Substance, the Drug Product, and all labeling and trademarks associated therewith. During the Term of this Agreement, CLIENT hereby grants to COOK, its Affiliates and its subcontractors a worldwide, non-exclusive, royalty-free, paid-up, non-transferable (except for assignments pursuant to Section 12.1) license, or, as applicable, sublicense, under the CLIENT Intellectual Property Rights for the purpose of performing its obligations under this Agreement. Except within the scope of the license granted by CLIENT to COOK under Section 9.5 below with respect to Ancillary Intellectual Property, COOK shall not, without CLIENT's prior written consent, use the CLIENT Intellectual Property Rights for any purpose other than to perform the Services as contemplated in this Agreement.

9.4 **Protein Molecule Specific Intellectual Property.** All right, title and interest in Protein Molecule Specific Intellectual Property discovered, made or conceived by employees of COOK, or by employees or consultants of CLIENT, or employees of both COOK and CLIENT, in the course of and arising out of the activities contemplated in this Agreement relating to the Protein Molecule, shall be solely owned by CLIENT regardless of inventorship, and COOK hereby assigns to CLIENT all of COOK's right, title, and interest in and to Protein Molecule Specific Intellectual Property. Cook shall execute, at CLEINT's expense, all formal documents reasonably requested by CLIENT and customarily required by patent authorities to record such assignment.

9.5 **Ancillary Intellectual Property.** All right, title and interest in Ancillary Intellectual Property discovered, made or conceived by employees of COOK, or by

employees or consultants of CLIENT or by employees and consultants of both COOK and CLIENT in the course of and arising out of the contemplated in this Agreement shall be (i) solely owned by COOK if discovered, made or conceived solely by employees of COOK, (ii) solely owned by CLIENT if discovered, made or conceived solely by employees or consultants of CLIENT or (iii) jointly owned by COOK and CLIENT if discovered, made or conceived by employees of both COOK and CLIENT. COOK hereby grants to CLIENT a fully paid-up, royalty-free, non-exclusive, irrevocable, perpetual license to practice COOK owned Ancillary Intellectual Property for the Production of the Protein Molecule, derivatives, and variations thereof. CLIENT hereby grants to COOK a fully paid-up, royalty-free, non-exclusive, irrevocable, perpetual license to practice CLIENT owned Ancillary Intellectual Property to make, use, sell, offer to sell, sell and import protein molecules and related methods other than the Protein Molecule. Each Party shall bear the expense of activities relating to its own filing, prosecution and maintenance of any patent or patent applications provided for by this Section 9.5. Each Party shall execute, at the other Party's expense, all formal documents as may be reasonably requested by the other Party and customarily required by patent authorities for either Party to record the rights and licenses granted pursuant to this Section 9.5.

9.6 **No Implied Licenses.** Except as expressly set forth in this Agreement, nothing contained in this Agreement shall be construed as granting, by implication, estoppel or otherwise, any licenses or rights under any patents or other intellectual property rights. Only licenses and rights granted expressly herein shall be of legal force and effect.

10. **Term and Termination.**

10.1 **Term.** This Agreement shall begin on the Effective Date and terminate five (5) years thereafter ("**Term**") unless terminated by either Party in accordance with the provisions of this Article 10. This Agreement shall automatically renew for an additional two (2) year term unless terminated by a Party pursuant to Section 10.2.

10.2 **Termination Without Cause.** COOK may terminate this Agreement for any reason by giving the CLIENT one hundred and eighty (180) days prior written notice.

10.3 **Termination for Breach.**

(a) **Generally.** Except as provided in Section 10.3(b), the failure by either Party (the "**Defaulting Party**") to comply with any of the Defaulting Party's material obligations under this Agreement shall entitle the other Party (the "**Non-Defaulting Party**") to give to the Defaulting Party notice specifying the nature of the default and requiring the Defaulting Party to cure such default. If such default is not cured within fifteen (15) days (in the case of a payment breach) or thirty (30) days (in the case of a non-payment breach) after the receipt of such notice (or, if such default reasonably cannot be cured within such period or if the Defaulting Party shall not commence and diligently continue actions to cure such default during such period), the Non-

Defaulting Party shall be entitled, without prejudice to any of the other rights conferred on it by this Agreement or available to it at law, in equity or under this Agreement, to terminate this Agreement by giving further notice to the Defaulting Party, to take effect immediately upon delivery thereof. The right of either Party to terminate this Agreement, as provided in this Section 10.3(a), shall not be affected in any way by its waiver or failure to take action with respect to any previous default.

(b) **Exhaustion.** No default based on a claimed failure of any Product to conform to the Product Specifications shall be the subject of a notice under Section 10.3(a) until and unless all procedures and remedies specified in Section 3.3 shall have first been exhausted. Furthermore no inability to supply CLIENT with Product caused by an event of Force Majeure shall be the subject of a notice under Section 10.3(a).

10.4 **Termination for Insolvency.** Subject to any limitations imposed by applicable law, either Party shall have the right to terminate this Agreement by giving notice to the other Party in the event that:

(a) Such other Party shall have: (i) voluntarily commenced any proceeding or filed any petition seeking relief under the bankruptcy, insolvency or other similar laws of any jurisdiction, (ii) applied for, or consented to, the appointment of a receiver, trustee, custodian, sequestrator, conciliator, administrator or similar official for it or for all or substantially all of its property, (iii) filed an answer admitting the material allegations of a petition filed against or in respect of it in any such proceeding, (iv) made a general assignment for the benefit of creditors of all or substantially all of its assets, (v) become unable generally, or admitted in writing its inability, to pay all or substantially all of its debts as they become due, or (vi) taken corporate action for the purpose of effecting any of the foregoing; or

(b) An involuntary proceeding shall have been commenced, or any involuntary petition shall have been filed, in a court of competent jurisdiction seeking: (i) relief in respect of such other Party, or of its property, under the bankruptcy, insolvency or similar laws of any jurisdiction, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conciliator, administrator or similar official for such other Party or for all or substantially all of its property, or (iii) the winding-up or liquidation of such other Party; and, in each case, such proceeding or petition shall have continued undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall have continued unstayed, unappealed and in effect for thirty (30) days.

10.5 **Consequences of Termination.**

(a) **Return of Confidential Information.** Upon any expiration or termination of this Agreement, each Party will use diligent efforts (including without limitation a diligent search of files and computer storage devices) to return or destroy all Confidential Information of the other Party and all copies, summaries, compilations, extracts or other derivatives thereof, except to the extent such Confidential Information is necessary to exercise any right surviving termination of this Agreement. Additionally, each Party will be allowed to

keep one archival copy of any Confidential Information of the other Party solely for record keeping and for the purpose of determining its rights and obligations hereunder.

(b) **Payments Upon and After Termination.** Upon expiration or termination of this Agreement, CLIENT shall pay COOK all fees and costs incurred by COOK for: (i) that portion of the work performed to the date of termination, including reimbursement for reasonable overhead and profit of such work, plus reasonable expenses resulting from the cancellation as stated in the Project Plan or as reflected in COOK's records; and (ii) costs incurred by COOK for disposition of work and material on hand. Any such payments shall be made within thirty (30) days after invoicing by COOK. Notwithstanding any other provision of this Agreement, all payments to be made on account of or in conjunction with the expiration or termination of this Agreement shall be made in cash and all previously issued, unused trade credits shall be settled in cash upon such expiration or termination.

10.6 **Accrued Rights; Surviving Obligations.**

(a) **Accrued Rights.** Termination, relinquishment or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of either Party prior to such termination, relinquishment or expiration. Such termination, relinquishment or expiration shall not relieve either Party from obligations that are expressly indicated to survive termination or expiration of this Agreement.

(b) **Surviving Obligations.** All of the Parties' respective rights and obligations under Sections 1, 2.1, 3.12(c), 4, 5, 6, 7, 8, 9, 10, 11.3, 11.7, and 12 check shall survive termination, relinquishment or expiration of this Agreement.

11. **Regulatory Matters.**

11.1 **Permits.** During the Term of this Agreement and for the period required in the applicable Project Plan, COOK shall secure and maintain in good order, at its sole cost and expense, such current governmental registrations, permits and licenses as are required by Regulatory Authorities in order for COOK to perform its obligations under this Agreement (each, a "**Registration**"). Notwithstanding the foregoing, CLIENT shall be responsible for reimbursing COOK for the cost of any permits that are solely and specifically required to Produce the Product. COOK shall make copies of such Registrations and all related documents available for viewing by CLIENT and its designees for inspection, upon reasonable request from CLIENT. All copies will remain in COOK's possession and control.

11.2 **Compliance with CGMPs; Monitoring of Records.** If and as required by the Project Plan, COOK shall monitor and maintain reasonable records respecting its compliance with CGMPs in the manner provided by the Quality Agreement, including the process of establishment and implementation of the operating procedures and the training of personnel as are reasonably necessary to assure such compliance.

11.3 **Records.** COOK shall maintain the records required by the terms and conditions of the Quality Agreement, or as otherwise agreed to in writing by COOK and CLIENT in the Project Plan. COOK agrees that, in response to any complaint, or in the defense by CLIENT of any litigation, hearing, regulatory proceeding or investigation relating to the Production of Product, COOK shall use reasonable efforts to make available to CLIENT during normal business hours and upon reasonable prior written notice, such COOK employees and records reasonably necessary to permit the effective response to, defense of, or investigation of such matters, subject to appropriate confidentiality protections. CLIENT shall reimburse COOK for all costs and expenses incurred by COOK in connection with the performance of COOK's obligations under the immediately preceding sentence.

11.4 **Regulatory Communications and Correspondence.** Any and all communications from and to the FDA or other Regulatory Authorities related to the Production of the Product at the Facility shall be handled in accordance with the terms and conditions of the Quality Agreement, or as otherwise agreed in writing by COOK and CLIENT.

11.5 **Regulatory Filings and Maintenance.** CLIENT shall be solely responsible for preparing and submitting to the FDA all documents necessary for the regulatory approval of Product including adverse drug experience reports, field alert reports, periodic reports and applications for renewals, variations, supplements and amendments. COOK shall prepare and maintain all regulatory filings and manufacturing files, certificates, authorizations, data and other records that directly pertain to the Production of the Product, as further set forth in the Quality Agreement or as otherwise agreed in writing by COOK and CLIENT.

11.6 **Cooperation in Obtaining FDA Approvals.** As set forth in the Quality Agreement, or as otherwise agreed to in writing by COOK and CLIENT, at CLIENT's request, COOK shall provide CLIENT with such existing documents and information (or copies thereof) held by COOK as is reasonably requested in writing by CLIENT to assist CLIENT in securing and maintaining FDA approvals for the Product. In addition, COOK shall provide CLIENT with such information as is reasonably requested in writing by CLIENT relating to the manufacturing process, the master production record, the Services performed under this Agreement or other Product-related manufacturing documentation. Any CLIENT requests for documents or other work product that do not exist as of the date of such request or other substantive requests for assistance in compiling any regulatory filing shall constitute additional Services, and COOK shall notify CLIENT of the same, and, if CLIENT authorizes such Services, COOK shall invoice CLIENT for such additional Services at COOK's designated hourly rates including associated costs and expenses.

11.7 **Ownership of Regulatory Filings.** CLIENT shall be the sole owner of all regulatory filings and all governmental approvals obtained by CLIENT from any Regulatory Authority with respect to the Product. Notwithstanding the foregoing, and

for the avoidance of doubt, all rights in and to COOK Intellectual Property Rights and COOK Confidential Information shall remain entirely vested in COOK.

12. **Miscellaneous.**

12.1 **Assignment.** Neither Party may assign this Agreement without the prior written consent of the other Party, which consent will not be unreasonably withheld. Notwithstanding the foregoing, either Party may, without the prior consent of the other Party, assign this Agreement to its Affiliate(s) or to the successor entity in connection with a merger or acquisition, or to an entity acquiring substantially all of the product line or business operations of the assigning Party to which this Agreement pertains, provided that such successor or acquiring entity will expressly assume in writing the obligation to perform in accordance with the terms and conditions of this Agreement. Any purported assignment not in compliance with this Section 12.1 shall be void.

12.2 **Severability.** If any item or provision of this Agreement shall to any extent be invalid or unenforceable, it shall be severed from this Agreement, and the remainder of this Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by Applicable Law.

12.3 **Notices.** Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties hereto to the other shall be in writing, delivered personally or by facsimile (and promptly confirmed by personal delivery, first class air mail or courier), first class air mail or courier, postage prepaid (where applicable), addressed to such other Party at its address indicated below, or to such other address as the addressee shall have last furnished in writing to the address or in accordance with this Section 12.3 and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

If to COOK:

Cook Pharmica LLC
P.O. Box 970
Bloomington, Indiana 47402
Attention: President

With a copy to:
Cook Group, Inc.
750 Daniels Way
Bloomington, IN 47402
Attention: General Counsel

If to CLIENT: Xencor, Inc.
111 West Lemon Avenue

Second Floor
Monrovia, CA, 91016
Attention: John J. Kuch, Vice President, Finance
Facsimile: 626-256-3562

12.4 **Governing Law.** The Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

12.5 **Venue, Jurisdiction.** Any action or proceeding brought by either Party seeking to enforce any provision of, or based on any right arising out of, this Agreement must be brought against either Party in the courts of the State of Indiana. Each Party (a) hereby irrevocably submits to the jurisdiction of the state courts of the State of Indiana and to the jurisdiction of any United States District Court in the State of Indiana, for the purpose of any suit, action, or other proceeding arising out of or based upon this Agreement or the subject matter hereof brought by any Party or its successors or assigns, (b) hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action, or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action, or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court, and (c) hereby waives and agrees not to seek any review by any court of any other jurisdiction that may be called upon to grant an enforcement of the judgment of any such Indiana state or federal court.

12.6 **Entire Agreement.** This Agreement constitutes the entire and exclusive agreement between the Parties with respect to the subject matter hereof and supersedes and cancels all previous discussions, agreements, representations, commitments and writing in respect thereof. No amendment or addition to this Agreement shall be effective unless reduced to writing and executed by the authorized representatives of the Parties. In the event of a conflict between the provisions of this Agreement and the provisions of any exhibits or attachments hereto, including the Project Plan, the provisions of this Agreement shall govern.

12.7 **Attempts to Amicably Resolve Disputes.**

(a) To avoid litigation and to resolve any conflicts that arise during the performance of the Services or thereafter, COOK and CLIENT agree that, prior to the commencement of litigation by either Party, the Parties shall engage in executive mediation. Either Party may seek executive mediation by delivering a written request for such mediation to the other. Delivery of such request may be made by hand, by facsimile transmission or by electronic mail. The request shall be addressed to the following individuals:

COOK: Tedd M. Green, President

CLIENT: Bassil I. Dahiyat, President, & CEO

(b) Within five (5) business days of the delivery of such request, each Party shall appoint a company executive who is not directly involved in the dispute to meet with the other Party's company executive for the purpose of resolving the dispute. No later than ten (10) business days of their appointment, the two

executives shall meet to consider the dispute. They may request such information as either deems necessary and may meet jointly or separately with party representatives involved in the dispute. The two appointed executives shall use good faith efforts to reach a resolution of the dispute.

(c) If a resolution is reached, it shall be reduced to writing and shall be final and binding on the parties.

(d) If the two executives cannot reach agreement within five (5) business days of their initial meeting, unless the two executives agree to additional review time, either Party may thereafter pursue any remedy at law or in equity.

12.8 **Waiver.** No waiver of any rights shall be effective unless consented to in writing by the Party to be charged and the waiver of any breach or default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

12.9 **Independent Contractors.** COOK and CLIENT each acknowledge that they shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture, agency or any type of fiduciary relationship. Neither COOK nor CLIENT shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior consent of the other Party to do so.

12.10 **Affiliate(s).** Any licenses granted under this Agreement by CLIENT will be deemed to be granted both to COOK and COOK's Affiliate(s). COOK shall cause its Affiliate(s) to comply fully with the provisions of this Agreement to the extent such provisions specifically relate to, or are intended to specifically relate to, its Affiliate(s), as though its Affiliate(s) were expressly named as joint obligors hereunder.

12.11 **Counterparts/Facsimile.** 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. Facsimile signatures shall have the same force and effect as original signatures.

12.12 **Subcontracting.** COOK shall be free to subcontract any of its obligations hereunder, provided each such subcontractor agrees to be bound by obligations of confidentiality similar to those contained herein.

12.13 **Force Majeure.** Neither Party shall be liable for failure of or delay in performing obligations set forth in this Agreement, and neither shall be deemed in breach of its obligations, if such failure or delay is due to Force Majeure. In event of

Force Majeure, the Party affected thereby shall use reasonable efforts to cure or overcome the same and resume performance of its obligations hereunder. If an event of Force Majeure continues and causes a Party to delay its performance of its obligations for more than sixty (60) days, then the other Party shall have the right upon written notice to terminate this Agreement without any liability to the other Party.

12.14 **Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by one Party to the other are, for all purposes of Section 365(n) of Title XI of the United States Code ("**Title XI**"), licenses of rights to "intellectual property" as defined in Title XI. During the Term of this Agreement each Party shall create and maintain current copies to the extent practicable of all such intellectual property. If a bankruptcy proceeding is commenced by or against one Party under Title XI, the other Party shall be entitled to a copy of any and all such intellectual property and all embodiments of such intellectual property, and the same, if not in the possession of such other Party, shall be promptly delivered to it (a) upon such Party's written request following the commencement of such bankruptcy proceeding, unless the Party subject to such bankruptcy proceeding, or its trustee or receiver, elects within thirty (30) days to continue to perform all of its obligations under this Agreement, or (b) if not delivered as provided under clause (a) above, upon such other Party's request following the rejection of this Agreement by or on behalf of the Party subject to such bankruptcy proceeding. If a Party has taken possession of all applicable embodiments of the intellectual property of the other Party pursuant to this Section 12.14 and the trustee in bankruptcy of the other Party does not reject this Agreement, the Party in possession of such intellectual property shall return such embodiments upon request. If a Party seeks or involuntarily is placed under Title XI and the trustee rejects this Agreement as contemplated under 11 U.S.C. 365(n)(1), the other Party hereby elects, pursuant to Section 365(n) of Title XI, to retain all rights granted to it under this Agreement to the extent permitted by Applicable Law.

12.15 **Exporter of Record.** CLIENT shall be the exporter of record for any Product shipped out of the United States. CLIENT warrants that all shipments of Product exported from the United States will be made in compliance with all export laws and regulations and all applicable import laws and regulations of the country of importation. CLIENT shall be responsible for obtaining any licenses or government authorization(s) necessary for exportation from the United States. CLIENT's designated carrier and freight forwarder shall solely be CLIENT's agent. CLIENT shall select and pay the freight forwarder and such designated freight forwarder shall solely be responsible for preparing and filing any relevant declarations or other documents required for the export. CLIENT shall bear all costs and expenses associated with this Section 12.15.

12.16 **Quality Agreement.** The safety, quality control, and quality assurance aspects of the Services relating to Product shall be pursuant to the Quality Agreement. In the event of a conflict between the provisions of this Agreement and the provisions of the Quality Agreement, the provisions of this Agreement shall govern.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

Cook Pharmica LLC	Xencor, Inc.
By: /s/ Tedd M. Green	By: /s/ Bassil I. Dahiyat
Tedd M. Green, President	Bassil I. Dahiyat, President, & CEO

137-2141

EXHIBIT A

Specifications

EXHIBIT B

Project Plan

EXHIBIT C

Quality Agreement

Exhibit 10.23

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

[Execution Copy]

OPTION AND LICENSE AGREEMENT

This OPTION AND LICENSE AGREEMENT (this "Agreement"), effective as of January 28, 2013 (the "Effective Date"), is made by and between Alexion Pharmaceuticals, Inc., a Delaware corporation ("Alexion"), having a principal place of business at 352 Knotter Drive, Cheshire, Connecticut 06410, and Xencor, Inc., a Delaware corporation ("Xencor"), having a principal place of business at 111 West Lemon Avenue, Monrovia, California 91016. Alexion and Xencor may each be referred to herein, individually, as a "Party" or, collectively, as the "Parties."

BACKGROUND

A. Xencor has developed certain proprietary technologies related to enhancing the biological properties of antibodies and protein molecules.

B. Alexion is engaged in the discovery, research, development, and commercialization of pharmaceutical, biological and other products.

C. Alexion desires to obtain from Xencor, and Xencor desires to grant to Alexion, (i) the exclusive right to conduct certain research activities with respect to incorporation of Xencor Fc Domains into Target Compounds and (ii) an option to practice an exclusive license to research, develop and commercialize Licensed Compounds and Licensed Products in the Field in the Territory (as such terms are defined below), subject to the terms and conditions set forth herein.

NOW THEREFORE, for and in consideration of the covenants, conditions, and undertakings hereinafter set forth, it is agreed by and between the Parties as follows:

ARTICLE 1
DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the meanings indicated in this Article 1 below or elsewhere in this Agreement:

1.1 "Acceptance" means, with respect to an Application, acceptance by the applicable Regulatory Authority of an Application; provided, that, acceptance will automatically be deemed to have occurred sixty days after such Application is filed with the applicable Regulatory Authority, unless such Regulatory Authority rejects such Application prior thereto.

1.2 "Affiliate" means any entity that, directly or indirectly, controls, is controlled by or is under common control with a Party hereto. For the purpose of this Section 1.2, "control" means the ownership or voting control of more than fifty percent (50%) of the outstanding voting securities or interest in capital or profits of an entity, or the right to direct or control the

management or affairs of such entity, or the power to elect or appoint fifty percent (50%) or more of the members of the governing body of such entity.

1.3 "Application" means any marketing authorization application or equivalent application, and all amendments and supplements thereto, filed with the applicable Regulatory Authority in a country or jurisdiction in the Territory (including any supra-national agency such as the EMA in the European Union), including a Biologics License Application as described in Title 21 of the United States Code of Federal Regulations, Part 601, *et seq.*, or any equivalent application filed with the applicable Regulatory Authority in any other jurisdiction in the Territory.

1.4 "Commercially Reasonable Efforts" means with respect to the efforts to be expended by Alexion with respect to a Commercial License, that level of efforts and resources, at the relevant point in time, that are of a substantially similar level of effort and resources expended for the development and commercialization of products that pharmaceutical companies of size and resources comparable to those of Alexion commonly exercise for a product of similar commercial potential at a similar stage in its lifecycle as a Licensed Product, taking into consideration all relevant factors at the time such efforts are expended.

1.5 "Compound" means any Target Compound that incorporates any Xencor Fc Domain.

1.6 "Control" means, with respect to inventions, discoveries, information, data or know-how or Patents, possession of the right (other than pursuant to this Agreement), whether arising by ownership, license, or other authorization, to grant a license or sublicense without breaching the terms of any agreement or other arrangement with, or violating the rights of any Third Party; "Controlled" and "Controlling" shall have their correlative meanings.

1.7 "Fc Domain" means the Fc fragment of an antibody (meaning, e.g., IgG1 from residue 231 (or the analogous residue in any other IgG heavy chain) to the carboxy terminus thereof, where the sequence numbering is defined using the EU numbering system (Edelman, GM, et al., Proceedings of the National Academy of Sciences USA, vol. 63, p. 78, 1969)) as applied in the Kabat antibody sequence database, and any fragment or portion thereof, including naturally occurring fragments, naturally occurring variants of such fragments, and non-naturally occurring variants of such fragments.

1.8 "Field" means the treatment, prevention or diagnosis of human diseases and disorders.

1.9 "First Commercial Sale" means, with respect to a Product, the first sale to a Third Party of such Product in a given country following the receipt of Regulatory Approval for such Product in such country.

1.10 "Governmental Authority" means any multi-national, federal, state, local, municipal, provincial or other governmental authority of any nature (including any department, agency, bureau, branch, office, commission, council, court or other tribunal).

1.11 "Information" means all technical and scientific know-how and information, pre-clinical and clinical trial results, computer programs, knowledge, technology, means, methods, processes, practices, formulas, techniques, procedures, technical assistance, designs, drawings, apparatus, written and oral representations of data, specifications, assembly procedures, schematics and other information of whatever nature and all other scientific, clinical, regulatory, marketing, financial and commercial information or data.

1.12 "Initiation" means, with respect to any Phase 1 Trial, Phase 2 Trial or Phase 3 Trial, the first dosing of the first patient in such trial.

1.13 "Major EU Country" means any of the following: England, France, Germany, Italy and/or Spain.

1.14 "Net Sales" means monies received and other amounts collected by Alexion, its Affiliates and Sublicensees for sales of Licensed Products in the Territory by Alexion, its Affiliates and Sublicensees to Third Parties that are not Affiliates or Sublicensees of the selling party (unless such Affiliate or Sublicensee is the end user of such Licensed Product), less the following items, as allocable to Licensed Products (if not previously deducted in calculating the amount collected or in the monies received): […***…].

1.15 "Patents" means, in any country, (a) all patents (including, but not limited to, any inventor's certificate, utility model, petty patent and design patent), including any reissue, re-examination, renewal or extension (including any supplementary protection certificate) of any patent, and any confirmation patent or patent of addition based on any patent, in such country; (b) patent applications, including any continuations, continuations-in-part, divisionals, provisionals, continued prosecution application, substitute applications, and any other patent application that claims priority from any patent.

1.16 "Phase 1 Trial" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. §312.21(a), as amended, or the comparable law in a country other than the United States.

1.17 "Phase 2 Trial" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. §312.21(b), as amended, or the comparable law in a country other than the United States; that is intended to support a preliminary determination as to whether a compound or product is safe for its intended use, and to provide preliminary information about such compound's or product's efficacy, in order to permit the design of further clinical trial(s).

1.18 "Phase 3 Trial" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. §312.21(c), as amended, or the comparable law in a country other than the United States; that is intended as a pivotal efficacy and safety clinical trial; provided that if a Phase 2 Trial has not previously been completed, then a clinical trial shall not be deemed a "Phase 3 Trial" until the design of such clinical trial is acknowledged in writing by a Regulatory Authority (either prospectively or following completion of the clinical trial) to be sufficient for such clinical trial to be included as a pivotal efficacy and safety clinical trial in an Application.

1.19 "Product" means, at a given time, any product Controlled or otherwise developed or commercialized by Alexion or any of its Affiliates or Sublicensees that contains or incorporates a Compound in any form or formulation, the making, using, selling, offering for sale or importing of which, but for the licenses, including the Commercial License, granted under this Agreement, would infringe a Valid Claim.

1.20 "Regulatory Approval" means all approvals, licenses, registrations and authorizations of any governmental entity, including all pricing and, if required by the applicable Regulatory Authority, reimbursement approvals, that are necessary to market, sell and obtain reimbursement for a Product in a particular country.

1.21 "Regulatory Authority" means, in a particular country or jurisdiction, any Governmental Authority that has the authority to regulate the manufacture, marketing, testing, pricing, or sale of drug products in such country or jurisdiction.

1.22 "Research Term" means the period of time commencing on the Effective Date and continuing until the earlier to occur of (a) (i) the fifth anniversary of the Effective Date, or (ii) if Alexion exercises the Research Extension Option in accordance with this Agreement (including payment of the Research Extension Fee), the eighth anniversary of the Effective Date, and (b) termination of this Agreement.

1.23 "Sublicensee" means any Third Party to whom Alexion has licensed or sublicensed any or all of the Xencor Technology.

1.24 "Target" means each of any […***…] including all variants and orthologs thereof, further including their respective fragments thereof, as exemplified (for illustrative purposes only) by […***…].

1.25 "Target Compound" means any of (a) any antibody that modulates and directly binds to a Target, (b) any molecule that modulates and directly binds to a Target or (c) any protein that contains a Target.

1.26 "Territory" means worldwide.

1.27 "Third Party" means any entity other than Xencor or Alexion or an Affiliate of either of them.

1.28 "U.S." means the United States of America, including its territories and possessions.

1.29 "Valid Claim" means a claim in an issued, unexpired patent included in the Xencor Patents, and which claim has not lapsed, been abandoned, been revoked or been held to be unpatentable, invalid or unenforceable by a decision of a court or other governmental agency or competent jurisdiction from which no appeal

can be or is taken within the time allowed for appeal and which has not been admitted to be invalid or unenforceable through reissue, re-examination, disclaimer or otherwise.

1.30 "Xencor Fc Domain" means any Fc Domain that is Controlled by Xencor during the Term and, when incorporated into a protein, is shown to or has been shown to enhance serum half-life or increase FcRn binding relative to a wild type Fc Domain. Without limiting the foregoing, Xencor agrees that the Fc Domains that contain the following variants are "Xencor FC Domains" for purposes of this Agreement: […***…].

1.31 "Xencor Know-How" means all Information Controlled by Xencor on the Effective Date or during the Term that cover any Xencor Fc Domain to the extent reasonably necessary or useful to make, have made, use, sell, have sold, offer for sale or import any Compound in the Field in the Territory.

1.32 "Xencor Patents" means all Patents Controlled by Xencor on the Effective Date or during the Term that claim or cover any Xencor Fc Domain to the extent reasonably necessary or useful to make, have made, use, sell, have sold, offer for sale or import any Compound in the Field in the Territory. The Xencor Patents as of the Effective Date are listed in **Exhibit 1.32** attached hereto.

1.33 "Xencor Technology" means the Xencor Patents and Xencor Know-How.

ARTICLE 2
RESEARCH PROGRAM

2.1 Conduct of the Research Program. During the Research Term, Alexion (itself or with or through its Affiliates) shall conduct at its expense research activities, including performing human clinical trials (but subject to the limitations herein), relating to the incorporation of Xencor Fc Domains into Target Compounds (the "Research Program"); provided, however, that Alexion (and its Affiliates) shall not have the right to advance any Product beyond completion of one initial multi-dose human clinical trial without exercising a Commercial License with respect to such Product. Alexion acknowledges that Xencor is not granting to Alexion any licenses under the Xencor Technology to conduct research activities other than those set forth herein. The Research Program shall be conducted by or on behalf of Alexion and its Affiliates and Sublicensees in a good, scientific manner in compliance with all

***** Confidential Treatment Requested**

applicable laws and regulations and in accordance with the terms and conditions set forth in this Agreement. Inventorship of inventions shall be determined in accordance with U.S. patent laws. Alexion may perform any portion of the Research Program through one or more subcontractors; provided, however that Alexion shall remain responsible for the performance by its subcontractors and the compliance of its subcontractors with the provisions of this Agreement in connection with such performance.

2.2 Reports. During the Research Term, Alexion shall provide Xencor with an annual written summary of the results and progress of the Research Program, including any significant data and results in respect of Products.

2.3 Research Term Extension. Alexion shall have the right to extend the Research Term until the eighth anniversary of the Effective Date, by providing written notice thereof to Xencor and paying to Xencor the Research Term Extension Fee at any time prior to the fifth anniversary of the Effective Date.

ARTICLE 3
LICENSE AND OPTION

3.1 Research License Grant to Alexion. Subject to the terms and conditions of this Agreement, Xencor hereby grants to Alexion an exclusive (even as to Xencor) license, with a right to sublicense to Affiliates and subcontractors only, under the Xencor Technology to make and use Xencor Fc Domains for the purpose of incorporating Xencor Fc Domains into, and to evaluate, Target Compounds in the course of conducting the Research Program. Alexion acknowledges that the license granted in this Section 3.1 shall not include any right or license to use the Xencor Technology for any purpose other than making and using Xencor Fc Domains to incorporate such Xencor Fc Domains into, and to evaluate, Target Compounds in the course of conducting the Research Program.

3.2 Commercial License Option.

3.2.1 Grant of Option. Subject to the terms and conditions of this Agreement, Xencor hereby grants to Alexion the exclusive option, on a Target-by-Target basis (the "Option") to practice a Commercial License (as defined below) with respect to any or all Targets, which Alexion may exercise at any time during the Research Term.

3.2.2 Exercise of an Option. Subject to the terms and conditions of this Agreement, Alexion may exercise an Option with respect to any or all Targets at any time during the Research Term by (a) sending written notice of such exercise ("Exercise Notice") to Xencor, which exercise notice identifies the Target or Targets for which Alexion is exercising the Option, and (b) paying to Xencor the Option Fee for such Commercial License. The exercise of an Option and the corresponding provisions of this Agreement that are triggered by the exercise of such Option shall become effective only upon payment in full of the Option Fee with respect to such Option. At any time during the Research Term, an Option may be exercised, and the Commercial License practiced by Alexion, with respect to all Products that bind to or contain

one or more Targets; provided, that Alexion pays the Option Fee with respect to each Target for which the Option is exercised as set forth in Article 5 below.

3.2.3 Effect of Expiration or Termination of Research Term. If Alexion does not exercise any Option during the Research Term, the Option and this Agreement shall terminate and be of no further force or effect.

3.3 Commercial License.

3.3.1 Commercial License Grant. Subject to the terms and conditions of this Agreement, including without limitation Section 3.3.2, Xencor hereby grants to Alexion, an exclusive (even as to Xencor), worldwide, royalty-bearing license, including the right to sublicense in accordance with Section 3.4, under the Xencor Technology to research, develop, make, have made, use, sell, offer for sale, have sold and import Products that bind to or contain the Target(s) for which the Option is exercised (such Products for which the Option is exercised, the "Licensed Products") in the Field in the Territory (the "Commercial License").

3.3.2 Right to Practice the Commercial License; Termination of the Commercial License. Notwithstanding anything express or implied to the contrary herein, Alexion may not practice the Commercial License for a certain Product unless and until Alexion exercises the Option for the applicable Target with respect thereto in accordance with Section 3.2 and pays the applicable Option Fee. On a Target by Target basis, if Alexion does not exercise the Option for a Target on or prior to the expiration or termination of the Research Term, then the Commercial License and Option with respect to such Target shall terminate and be of no further force and effect as of the earlier of the date of expiration or termination of the Research Term.

3.4 Sublicense Rights. Alexion may grant sublicenses under and within the scope of any Commercial License granted pursuant to Section 3.3. Each sublicense granted by Alexion shall be consistent with all the terms and conditions of this Agreement, and subordinate thereto, and Alexion shall remain responsible to Xencor for all payments and royalties under any sublicense as if such events or sales were achieved or made by Alexion under this Agreement. Within thirty days following execution of each sublicense agreement, Alexion shall provide Xencor with written notice of such sublicense and shall certify in such notice that the sublicense was granted in accordance with this Section 3.4. In the event of any termination of this Agreement by Xencor pursuant to the terms hereof, all sublicenses granted by Alexion to Sublicensees pursuant to this Section 3.4 shall automatically become a direct license and obligation between Xencor and such Sublicensee with respect to the subject matter hereof with all rights of Alexion thereunder automatically becoming rights of Xencor (including all rights to receive payment) unless the Sublicensee is in material default under such sublicense at the time of termination of this Agreement; provided, that in no event shall Xencor have any obligations under such sublicense beyond the obligations of Xencor set forth in this Agreement unless otherwise agreed in writing by Xencor.

3.5 No Implied Licenses. Each Party acknowledges that the rights and licenses granted under this Article 3 and elsewhere in this Agreement are limited to the scope expressly granted. Accordingly, except for the rights expressly granted under this Agreement, no right,

title, or interest of any nature whatsoever is granted whether by implication, estoppel, reliance, or otherwise, by either Party to the other Party. All rights with respect to Patents and other intellectual property rights that are not specifically granted herein are reserved to the owner thereof. Without limiting the foregoing, Xencor reserves all rights to practice and use, and grant to Third Parties the right to practice and use, the Xencor Technology to incorporate Fc Domains into molecules other than Compounds or Products.

3.6 Exclusivity. Xencor will not, either itself or through a Third Party, (a) during the Research Term, grant to any Affiliate or Third Party a license under the Xencor Technology to research, develop, make, have made, use, sell, offer for sale, have sold or import Compounds or Products in the Field in the Territory and (b) during the Term, grant to any Affiliate or Third Party a license under the Xencor Technology to research, develop, make, have made, use, sell, offer for sale, have sold or import any Compounds for which the Option for a Commercial. License with respect to the Target of such Compounds has been exercised in accordance with Section 3 or Licensed Products in the Field in the Territory.

ARTICLE 4
DEVELOPMENT AND COMMERCIALIZATION

4.1 [Reserved].

4.2 Diligence. Subject to the terms and conditions of this Agreement, if Alexion exercises an Option in accordance with Section 3.2, then thereafter during the Term, with respect to each Target for which an Option is exercised, Alexion shall, at its expense, use Commercially Reasonable Efforts to develop and commercialize at least one Licensed Product that binds to or contains such Target in the Field in the Territory.

4.3 Disclosure Regarding Alexion Efforts. If Alexion exercises an Option in accordance with Section 3.2, then thereafter during the Term, Alexion shall provide annual written reports to Xencor summarizing the status of the development efforts of Alexion and its Affiliates and Sublicensees with respect to Licensed Products that bind to or contain the Target for which such Option was exercised. Xencor's right to receive such annual reports with respect to a Licensed Product shall terminate upon submission of the first Application in any of the United States, Europe or Japan for such Licensed Product.

ARTICLE 5
FEES AND ROYALTIES

5.1 Upfront Fee. Alexion shall pay to Xencor a non-refundable, non-creditable upfront fee equal to US$3,000,000 within fifteen days after the Effective Date.

5.2 Research Term Extension Fee. If Alexion elects to exercise the option to extend the Research Term to the eighth anniversary of the Effective Date pursuant to Section 2.3, Alexion shall pay to Xencor a non-creditable, non-refundable fee equal to US$2,000,000,

together with provision of the exercise notice, at any time prior to the fifth anniversary of the Effective Date.

5.3 Annual Fee. Alexion shall pay to Xencor a non-refundable, non-creditable annual fee equal to (a) US$500,000 on or prior to each of the first, second, third and fourth anniversaries of the Effective Date, and (b) US$1,000,000 if Alexion extends the Research Term pursuant to Section 2.3, on or prior to each of the fifth, sixth, and seventh anniversaries of the Effective Date.

5.4 Option Exercise Fee. If Alexion elects to exercise the Option for a particular Target pursuant to Section 3.2, Alexion shall pay to Xencor a non-creditable, non-refundable fee equal to US$4,000,000 (the "Option Fee") with respect to each Target for which the Option is exercised, together with provision of the Exercise Notice. If Alexion exercises the Option with respect to more than one Target in a given Exercise Notice, Alexion shall pay the Option Fee with respect to each such Target. If Alexion exercises the Option with respect to a Target and then subsequently exercises the Option with respect to another Target, Alexion shall pay the Option Fee for each such exercise.

5.5 Milestones.

5.5.1 Milestone Events. Alexion shall provide written notice to Xencor within ten business days following the first occurrence of each of the milestone events set forth below with respect to a Product (in the case of Section 5.5.1(i)) or Licensed Product (whether such milestone is achieved by Alexion or any Affiliate or Sublicensee) for which a milestone payment is or may be due hereunder ([…***…]). Subject to Section 5.5.3 below, within thirty days after the provision of such notice by Alexion, Alexion shall pay to Xencor the corresponding non-refundable, non-creditable milestone payment set forth below:

Milestone Event	Milestone Payment	
(i) […***…]	US$	[…***…]
(ii) […***…]	US$	[…***…]
(iii) […***…]	US$	[…***…]
(iv) […***…]	US$	[…***…]
(v) […***…]	US$	[…***…]
(vi) […***…]	US$	[…***…]
(vii) […***…]	US$	[…***…]

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(viii) […***…]	US$	[…***…]
(ix) […***…]	US$	[…***…]
(x) […***…]	US$	[…***…]
(xi) […***…]	US$	[…***…]

5.5.2 Milestones Payable for first Product for each Target. Subject to Section 5.5.3, on a Target-by-Target basis the milestone payments set forth in Section 5.5.1 shall be payable one time for the first time such milestone event is achieved with respect to the first Product or Licensed Product for a particular Target to achieve such milestone event, regardless of the number of times such milestone event is achieved with respect to one or more Products or Licensed Products for a particular Target. An aggregate of up to US$66,500,000 may be paid under Section 5.5.1 with respect to each Target. In addition, notwithstanding anything to the contrary, on a Target-by-Target basis the milestone payment corresponding to the milestone event set forth in Section 5.5.1(i) shall be payable one time with respect to each Target when it is first achieved regardless of whether the Commercial License is exercised with respect to such Target at such time, subject to Section 5.5.3.

5.5.3 […***…].

5.6 Royalties. Alexion shall pay to Xencor a royalty equal to […***…]% of Net Sales by Alexion, its Affiliates or Sublicensees, which may be paid directly by Alexion or an Affiliate of Alexion. Royalties under this Section 5.6 shall be payable on a Licensed Product-by-Licensed Product and country-by-country basis during the Royalty Term for each Licensed Product in

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each country. For the avoidance of doubt, no royalty is payable with respect to sales of Licensed Product in any country unless the sale of such Licensed Product in such country would, without the licenses granted under this Agreement, infringe a Valid Claim in such country at the time of sale. The "Royalty Term" shall mean, with respect to a Licensed Product in a country, the period beginning on the date of First Commercial Sale of such Licensed Product in such country and expiring on the expiration date of the last-to-expire Valid Claim covering the sale of such Licensed Product in such country. In no event shall Alexion have the right to offset, credit or otherwise reduce any royalties payable under this Agreement.

ARTICLE 6
PAYMENTS; BOOKS AND RECORDS

6.1 Royalty Reports and Payments. Royalties shall be calculated and reported for each calendar quarter and shall be paid within […***…] after the end of each calendar quarter. Each payment shall be accompanied by a report of Net Sales by Alexion, its Affiliates and Sublicensees which shall include […***…].

6.2 Payment Method. All payments under this Agreement shall be made by bank wire transfer in immediately available funds to an account designated by the Xencor. All amounts specified in this Agreement, and all payments made hereunder, are and shall be made in U.S. dollars. Any payments due under this Agreement which are not paid by the date such payments are due under this Agreement (but excluding payments which are being disputed in good faith by Alexion), shall bear interest to the extent permitted by applicable law at the U.S. prime rate per annum quoted by The Wall Street Journal (U.S., Western Edition), or its successor, on the first business day after such payment is due, plus an additional […***…], calculated on the number of days such payment is delinquent. This Section 6.2 shall in no way limit any other remedies available to either Party.

6.3 Currency Conversion. Amounts payable to Xencor based on sales in currencies other than U.S. dollars shall be converted to U.S. dollars at the rate of exchange at the close of business on the date immediately prior to the date Alexion receives the amount. The rate of exchange shall be the value of U.S. dollars calculated using Alexion's then current internal foreign currency translation methodology actually used on a consistent basis in preparing its audited financial statements.

6.4 Tax. Xencor will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are required to be withheld by Alexion, Alexion will (a) deduct such taxes from the payment made to Xencor, (b) timely pay the taxes to the proper taxing authority, and (c) send proof of payment to Xencor.

6.5 Records; Audits. During the Term and for a period of […***…] thereafter, Alexion shall keep (and shall cause its Affiliates and Sublicensees to keep) complete and accurate records pertaining to the sale or other disposition of Licensed Products in sufficient

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detail to permit Xencor to confirm the accuracy of all payments due hereunder. Xencor shall have the right to cause an independent, certified public accountant reasonably acceptable to Alexion to audit such records to confirm gross receipts, Net Sales and royalty payments for a period covering not more than the preceding […***…]. Such audits may be exercised no more than once per calendar year during normal business hours upon reasonable prior written notice to Alexion. No

accounting period of Alexion shall be subject to audit more than one time by Xencor. Adjustments shall be made by the parties to reflect the results of such audit. Xencor shall bear the full cost of such audit unless such audit discloses an underpayment by Alexion of more than […***…]% of the amount of royalty payments due under this Agreement, in which case, Alexion shall bear the full cost of such audit and shall promptly remit to Xencor the amount of any underpayment, plus interest calculated in accordance with Section 6.2.

ARTICLE 7
CONFIDENTIALITY

7.1 Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, each Party agrees that, during the Term and for five (5) years thereafter, such Party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any confidential or proprietary information furnished to it by or on behalf of the other party pursuant to this Agreement or the Confidentiality Agreement (collectively, "Confidential Information"). Such Party (the "Receiving Party") will maintain all Confidential Information of the other Party (the "Disclosing Party") as confidential and will not disclose any such Confidential Information or use any such Confidential Information for any purpose, except (a) as expressly authorized by this Agreement, (b) as permitted by Section 7.2 or Section 7.3, or (c) to those of its and its Affiliates' respective employees, agents, consultants, subcontractors and other representatives who require access to such Confidential Information to accomplish the purposes of this Agreement, provided that such persons are under obligations of confidentiality and non-use of the Confidential Information at least as stringent as those set forth in this Article 7. The Receiving Party may use the Confidential Information only to the extent required to accomplish the purposes of this Agreement. The Receiving Party will use at least the same standard of care as it uses to protect its own confidential information, but no less than reasonable care, to ensure that its and its Affiliates' employees, agents, consultants, subcontractors and other representatives do not disclose or make any unauthorized use of the Confidential Information. The Receiving Party will promptly notify the Disclosing Party upon discovery of any unauthorized use or disclosure of the Confidential Information. For the avoidance of doubt, the terms of this Agreement and the existence of this Agreement is deemed "Confidential Information" of each Party.

7.2 Authorized Disclosures. The Receiving Party may disclose Confidential Information of the Disclosing Party as expressly permitted by this Agreement, or if and to the extent such disclosure is reasonably necessary in the following instances:

7.2.1 filing or prosecuting Patents as permitted by this Agreement;

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7.2.2 establishing or enforcing the Receiving Party's rights under this Agreement;

7.2.3 prosecuting or defending litigation as permitted by this Agreement;

7.2.4 complying with a valid order of a court or other governmental body having jurisdiction or with applicable laws, rules and regulations; provided that the Receiving Party shall, except where impracticable or prohibited by law, give reasonable advance notice to the Disclosing Party of the required disclosure, and, at the Disclosing Party's request and expense, cooperate with the Disclosing Party's efforts to contest such required disclosure, to obtain a protective order preventing or limiting the disclosure or requiring that the Confidential Information so disclosed be used only for the purposes for which such disclosure is required, or to obtain other confidential treatment of the Confidential Information required to be disclosed. In any event, the Receiving Party shall disclose only such Confidential Information as it is required by such order or applicable law, rule or regulation to disclose and shall only disclose such Confidential Information for the purpose and to the entity(ies) required by such order or applicable law, rule or regulation;

7.2.5 in the case of Alexion, disclosure to actual or potential Sublicensees, provided, in each case, that any such Sublicensee has agreed in writing to be bound by obligations of confidentiality and non-use at least as stringent as those set forth in this Article 7, and that the Confidential Information so disclosed shall remain subject to this Article 7;

7.2.6 disclosure of (i) a redacted form of this Agreement and/or (ii) a written summary of the terms of this Agreement (in each case of clauses (i) and (ii), but not any other Confidential Information) to actual or potential Third Party investors, funding sources or acquirers in connection with due diligence or similar investigations by such Third Parties, and in confidential financing documents, provided, in each case, that: (a) any such Third Party agrees in writing to be bound by reasonable obligations of confidentiality and non-use at least as stringent as those set forth in this Article 7, (b) Alexion's company name, corporate address and any other information that could reasonably identify Alexion as the licensee under this Agreement or as a user of the Xencor Technology will be redacted or omitted from any disclosure, and (c) the Confidential Information so disclosed shall remain subject to this Article 7; and

7.2.7 in addition to the authorized disclosures set forth in clauses 7.2.1 - 7.2.6, the Parties agree that Confidential Information shall not include:

(a) information that is in the public domain at the time of disclosure hereunder or which subsequently comes within the public domain through no fault of or action by the Receiving Party;

(b) information that is in the possession of the Receiving Party at the time of disclosure by the Disclosing Party hereunder, as evidenced by the Receiving Party's prior written records;

(c) information that is obtained, after the date hereof, by the Receiving Party from any third party that is lawfully in possession of such information and not in violation of any contractual or legal obligation with respect to such information; and

(d) information that is independently developed by the Receiving Party, after the date hereof, without the aid, application, use of or reference to information provided by the Disclosing Party, in each such case as evidenced by written records.

7.3 Terms of this Agreement. Each Party agrees not to disclose to any Third Party the terms of this Agreement without the prior written consent of the other Party, except as expressly permitted by Section 7.2. Xencor and Alexion will not issue a press release announcing this Agreement, without the prior written consent of the other Party. Thereafter, each Party may disclose the information contained in such press release without the need for further approval by the other Party.

ARTICLE 8
INTELLECTUAL PROPERTY

8.1 Ownership. Xencor shall at all times be and remain the sole and exclusive owner of any Xencor Fc Domain and Xencor Technology, subject only to the licenses granted to Alexion under Article 3. Xencor acknowledges and agrees that nothing in this Section 8.1 limits, restricts or prohibits Alexion's, its Affiliates', or Sublicensees' right to research, develop, make, have made, use, sell, offer for sale, have sold or import Products or Licensed Products pursuant to this Agreement and Xencor has no right, title or interest in any such Products or Licensed Products.

8.2 Prosecution and Maintenance. Xencor shall have the sole right, but not the obligation, at Xencor's expense, to control and manage the preparation, filing, prosecution (including interferences, reissue proceedings and reexaminations) and maintenance of all Xencor Patents. Alexion agrees to reasonably cooperate in the preparation, filing, prosecution and maintenance of Xencor Patents in the Territory under this Agreement and in the obtaining and maintenance of any patent extensions, supplementary protection certificates and the like with respect thereto.

8.3 Enforcement and Defense.

8.3.1 Notice. Each Party shall promptly notify the other in writing of any alleged or threatened infringement of any Xencor Patent in the Field in the Territory of which they become aware.

8.3.2 Enforcement and Defense. Xencor shall have the sole right, but not the obligation (subject only to the rights of Alexion as set forth in this Section 8.3.2), to bring and control any action or proceeding with respect to infringement of any Xencor Patent, by competent and qualified patent litigation counsel of Xencor's own choice. Alexion shall have the

right to join, using its own counsel, any such action or proceeding involving a Competitive Product (as defined below); provided that, for clarity, Xencor shall maintain sole control over any such action or proceeding brought pursuant to this Section 8.3.2. Any recovery received as a result of any action or proceeding brought by Xencor pursuant to this Section 8.3.2 shall be retained solely by Xencor, except that, to the extent that any such recovery is attributed to loss of sales of a Product(s) Controlled by Alexion, its Affiliates or Sublicensees, such recoveries shall be paid to Alexion (such amounts paid to Alexion, "Alexion Recoveries"). Alexion Recoveries less all payments made by Alexion (or its Affiliates) to or on behalf of Xencor for reimbursement of legal fees and other expenses related to the applicable Alexion Recoveries shall be treated as Net Sales for purposes of royalty and sales milestone payment obligations pursuant to this Agreement. With respect to any alleged infringement by a Third Party of a Xencor Patent as a result of the research, development, manufacture, use, sale, offer for sale or import of any product that contains or incorporates a Compound that binds to or contains the same Target as a Compound contained or incorporated (in any form or formulation) in a Product Controlled by Alexion or its Affiliates or Sublicensees and for which Alexion has exercised the Option (including payment of the applicable Option Fee) (any such Third Party product, a "Competitive Product"), Xencor shall timely and regularly confer with Alexion in good faith with respect to strategizing, preparing and presenting a patent enforcement action or proceeding against such Third Party and will consider all reasonable comments and recommendations of Alexion in connection therewith in good faith. If, notwithstanding Xencor's good faith consultation with Alexion, Xencor does not initiate and diligently prosecute an enforcement action or proceeding regarding infringement by a Third Party of a Xencor Patent as a result of the research, development, manufacture, use, offer for sale, sale or import of a Competitive Product within (a) […***…] following the notice of alleged infringement pursuant to Section 8.3.1, or (b) […***…] before the expiration of the statute of limitations, if any, set forth in the applicable laws and regulations for the filing of such action or proceeding, whichever comes first, and: (i) Alexion in good faith believes that (1) the research, development, manufacture, use, offer for sale, sale or import, as applicable, of the Competitive Product infringes a Xencor Patent (and Alexion acknowledges that, for clarity, any activity that falls within 271(e)(1) or another safe harbor under applicable law is not infringing activity) and (2) the failure to bring such an action or proceeding may result in a material diminution in value of the relevant Product (the "Affected Product"); (ii) neither Alexion nor its Affiliate nor its Sublicensee Controls or has the right to bring an enforcement action or proceeding with respect to any Patent (other than a Xencor Patent) that covers or claims the Competitive Product; and (iii) Alexion provides written notice of (i) and (ii) to Xencor (such notice, a "Notice of Enforcement"), then Xencor shall enforce the applicable Xencor Patent against such Third Party with respect to such Competitive Product using commercially reasonable efforts. If, after delivery of a Notice of Enforcement, Xencor initiates a lawsuit to cause the cessation of the infringement by such Competitive Product, Xencor will use counsel selected by Xencor and reasonably acceptable to Alexion. Xencor shall timely and regularly confer with Alexion with respect to strategizing, preparing and presenting any such action or proceeding and will consider all reasonable comments and recommendations of Alexion in connection therewith in good faith. Alexion shall reimburse Xencor for all reasonable out-of-pocket expenses (including outside legal fees) incurred by Xencor in connection with any legal proceeding undertaken by Xencor as a result of the Notice of Enforcement to enforce the applicable Xencor Patent against such Third Party. Alexion and

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Xencor agree to enter into a common interest agreement reasonably acceptable to the Parties in connection with any proceeding involving a Competitive Product. Subject to the terms and conditions of this Agreement, Xencor shall have the sole right to settle or otherwise resolve any dispute with a Third Party involving the infringement of a Xencor Patent; provided that, in the case of any proceeding regarding infringement by a Third Party of a Xencor Patent as a result of the research, development, manufacture, use, offer for sale, sale or import of a Competitive Product only, such settlement or resolution does not, without Alexion's prior written consent, (i) limit the rights of, or impose any obligation on, Alexion, its Affiliates or Sublicensees to market or sell Licensed Products, (ii) include a covenant by Xencor not to sue such Third Party or its Affiliates or Sublicensees, or (iii) require the payment of money by Alexion, its Affiliates or Sublicensees.

[…***…].

[…***…]

[…***…]

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 Mutual Representations and Warranties. Each party represents and warrants to the other, as of the Effective Date, that: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and

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authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with, breach or violate any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

9.2 Xencor Representations and Warranties. Xencor hereby represents and warrants to Alexion, as of the Effective Date, that: (a) **Exhibit 1.32** attached hereto contains a true and complete list of the existing Xencor Patents; (b) Xencor is the sole owner of such listed Xencor Patents; (c) to Xencor's knowledge, Xencor has disclosed in writing to Alexion (in form reasonably satisfactory to Alexion) a true and complete list of Third Party Patents of which Xencor is aware that are relevant to […***…], with the understanding that the disclosure of one family member in a priority chain is sufficient to meet this representation and such disclosure shall be deemed to explicitly include the disclosure of all related patents and patent applications in the priority chain as well as all continuations, continuations-in-part, divisionals, reissues, reexaminations, inter partes reviews and oppositions, and all foreign equivalents, whether published or unpublished; (d) Xencor is not a party to any legal action, suit or proceeding relating to the Xencor Patents; (e) Xencor is not aware of any Patents or Information Controlled by Xencor, other than the Xencor Patents, that would be infringed or misappropriated as a result of the research, development, manufacture, sale or import of Xencor Fc Domains in the Territory; (f) Xencor has not received written notice that the practice of the inventions claimed by the Xencor Patents infringes the patent or other intellectual property rights of a Third Party; and (g) Xencor is not aware of any pending action, suit or proceeding claiming that the practice of the inventions claimed by the Xencor Patents infringes the patent or other intellectual property rights of a Third Party. For clarity, all representations and warranties of Xencor in this Section 9.2 are made as of the Effective Date with respect to circumstances as they exist as of the Effective Date.

9.3 Alexion Covenants. Alexion covenants to Xencor that: (a) in the performance of its obligations and exercise of its rights under this Agreement, Alexion shall comply and shall cause its and its Affiliates' employees and contractors to comply with all applicable laws, rules and regulations; and (b) Alexion is not debarred or disqualified under the United States Federal Food, Drug and Cosmetic Act or comparable applicable law, rule or regulation outside the U.S. in the Territory, and it does not, and will not during the Term, employ or use the services of any person or entity who is debarred or disqualified, in connection with activities relating to Compound or Product. In the event that Alexion becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person or entity providing services to Alexion, including Alexion itself and its Affiliates or Sublicensees, which directly or indirectly relate to activities under this Agreement, Xencor shall be promptly notified in writing and Alexion shall cease using any such person to perform any services under this Agreement.

9.4 Disclaimer of Warranties. Except as expressly set forth in this Agreement, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH

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PARTY HEREUNDER ARE PROVIDED "AS IS," AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES.

9.5 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 7, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided, however*, that this Section 9.5 shall not limit either party's indemnification obligations under Article 10. For the avoidance of doubt, payments under Article 5 shall not be considered special, incidental, consequential or punitive damages.

ARTICLE 10
INDEMNIFICATION

10.1 Indemnification by Alexion. Alexion hereby agrees to save, defend, indemnify and hold harmless Xencor, its Affiliates and their respective officers, directors, employees, consultants and agents (the "Xencor Indemnitees") from and against any and all losses, damages, liabilities, expenses and costs, including reasonable legal expense and attorneys' fees ("Losses"), to which any Xencor Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of (a) the research, development, manufacture, use, handling, storage, sale or other disposition of any Compound or Product by or on behalf of Alexion or any of its Affiliates or Sublicensees, (b) the gross negligence or willful misconduct of any Alexion Indemnitee (defined below), or (c) the breach by Alexion of any warranty, representation, covenant or agreement made by it in this Agreement; except, in each case, to the extent such Losses result from the negligence or willful misconduct of any Xencor Indemnitee or the breach by Xencor of any warranty, representation, covenant or agreement made by it in this Agreement, or from a claim by a Third Party that the research, development, manufacture, sale or import of a Licensed Product in the Territory infringes or misappropriates the Patents or Information Controlled by such Third Party due to the presence of a Xencor Fc Domain incorporated in the Licensed Product.

10.2 Indemnification by Xencor. Xencor hereby agrees to save, defend, indemnify and hold harmless Alexion, its Affiliates and Sublicensees and their respective officers, directors, employees, consultants and agents (the "Alexion Indemnitees") from and against any and all Losses to which any Alexion Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of (a) the gross negligence or willful misconduct of any Xencor Indemnitee, or (b) the breach by Xencor of any warranty, representation, covenant or agreement made by Xencor in this Agreement; in each case, except to the extent such Losses result from the negligence or willful misconduct of any Alexion Indemnitee or the breach by Alexion of any warranty, representation, covenant or agreement made by Alexion in this Agreement.

10.3 Procedure. In the event a party seeks indemnification under Section 10.1 or 10.2, it shall inform the other party (the "Indemnifying Party") of a claim as soon as reasonably practicable after such party (the "Indemnified Party") receives notice of the claim (it being understood and agreed, however, that the failure by an Indemnified Party to give notice of a claim as provided in this Section 10.3 shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that such Indemnifying Party is actually damaged as a result of such failure to give notice), shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and shall cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim. The Indemnified Party shall not agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnifying Party. The Indemnifying Party shall not agree to any settlement of such action, suit, proceeding or claim or consent to any judgment in respect thereof that does not include a complete and unconditional release of the Indemnified Party from all liability with respect thereto, that

imposes any liability or obligation on the Indemnified Party or that acknowledges fault by the Indemnified Party; in each case, without the prior written consent of the Indemnified Party.

10.4 Insurance. Alexion, at its own expense, shall maintain product liability and other appropriate insurance in an amount consistent with industry standards during the Term. Alexion shall provide a certificate of insurance evidencing such coverage to Xencor upon request.

ARTICLE 11
TERM AND TERMINATION

11.1 Term. The term of this Agreement shall commence on the Effective Date and continue until (a) the end of the Research Term if Alexion has not exercised the Option with respect to any Commercial License in accordance with Section 3.2 by such date; or (b) if Alexion exercises the Option with respect to a Commercial License in accordance with Section 3.2, the expiration of the last Royalty Term, subject, in each case, to earlier termination pursuant to Section 11.2 (the "Term").

11.2 Termination. A Party may terminate this Agreement for material breach of this Agreement by the other Party upon sixty days' (or, in the case of non-payment breach, thirty days') written notice specifying the nature of the breach, unless the breaching Party cures such breach within such sixty -day (or thirty-day, as applicable) period. In addition, Xencor shall have the right to terminate this Agreement immediately upon written notice to Alexion, if Alexion, its Affiliate or Sublicensee directly, or through material assistance granted to a Third Party, commences any interference or opposition proceeding with respect to, or challenges the validity or enforceability of, any Xencor Patent; provided that Xencor may not terminate this Agreement if such action or assistance is required by law, regulation or statute. Further, Alexion shall have the right to terminate this Agreement on a Target-by-Target basis upon ninety (90) days prior written notice to Xencor.

11.3 Effects of Expiration or Termination.

11.3.1 Upon full termination of this Agreement by either Party (excluding, for the avoidance of doubt, termination of this Agreement with respect to a particular Target), all rights and obligations of the parties hereunder (including, without limitation, the license granted by Xencor to Alexion hereunder and Xencor's agreements under Section 3.6) shall terminate and be of no further force or effect. In the event of any termination of this Agreement as to a particular Target, this Agreement (including, without limitation, the license granted by Xencor to Alexion hereunder with respect to such Target and Xencor's agreements under Section 3.6 with respect to such Target) shall terminate solely with respect to such Target.

11.3.2 Upon expiration (but not earlier termination) of this Agreement, all licenses granted to Alexion hereunder that were in effect immediately prior to such expiration shall become fully-paid, royalty-free, irrevocable, and perpetual.

11.3.3 Within thirty days following the expiration or termination of this Agreement, each Party shall deliver to the other Party any and all Confidential Information of the other Party in its possession.

11.3.4 Neither expiration nor termination shall relieve either Party of any obligation accruing prior to such expiration or termination except that, in the case of expiration or termination of this Agreement during any Payment Suspension Period, all payment obligations that accrued but were not paid during such Payment Suspension Period pursuant to Section 8.3.2 shall be (i) with respect to Affected Products, automatically satisfied and discharged in full as of such expiration or termination and (ii) with respect to Licensed Products that are not Affected Products, automatically satisfied and discharged in an amount equal to fifty percent (50%) of such payment obligations as of such expiration or termination. The obligations and rights of the parties under Sections 6.5, 9.4, 9.5, 11.3, 11.4 and 11.5 and Articles 1, 7, 10 (other than Section 10.4), 12 and 13 of this Agreement shall survive expiration or termination of this Agreement.

11.4 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to hereunder.

11.5 Bankruptcy Code. All rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of Title 11 of the United States Code and other similar laws in any jurisdiction outside the U.S. (collectively, the "Bankruptcy Laws"), licenses of rights to be "intellectual property" as defined under the Bankruptcy Laws. If a case is commenced during the Term by or against a Party under Bankruptcy Laws then, unless and until this Agreement is rejected as provided in such Bankruptcy Laws, such Party (in any capacity, including debtor-in-possession) and its successors and assigns (including a trustee) shall perform all of the obligations provided in this Agreement to be performed by such Party. If a case is commenced during the Term by or against a Party under the Bankruptcy Laws, this Agreement is rejected as provided in the Bankruptcy Laws and the other Party elects to retain its rights hereunder as provided in the Bankruptcy Laws, then the Party subject to such case under the Bankruptcy Laws (in any capacity, including debtor-in-possession) and its successors and assigns (including a Title 11 trustee), shall provide to the other Party copies of all Information necessary for such other Party to prosecute, maintain and enjoy

its rights under the terms of this Agreement promptly upon such other Party's written request therefor. All rights, powers and remedies of the non-bankrupt Party as provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the Bankruptcy Laws) in the event of the commencement of a case by or against a Party under the Bankruptcy Laws.

ARTICLE 12
DISPUTE RESOLUTION

12.1 Disputes. If the Parties are unable to resolve any dispute or other matter arising out of or in connection with this Agreement, either Party may, by written notice to the other Party, have such dispute referred to the respective heads of Research and Development of the Parties, or such individuals as those heads may designate (provided such designees shall have a rank of vice president or higher and have decision-making authority), if the dispute refers to scientific matters relating to this Agreement and otherwise to the respective heads of Business Development and/or Licensing, or such individuals as those heads may designate (provided such designees shall have a rank of vice president or higher and have decision-making authority), for attempted resolution by good faith negotiations within thirty days after such notice is received (the "Initial Period"). In such event, each Party shall cause its Research and Development heads or Business Development and/or Licensing heads or designees, as applicable, to meet face-to-face and be available to attempt to resolve such issue. The Parties shall cooperate in an effort to limit the issues for consideration in such manner as narrowly as reasonably practicable in order to resolve the dispute. If the heads of Research and Development or heads of Business Development and/or Licensing, as applicable, do not resolve such dispute within the Initial Period after notice is received, the dispute will be referred to the Chief Executive Officer of Xencor and either the Chief Executive Officer or an Executive Vice President of Alexion for attempted resolution by good faith negotiations within thirty days after the end of the Initial Period. If the Chief Executive Officer of Xencor and Chief Executive Officer or Executive Vice President of Alexion are unable to resolve such dispute, then either Party may pursue all remedies available to such Party under law.

ARTICLE 13

MISCELLANEOUS

13.1 Governing Law. This Agreement and any dispute arising from the performance or breach hereof shall be (a) governed by and construed and enforced in accordance with, the laws of the State of Delaware, without reference to conflicts of laws principles, and (b) subject to the exclusive jurisdiction and venue of the Delaware state courts and the Federal courts located in Delaware, and the Parties hereby consent to the personal and exclusive jurisdiction and venue of these courts.

13.2 Force Majeure. Nonperformance of any Party (other than nonperformance of payment obligations) shall be excused to the extent that performance is rendered impossible by strike, fire, earthquake, flood, governmental acts or orders or restrictions, or any similar reason

where failure to perform is beyond the reasonable control of the nonperforming Party. In such event Alexion or Xencor, as the case may be, shall promptly notify the other Party of such inability and of the period for which such inability is anticipated to continue. Without limiting the foregoing, the Party subject to such inability shall use commercially reasonable efforts to minimize the duration of any force majeure event.

13.3 No Implied Waivers; Rights Cumulative. No failure on the part of Alexion or Xencor to exercise and no delay in exercising any right under this Agreement, or provided by statute or at law or in equity or otherwise, shall impair, prejudice or constitute a waiver of any such right, nor shall any partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

13.4 Independent Contractors. Nothing contained in this Agreement is intended implicitly, or is to be construed, to constitute Alexion or Xencor as partners in the legal sense. No Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of any other Party or to bind any other Party to any contract, agreement or undertaking with any Third Party.

13.5 Notices. All notices, requests and other communications hereunder shall be in writing and shall be personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid; facsimile transmission (receipt verified); or express courier service (signature required), in each case to the respective address specified below, or such other address or fax number as may be specified in writing to the other Parties:

If to Alexion:
Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, CT 06410
Attn: Chief Legal Officer
Fax: (203) 271-8198

If to Xencor:
Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Attn: Chief Executive Officer
Fax: (626) 305-0350

With a copy to (which shall not constitute notice):

Cooley LLP
4401 Eastgate Mall
San Diego, CA 92121-1909
Attn: Tom Coll, Esq.
Fax: (858) 550-6420

13.6 Assignment. This Agreement shall not be assignable by either Party to any Third Party without the prior written consent of the other Party; except that each Party may assign this

Agreement, without the need to obtain the other Party's consent, (a) to an entity that acquires substantially all of the business or assets of such Party pertaining to this Agreement, in each case whether by merger, transfer of assets, purchase of all outstanding shares or otherwise; provided that, intellectual property rights (including, without limitation, any Patents or Information) of the acquiring entity in such a transaction, if other than one of the Parties to this Agreement shall not be included in the technology licensed hereunder, or (b) to an Affiliate of such Party, provided that, in the case of such an assignment to an Affiliate, the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate. Any assignment in contravention of the foregoing shall be void and of no effect. Subject to the foregoing, this Agreement will be binding upon and will inure to the benefit of the Parties and their respective successors and assigns. Any assignment of this Agreement in contravention of this Section 13.6 shall be null and void.

13.7 Modification. No amendment or modification of any provision of this Agreement shall be effective unless in writing signed by all Parties. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by all Parties.

13.8 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the Parties as nearly as may be possible. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

13.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together, shall constitute one and the same instrument.

13.10 Entire Agreement. This Agreement (including the Exhibits hereto) constitutes the entire agreement, both written and oral, with respect to the subject matter hereof, and supersedes all prior or contemporaneous understandings or agreements, whether written or oral, between Alexion and Xencor with respect to such subject matter.

13.11 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words "include" or "including" shall be construed as incorporating, also, "but not limited to" or "without limitation;" (b) the word "day" or "year" shall mean a calendar day or year unless otherwise specified; (c) the words "hereof," "herein," "hereby" and derivative or similar words refer to this Agreement (including any Exhibits); and (d) the term "shall" means "will."

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered in duplicate originals as of the Effective Date.

ALEXION PHARMACEUTICALS, INC.		**XENCOR, INC.**	
By:	/s/ Leonard Bell	By:	/s/ Bassil Dahiyat
Name:	Leonard Bell	Name:	Bassil Dahiyat
Title:	Chief Executive Officer	Title:	President and CEO

Exhibit 1.32

Xencor Patents

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Exhibit 10.24

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

COLLABORATION AGREEMENT

This Collaboration Agreement ("Agreement") is made by and among

Xencor, Inc.
111 W. Lemon Ave.
Monrovia,
CA 91016
USA

(hereinafter called "XENCOR"),

and

Boehringer Ingelheim International GmbH
Binger Straße 173
55216 Ingelheim
Germany

(hereinafter called "BII")

(hereinafter BII an XENCOR each shall also be called "Party" and collectively "Parties" as the case may be).

EFFECTIVE DATE: February 10, 2012

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Preamble

WHEREAS, XENCOR and an Affiliated Company (as defined below) of BII, the Boehringer Ingelheim Pharma GmbH & Co. KG, Birkendorfer Str. 65, 88397 Biberach, Germany ("BI Pharma") entered into a Material Transfer and Initial Service Agreement dated as of June 28, 2011 relating to XENCOR's proprietary product, a monoclonal antibody directed against TNF-α known as "Xtend-TNF" or "XmAb6755"; and

WHEREAS, XENCOR is a company engaged in the design and development of biopharmaceutical drugs and is owner of a cell line expressing the Product (as defined below);

WHEREAS, BII has know-how and expertise to develop production processes for biopharmaceuticals towards commercial scale volumes and within international regulatory requirements;

WHEREAS, XENCOR and BII herewith agreed on a business collaboration for the mutual benefit of both Parties by having XENCOR providing the Material (as defined below) and the description of the Product and by having BII developing a fed-batch production process to have XENCOR's Product expressed from the Material in the quantity suitable for preclinical and completion of Phase 1 clinical testing; and

WHEREAS, as BII finances the Project in advance and receives a first right to negotiate to manufacture and payments at a later point in the future, XENCOR agrees, in order to make both Parties benefit from their collaboration, to use its commercially reasonable efforts to complete Phase 1 clinical testing of the Product and to find a business partner for the further development of the Product into a successful medicinal product;

NOW THEREFORE and in consideration of the mutual covenants set forth in this Agreement, BII and XENCOR hereby agree as follows:

1 Definitions

1.1 "Acceptance Criteria"

shall mean either, (as the case may be) the following criteria with respect to a Batch of Product; (i) the preliminary specifications as agreed upon by the Parties with respect to the three (3) initial manufacturing runs as described in Section 2.5, or (ii) except as provided in clause (i), the Specifications accompanied by a Confirmation of Compliance and Certificate of Analysis.

1.2 "Affiliated Companies"

shall mean any company or business entity which controls, is controlled by, or is under common control with, either XENCOR or BII. For purposes of this definition, "control" shall mean the possession, directly or indirectly of the power to direct or cause the direction of the management and policies of an entity (other than a natural person), whether through the majority ownership of voting capital stock, by contract or otherwise.

1.3 "Batch"

shall mean Product from one fermentation run using the Process.

1.4 "BII Confidential Information and Know-How"

shall mean all existing or future technical or other information relating specifically to (a) the BII Facility, (b) the Process, (c) BII Intellectual Property, and/or (d) know-how for the development and manufacture of biopharmaceuticals generally, in each case (a)-(d) whether

patented or not patented, including, without limitation, trade secrets, know-how, processes, concepts, experimental methods and results and business and scientific plans that are disclosed or supplied directly or indirectly to XENCOR or used in connection with the Project, but always excluding all confidential technical or other information of XENCOR specifically relating to XENCOR Technology.

1.5 "BII Facility"

shall mean the biotech buildings and all other buildings used by BII and/or its Affiliated Companies in performance of the Project in Fremont, CA, USA (it being understood that certain aspects of the Services may be performed in Germany, and, with respect thereto, such buildings in Germany used by BII and/or its Affiliated Companies in performance of the Project, shall also be deemed "BII Facility").

1.6 "BII Intellectual Property"

shall have the meaning set forth in Section 8.2.2 hereof.

1.7 "BII Technology"

shall mean the Technology developed or obtained by or on behalf of BII or any of its Affiliated Companies without the use of the of XENCOR Confidential Information and Know-How or the Material, including without limitation, the Process.

1.8 "Business Partner"

shall have the meaning set forth in Section 2.8.2 hereof.

1.9 "Certificate of Analysis"

shall mean, with respect to a Batch, that complete and accurate document setting forth the conformance with the Specifications set forth in the QAA.

1.10 "Claim"

shall have the meaning set forth in section 6.4.(a)a) hereof.

1.11 "CMO"

shall mean Contract Manufacturing Organization.

1.12 "Confidential Information-and Know-How"

shall mean either or both Xencor Confidential Information and Know-How (as defined herein) or BII Confidential Information and Know-How (as defined herein), as applicable.

1.13 "Confirmation of Compliance"

shall mean BII's complete and accurate certificate, executed and delivered to XENCOR in connection with each Batch of Product, confirming that such Batch of Product was manufactured according to cGMP, the Process and applicable laws at the BI Facility, and setting forth any deviations therefrom and the results of final investigations performed by BII according to the QAA.

1.14 "Controlled Technology"

shall have the meaning specified in Section 9.3 hereof.

1.15 "cGMP"

shall mean current Good Manufacturing Practice regulations as codified in:

The Rules Governing Medicinal products supplied in the European Union: Volume 4 -Medicinal products supplied for Human and Veterinary Use: Good Manufacturing Practice, as amended from time to time; the United States Code of Federal Regulations, title 21, parts

210, 211, 600 and 610, as amended from time to time; and the International Committee on Harmonisation and other comparable guidelines, directives or standards required by governmental authorities in the Major Territories or in any other country or countries agreed in writing by the Parties.

1.16 "Deliverables"

shall have the meaning specified in Section 2.4 hereof.

1.17 "Due Date"

shall have the meaning specified in Section 3.1.2 hereof.

1.18 "Effective Date"

shall mean the date of commencement of this Agreement as mentioned on the cover page above.

1.19 "FTE"

shall mean a fully allocated employee or consultant of BII and working on the Technology transfer with such time and effort to constitute the equivalent of one (1) employee on a full time basis consistent with normal business and scientific practice […***…].

1.20 "Improvements"

shall mean all discoveries and inventions, and all modifications, derivatives and improvements to Technology or new uses thereof (whether or not protectable under patent, trademark, copyright or similar laws) that are discovered, developed or reduced to practice by or on behalf of BII or any of its Affiliated Companies (alone or jointly with XENCOR) in the performance of this Agreement.

1.21 "Knowledge"

shall mean that which a Party knows or should have known following that inquiry a reasonable person would have made in light of the facts and circumstances.

1.22 "Latent Defects"

shall mean non-conformance of the Product with this Agreement other than Obvious Defects.

1.23 "Licensing Revenue"

shall have the meaning set forth in Section 3.1.2 hereof.

1.24 "Losses"

shall have the meaning set forth in Section 7.2.a hereof.

1.25 "Major Territories"

shall mean the United States, the European Union and/or Japan.

1.26 "Material"

shall mean the respective XENCOR proprietary cell line as laid down in detail in Appendix 1 and any know-how or data relating directly thereto and provided together with such cell line to BII by or on behalf of XENCOR (including any progeny or derivative thereof).

1.27 "MTA"

shall mean the Material Transfer and Initial Service Agreement entered into by XENCOR and BI Pharma on June 28, 2011 attached to this Agreement as Appendix 4.

*****Confidential Treatment Requested**

1.28 "Obvious Defects"

shall mean any non-conformance of the Product with this Agreement, which is visible or easily detectable without any analysis in a laboratory, such as noticeable damages of the Product caused by the transport of Product.

1.29 "Other Improvements"

shall have the meaning set forth in Section 8.2.3 hereof.

1.30 "Principal Supplier"

shall mean the right to manufacture and supply commercial Product in the amount per annum of at least […***…] of the worldwide annual demand of commercial Product calculated based on XENCOR's reasonably forecasted request for commercial Product for the respective calendar year.

1.31 "Process"

shall mean all the respective steps involved in the process developed and performed by BII pursuant to this Agreement to produce the respective Product from the Material or having the Product expressed from the Material, including, without limitation, the manufacture, testing and packaging thereof.

1.32 "Process Description"

shall mean a controlled document, approved by authorized technical and quality representatives of both Parties, that documents the general outline of the respective Process. It includes all relevant Process parameters to be met and equipment and raw materials to be used.

1.33 "Product"

shall mean XENCOR's proprietary biopharmaceutical product, a monoclonal antibody directed against TNF-α known as "Xtend-INF" or "XmAb6755", as further laid down in detail in Appendix 1, expressed from the Material disclosed by XENCOR to BII and formulated either as bulk drug substance or in final dosage form as drug product, as the context requires.

1.34 "Project"

shall mean the performance of the Services, including without limitation the Process development program for the Product.

1.35 "Project Fees"

shall have the meaning specified in Section 3.1 hereof.

1.36 "Project Manager"

shall have the meaning specified in Section 2.2.1 hereof.

1.37 "Project Plan"

shall mean the plan describing the Services to be performed by BII under the Project, including the Project timeline and the Project Fees, attached to this Agreement as Appendix 2.

1.38 "Project Team"

shall have the meaning specified in Section 2.2.2 hereof and at the Effective Date shall consist of the persons listed in Appendix 3.

1.39 "QAA"

shall mean the Quality (Assurance) Agreement entered into between the Parties simultaneously with this Agreement and attached hereto as Appendix 5.

1.40 "Representatives"

shall have the meaning specified in Section 7.3 a hereof.

1.41 "Service(s)"

shall mean those certain services performed by BII under this Agreement.

1.42 "Specification(s)"

shall mean all the tests, analytical methods and/or limits, and the results thereof, as applicable, agreed by the Parties, within which the Product has to conform to be considered acceptable by XENCOR for clinical use set forth in Appendix 6. The Parties are in agreement, that in the first instance they will agree on preliminary specifications which shall then be fixed to final Specifications in accordance with Section 2.5.

1.43 "Steering Committee"

shall have the meaning specified in Section 2.2.3 hereof.

1.44 "Technology"

shall mean all cDNA, cell lines, cell banks, master cell banks, constructs, reagents, antibodies and/or other tangible materials, methods, techniques, processes, trade secrets, copyrights, know-how, data, documentation, regulatory submissions, specifications and other intellectual property of any kind (whether or not protectable under patent, trademark, copyright or similar laws).

1.45 "Technology Access Fee"

is defined in Section 5.2.3.

1.46 "Total Amount"

shall have the meaning specified in Section 3.1.2 hereof.

1.47 "XENCOR Confidential Information and Know-How"

shall mean all existing or future technical or other information relating specifically to (a) the Material, (b) the Product (and any modification, derivative or fragment thereof), and/or (c) the XENCOR Technology, in each case (a), (b) and (c) whether patented or not patented, and including, without limitation, all know-how, trade secrets, inventions, patent applications, processes, concepts, experimental methods and any other information concerning XENCOR's financial situation, business plans, and its research and product designs, that are disclosed or supplied to BII in connection with the Project, but always excluding BII Confidential Information and Know-How.

1.48 "XENCOR Intellectual Property"

shall have the meaning specified in Section 8.2.1 hereof.

1.49 "XENCOR Technology"

shall mean (i) the Material, (ii) the Product, and any modifications, derivatives, or fragments thereof, and (iii) the Technology of XENCOR developed or obtained by or on behalf of XENCOR independent of and without the use of technical or other information disclosed or supplied by BII or its Affiliated Companies to XENCOR relating specifically to the BII Facility, the Process, BII Intellectual Property and/or know-how for the development and manufacturer of biopharmaceuticals generally, and which was introduced by XENCOR to the Project.

2 Cooperation between the Parties in the Course of a Project

2.1 General

2.1.1 General

This Agreement sets forth the terms and conditions under which BII and XENCOR will perform their tasks regarding the Project. BII shall (by itself or by its Affiliated Companies) perform for XENCOR the Services as specified in this Agreement and the Project Plan and BII and XENCOR shall adhere to their obligations under this Agreement and the Project Plan.

2.1.2 Priority

In the event of a conflict or ambiguity between any term of this Agreement and an Appendix, the terms of this Agreement shall prevail. In case the Parties mutually agree that a specific Section of this Agreement shall be modified by the terms of a Project Plan (and that such term of the Project Plan shall prevail) for a specific Service, they may only do so by explicit reference to the Section of this Agreement that shall be modified.

2.2 Personnel

2.2.1 Designation of Project Manager

Upon commencement of the Project, BII and XFNCOR will each appoint a Project Manager, who will coordinate and supervise the Project including communication of all instructions and information concerning the Project to the other Party. The Project Manager will serve as the primary contact person for the other Party. Each Project Manager will be available on an agreed basis for consultation at prearranged times during the course of the Project. The Project Managers shall be copied on all correspondence by other Project Team members and all correspondence between the Parties. In the absence of the Project Manager, a substitute shall be appointed. Additional modes or methods of communication and decision making may be implemented with the mutual written consent of each Party. Each Party will use reasonable efforts to provide the other Party with […***…] prior written notice of any change in such Party's Project Manager.

2.2.2 Project Team

The Parties shall establish a Project Team consisting of representatives of each Party from the necessary disciplines and their respective Project Managers to (a) ensure the progress of the Project, (b) coordinate the performance of the Project, and (c) facilitate communication among the Parties. Each Project Team member shall have knowledge and ongoing familiarity with the Project and will possess the authority to make decisions on matters likely to be raised in the Project Team. Each Party shall have the right to substitute its members of the Project Team as needed from time to time by giving written notice to the other Party due time in advance.

The Project Team shall meet in person or by means of a video conference or teleconference on a periodic basis (a) as agreed by the Project Managers within [...***...] after written request for such meeting by either Party, or (b) as specified in the Project Plan (Appendix 2, as amended from time to time), but in any event, unless otherwise agreed in writing by the Parties, the Project Team shall meet at least one (1) time per calendar quarter (by means of a video conference or teleconference or in person, provided, however, that at least two (2) of these meetings per calendar year are held in person on an alternating basis between XENCOR's facilities and BII's facilities in Fremont, CA, USA).

The Project Team shall oversee the Project. Prior to each meeting of the Project Team the Parties will distribute to each other written copies of all materials, data and information arising out of the conduct of their activities hereunder.

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Each Party shall bear its own costs associated with such meetings and communications. It is the right of each Party to call for a Project Team meeting according to the covenants of this Section 2.2 upon written request at any time.

The Parties shall alternate responsibility for preparing minutes of the meeting which shall be circulated promptly following the meeting.

The initial members of the Project Team and the Project Managers are set forth in Appendix 3 attached hereto which may be updated from time to time to reflect changes in the Project Team and/or Project Managers as provided in this Section 2.2.

2.2.3 Steering Committee

The Parties shall form a Steering Committee, to which each Party will appoint three (3) executive employees, including the Project Managers, all of whom shall be familiar with the Project. The Steering Committee shall have general oversight and review of the activities of the Project Team and shall resolve any issues referred to the Steering Committee by the Project Team. Each Party shall have the right to substitute its members of the Steering Committee as needed from time to time by giving written notice to the other Party due time in advance.

The Steering Committee shall meet within [...***...] after receipt of a written request by one Party to the other Party. The request shall describe the matter in dispute and the solution which the requesting Party proposes to be decided. Each Party shall bear its own costs associated with meetings and communications of the Steering Committee.

The Steering Committee will take action by unanimous consent of the Parties, with the representatives of BII collectively having a single vote and the representatives of XENCOR collectively having a single vote, or by a written resolution signed by all of the representatives. If the Steering Committee is unable to reach unanimous consent on a particular matter, then the matter will be referred to the chief executive officers of the Parties, who will use good faith efforts to resolve such matter, and the decision reached by mutual agreement of the chief executive officers of the Parties shall be final and binding on the Parties. If, (i) after good faith efforts, the chief executive officers of the Parties are unable to resolve such matter by mutual agreement, and (ii) such matter concerns the Product or the Process, but does not concern the BI Facility or the management of manufacturing slots, then the chief executive officer of XENCOR shall make the final decision about how to resolve such dispute, after good faith consideration of BII's position, which decision shall be final and binding on the Parties; *provided*, *however*, that, in resolving such matter, XENCOR's chief executive officer shall not have any authority to require BII or its Affiliated Companies to incur additional expenses or obligations not contemplated by this Agreement. In no event will the Steering Committee, or the executive officers of the Parties in resolving any Steering Committee matter, have any authority to amend or modify this Agreement; any such amendment or modification of this Agreement must be in accordance with Section 11.8. For the avoidance of doubt, nothing in this Section shall prevent any Party from seeking arbitration proceedings pursuant to Section 11.6 hereof with regard to any matters other than matters resolved by mutual agreement of the chief executive officers in accordance with this Section 2.2.3.

The members of the Steering Committee are set forth in Appendix 3 attached hereto, which may be updated from time to time to reflect changes in the Steering Committee as provided in this Section 2.2.3.

2.3 Conduct of the Project and BII's Work and Tasks

The Parties shall engage in the Project upon the terms and conditions set forth in this Agreement. In the course of this Agreement the Parties shall perform the Project as laid down and detailed in the Project Plan.

Each Party shall fully and reasonably cooperate with the other Party to provide appropriate information and assistance to the other Party in connection with the Project, responding in a

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reasonable and timely manner with respect to all reasonable requests for information and approval. Neither Party shall be liable for any delays in its performance of the Project to the extent caused solely by the other Party's failure to provide in a reasonably timely manner any information or approval reasonably requested by the other Party.

The Parties shall assign a sufficient number of professionally qualified personnel to perform the Project and shall perform its tasks under this Agreement according to the generally acceptable professional and then current industry standards and subject to terms and conditions as set forth herein, at all times in compliance in all material respects with all requirements of applicable laws and regulations. The Parties will use commercially reasonable efforts to achieve the estimated timelines as laid down in the Project Plan.

Changes to the Project Plan, if any, shall require the written consent of both Parties.

2.4 Deliverables

BII will deliver such deliverables expressly laid down in detail in the Project Plan, including but not limited to the Product (the "Deliverables") within the timelines laid down in the Project Plan to XENCOR. Following the completion of the activities required under the Project, BII will provide to XENCOR then available Product (if any), Batch records and a summary containing manufacturing and analytical testing, including without limitation, the information and the results of the development phase according to the workscope as further described in the Project Plan.

2.5 Nature of the Project

As the Product has never been produced by BII or on behalf of BII by its Affiliated Companies at the BI Facility, XENCOR acknowledges that the Project is experimental in nature and that no favorable or useful results can be assured by BII. However, after […***…], the Parties shall in good faith agree on a revision (if necessary) to the preliminary specifications for the Product (that have been mutually agreed upon by the Parties) that shall then be the Specifications for subsequent runs in subsequent campaigns that shall form a basis for rejection or acceptance of the respective Product produced in any additional runs at such scale under the provisions of Section 4.1, and, provided that the Process has not been materially changed (i.e. a change that is subject to the Change Control procedures of the QAA), the Project shall no longer be considered experimental in nature and the obligation to meet the respective Specification shall apply to all future runs at such scale.

2.6 Additional Work

In case the Parties mutually agree on additional work for the benefit of the Project by changing the Project Plan by written agreement of the Parties, BII shall perform such additional work to sustain the progress of the Project on conditions in terms of money, time and scope to be subject to agreement of the Parties hereto as set forth in the then amended Project plan.

2.7 XENCOR Confidential Information and Know-How and Material

To the extent not already transferred by XENCOR, XENCOR shall transfer the Material for the Project to BII to the BII Facility subject to the terms of this Section 2.7, and BII shall use or have used by its Affiliated Companies such Material solely to conduct the Project in accordance with the Project Plan, this Agreement, or as otherwise may be agreed to by the Parties in writing. The Material will not be used in connection with any animal studies or diagnosis, treatment or any activity in humans or for any use not directly related to the Project. BII's use of the Material will be in compliance with all applicable laws in the state or country where the Services are performed. BII accepts the Material with the knowledge that it is experimental. The Material may not be transferred or otherwise made available, in whole or in part, by BII to any other individual, entity or institution other than any Affiliated Companies

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of BII without the prior written consent of XENCOR, which may be withheld by XENCOR for any reason. Such consent is hereby given for BII or its Affiliated Companies to transfer the Material for quality control testing performed by a third party on a blinded basis. For the avoidance of doubt, in the event of a transfer of Material to an Affiliated Company of BII or to any third party with the consent of XENCOR, BII shall ensure that the respective Affiliated Company or third party shall use such Material solely to conduct the Project in accordance with the Project Plan, this Agreement, or as otherwise may be agreed to by the Parties in writing and shall not transfer or otherwise make available, in whole or in part, the Material to any other individual, entity or institution.

The Material is the property of XENCOR. It is agreed that the transfer of the Material hereunder shall not constitute a sale of Material or a grant, option or license of any patent or other rights except to allow BII to perform the Project. XENCOR shall retain and have all right, title and interest in and to the Material.

XENCOR will inform BII in a timely manner about any safety issues of which XENCOR becomes aware relating to the handling of the Material and the Product after the date of the execution of this Agreement.

BII shall at all times take reasonable measures to protect the Material from loss or damage and in no event measures less than employed by BII in the protection of its own proprietary materials, and shall promptly notify XENCOR, if at any time it believes the Material has been damaged, lost or stolen.

XENCOR and BII hereby acknowledge and agree that XENCOR is providing XENCOR Confidential Information and Know-How to BII for its use by BII for the purposes of this Agreement, and BII will make use thereof solely for such purposes and XENCOR hereby consents to such use.

2.8 Further Obligations of XENCOR

2.8.1 General

The Parties acknowledge and agree, that. subject to the terms and conditions of this Agreement, BII substantially finances the Project at the costs and fees outlined in Appendix 2 in advance and receives payments at a later point in the future. Accordingly, XENCOR agrees, in order to make both Parties benefit from their collaboration, that the success of the collaboration between the Parties depends strongly on the fact whether or not XENCOR is able to find a suitable business partner for the further development of the Product into a successful medicinal product with one or more marketing authorisations worldwide.

2.8.2 Obligations of XENCOR

Therefore, XENCOR shall use commercially reasonable efforts to conduct and complete at its own cost and risk a Phase 1 clinical trial with the Product as described in Section 2.8.3 within the timelines set forth herein (subject to Section 2.8.3); and find one or more suitable third party/parties as business partner(s) for the further development of the Product into a medicinal product ("Business Partner").

For the avoidance of doubt, XENCOR bears the sole responsibility for the conduct and completion of the clinical trials of the Product and the search for the Business Partner and shall bear all costs and expenses in connection therewith. In no event will it be a breach of this Agreement by XENCOR if the Phase 1 clinical trial or other clinical trials of the Product are not completed or an agreement is not entered into with a Business Partner so long as XENCOR uses commercially reasonable efforts to do so.

2.8.3 Timelines and Information

XENCOR shall use commercially reasonable efforts to conduct and complete a Phase 1 clinical trial of the Product in a timely fashion and to search for the Business Partner. A summary of the preliminary plan for the Phase 1 clinical trial of the Product to be conducted by XENCOR is attached as Appendix 7, it being understood that timing of such clinical trial

may be delayed to the extent (i) caused primarily by BII's failure to provide Product conforming to the Specifications; or (ii) by safety issues relating to the Product; or (iii) by regulatory delays; or (iv) other causes outside the control of XENCOR.

XENCOR shall promptly provide BII notice of the completion and a summary overview of the outcome/observations of the Phase 1 clinical trial regarding the Product and a summary overview of any negotiations with a possible Business Partner regarding the further development of the Product. Moreover, XENCOR shall inform BII on an annual basis or, if there is good cause, upon request of BII (whichever is the case) about the actual status of such Phase 1 clinical trial or such negotiations, such request not to be more often than twice per year.

3 Payments

3.1 Project Fee

3.1.1 Consideration for Services

As consideration for the performance of BII's Services, XENCOR shall pay BII all fees to be paid to BII as set forth in the Project Plan (the "Project Fees") according to the terms and conditions set forth in the following subsections of this Section 3.1.

The Project Fees as set forth in the Project Plan include BII's internal and out-of-pocket cost and expenses for its performance of the Project, including without limitation, ordinary and standard raw materials, components and consumables, and XENCOR shall not be obligated to make any payments with respect to any Services except the Project Fees or payments for additional work agreed upon according to Section 2.6 (which shall then be considered "Project Fees").

3.1.2 Payment of the Project Fees

The Project Fees referred to in Section 3.1.1 above, together with interest at a […***…] percent ([...***...]%) annual interest rate on any unpaid Project Fees accruing from the earlier of (i) the date of completion of the clinical summary report for the Phase 1 clinical trials of the Product as planned according to Appendix 7 unless delayed as described in Section 2.8.3 or (ii) the date that is five (5) calendar years after the Effective Date (each of the alternatives above, the "Due Date") until paid in full (the Project Fees together with any such interest, referred to as the "Total Amount"), shall become duly payable in accordance with the following schedule:

a. In case XENCOR has entered into an agreement with at least one Business Partner, then, beginning from the later of (i) the effective date of such agreement or (ii) the Due Date, XENCOR will pay BII the Total Amount in [...***...] installments of [...***...] of the [...***...] (defined below) that [...***...]; provided, however, that in no event will [...***...] of the annual Licensing Revenue [...***...]; provided that, for the avoidance of doubt, [...***...] shall be excluded from [...***...].

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b. In case XENCOR decides to proceed with the further development of the Product without a Business Partner, XENCOR will pay BII the Total Amount in one or more lump sum payments within five (5) calendar years from the Due Date.

c. As long as XENCOR, notwithstanding its commercially reasonable efforts after the completion of the Phase 1 clinical trial either (i) is not able to further develop the Product for technical and/or scientific reasons or (ii) does not decide to proceed with the further development of the Product without a Business Partner and does not enter into an agreement with a Business Partner within two (2) calendar years from the Due Date, then XENCOR shall have no obligation to pay BII any or all of the Total Amount. For the avoidance of doubt, such obligations will become due as described in this Section 3.1.2, at any time XENCOR enters into an agreement with at least one Business Partner or further develops the Product within ten (10) calendar years following the Effective Date, as provided in Section 10.3.

3.1.3 Invoicing

XENCOR shall notify BII in writing of any of the circumstances listed in Section 3.1.2.a to 3.1.2.c. BII shall issue an invoice for the payments of the Total Amount agreed upon with XENCOR according to the payment schedule in Section 3.1.2 and payment of the Technology Access Fee, as applicable. The amount of the Project Fees and the interest (if any) will be shown separately in the invoice.

XENCOR shall make payments of all invoiced amounts for the payments of the Total Amount and of the Technology Access Fee due and payable in accordance with Section 5.2.3 and 5.2.4, as applicable [...***...] from the date of receipt of BII's invoice. If XENCOR fails to make timely payment of the invoiced amount, interest shall accrue on the amount of the Project Fees shown in the invoice at a fixed annual rate equal to the highest rate of interest quoted as the "prime rate" in The Wall Street Journal on the day that payment was due. All payments due under this Agreement shall be paid in US dollars by wire transfer or by such other means agreed to in writing by the Parties. XENCOR will provide at least twenty-four (24) hours advance notice to BII of each wire transfer to the bank account identified below or such other bank accounts as BII shall designate in writing.

Account Name:	[...***...]
Account Number:	[...***...]
Bank:	[...***...]
BIC (SWIFT-CODE):	[...***...]
IBAN:	[...***...]

3.2 Technology Access Fee

The Technology Access Fee (if any) is due according to Section 5.2.3 and 5.2.4 below. Section 3.1.3 shall apply accordingly.

3.3 VAT

All payments under this Agreement (including the Technology Access Fee) shall be understood as net payments without value added tax ("VAT"). VAT, if applicable, shall be added to the respective payment. The Parties will reasonably cooperate in completing and filing documents required under applicable law in connection with any refund of or credit for any such payment of VAT.

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4 Delivery Terms of Product

4.1 Delivery Terms

BII shall (a) deliver to XENCOR or, (b) at the request of XENCOR, store, the agreed amounts of the Product produced according to the Project Plan in accordance with agreed upon schedule, at the price set forth in the Project Plan. Delivery of Product by BII shall be made [...***...] BII Facility (Incoterms 2010).

BII shall package and arrange for shipment of Product to the delivery address specified by XENCOR, all in accordance with the instructions of XENCOR provided that BII shall not be responsible for any damages with respect to Product or third party claims arising out of such arrangements for shipment of Product after delivery of such Product to the shipper in accordance with such instructions in accordance with XENCOR's instructions. Each shipment of cGMP Product will include a Certificate of Analysis, a Confirmation of Compliance and such other documentation as reasonably required to meet all applicable statutory and regulatory requirements. Delivery of the Product shall be subject to quality and other provisions set forth in the QAA. The Parties shall cooperate reasonably to obtain all customs licenses or permits necessary to ship the Product (the evaluation of which customs licenses or permits required shall be performed by XENCOR), and no shipment shall be made until such licenses or permits, if any, have been obtained.

XENCOR shall diligently examine all Product delivered under this Agreement as soon as practicable after receipt. Notice of all claims arising out of or relating to Obvious Defects shall be given in writing to BII within [...***...] after the date of XENCOR's receipt of Product, otherwise, such Product shall be considered free of any Obvious Defects as between BII and XENCOR. XENCOR shall make a damaged Product available for inspection and shall comply with the requirements of any insurance policy covering the Product, and BII shall offer XENCOR all reasonable assistance, at the cost and expense of XENCOR, in pursuing any claims arising out of the transportation of the Product.

Except as otherwise provided herein and as set forth in Section 2.5, XENCOR shall have [...***...] after the date of XENCOR's receipt of Product, for all claims arising out of or relating to any Latent Defects and to reject such delivered Product for Latent Defects; provided, however that XENCOR shall only be permitted to reject the Product if the Acceptance Criteria are not met.

If XENCOR determines after reviewing the relevant documentation and performing reasonable testing that any Batch does not meet the Acceptance Criteria, or if Product is determined by BII to be unsuitable for release, then the Parties will mutually agree, as promptly as reasonably possible, whether (a) to produce a new Batch at BII's cost and expense, including the costs of materials used in the manufacture of such Batch, or (b) to rework or reprocess the Batch, at BII's cost and expense, so that the Batch can be deemed to have been manufactured in compliance with cGMP and the agreed Process Description, and to conform to the Acceptance Criteria (provided that the Parties have mutually agreed in writing on any procedures for reworking or reprocessing a Batch). If the remedy set forth in either (a) or (b) is agreed to be performed by BII, then BII shall start the applicable work as soon as reasonably practicable, such that the next reasonably available (taking into consideration BII's entire contract manufacturing business) manufacturing slot shall be used by BII to produce Product, and BII will use commercially reasonable efforts to resupply within [...***...] but in any event no later than [...***...] from time of rejection by XENCOR. For the avoidance of doubt, if Product is not accepted by XENCOR as provided above, then BII's obligations set forth above shall apply both to the drug product and the bulk drug substance contained therein.

In the event XENCOR rejects the Product for Obvious Defects or Latent Defects as provided above, BII shall have the right to sample and retest the Product, which shall be done as soon as

practicable, provided that, if BII does not notify XENCOR in writing of its election to retest the Product within [...***...] after notice of rejection from XENCOR, BII shall be deemed to agree with XENCOR's rejection of the Product. In the event of a discrepancy between XENCOR's and BII' s test results such that one Party's results fall within the Acceptance Criteria and the other Party's test results fall outside the Acceptance Criteria, or there exists a dispute over whether such failure is due (in whole or in part) to acts or omissions of XENCOR or any third party after delivery, the Parties shall cause a testing laboratory agreeable to both Parties to perform comparative tests and/or analyses on samples of the alleged defective Product. The testing laboratory's results shall be in writing and shall be final and binding save for manifest error on the face of its report. Unless otherwise agreed to by the Parties in writing, the costs associated with such testing and review shall be borne by the Party against whom the testing laboratory result finally rules. The testing laboratory shall be required to enter into written undertakings of confidentiality no less burdensome than set forth or referred to by this Agreement.

4.2 Cancellation of Order

If XENCOR at any time cancels or postpones any campaign set forth in the Project Plan for the manufacture of Product for non-technical reasons later than [...***...] prior to the date on which inoculation of the respective production fermenter is to take place, XENCOR shall nevertheless be obliged to pay [...***...] percent ([...***...]%) of the Project Fees for such campaign to the extent that BII is not able to adequately use the respective capacity for such campaign alternatively (e.g. for production of any other material for any third party or itself) provided always that BII shall use its commercially reasonable efforts to use such capacity and mitigate any losses that may incur arising from such cancellation or postponement, including, for the avoidance of doubt, the reapplication of raw materials, if possible.

5 Ownership and Use of Project Data

5.1 Project Data

In consideration of the Project Fees:

a. BII shall carry out the Project by itself or by its Affiliated Companies) and provide XENCOR with a summary of the results from the Project, including manufacturing and analytical release and also shall provide XENCOR with a summary report about the results on the various stages of Process development;

b. BII shall supply XENCOR with data, results and information required to comply with any mandatory request of any applicable regulatory body in the Major Territories to comply with such regulatory body's requirements. BII shall provide complete Batch records for all cGMP runs and will provide to XENCOR all data reasonably necessary from all process development and manufacturing activities to enable XENCOR's preparation of any regulatory filings; and shall not unreasonably reject supplying data results and information required to comply with any requirement of any applicable regulatory body outside the Major Territories or cooperating with XENCOR's preparation of the chemistry, manufacturing and controls section of any regulatory filing supporting the clinical development of the Product in and outside the Major Territories.

BII shall bear the cost of such supply and cooperation by BII, provided that, if there are specific requirements of a given country that are significant and in addition to requirements of the Major Territories, the Parties will enter into good faith discussions whether additional resources and costs are required, with the intent of minimizing any additional cost to XENCOR.

c. Certain trade secret information may be provided by BII via DMF or similar filing (e.g. to a notified body) directly to the respective authorities.

d. For the avoidance of doubt, all summaries and/or reports generated as a result of the BII's performance under this Agreement and delivered to XENCOR by BII will be part of the Process and the sole and exclusive property of BII. Subject to XENCOR's confidentiality and non-use obligations hereunder and without affecting the ownership of Improvements as set forth in Section 8, BII hereby grants to XENCOR a non-exclusive, worldwide license to use and reproduce all such summaries and/or reports for all uses in connection with development activities relating to Product that do not involve manufacturing of Product (e.g., formulation work, toxicology studies or the development of a manufacturing process), regulatory activities relating to the Product and, to the extent necessary, any commercial activities relating to the Product, which XENCOR may sublicense in connection with any license of rights to the Product.

5.2 Use of the Process; Right of Negotiation

5.2.1 Use of the Process outside this Agreement

Except as set forth in this Agreement, the Process shall not be used by XENCOR or any third party outside the scope of this Agreement without the prior written consent of BII.

5.2.2 Right of First Negotiation to Manufacture

a. XENCOR hereby grants and will make an eventual Business Partner do so, BII a first right to negotiate to manufacture and supply Product for use in Phase 2 and 3 clinical trials. XENCOR shall provide BII written notice (i) of the completion of the Phase 1 clinical trials of the Product, which notice shall include reasonable documentation of the results of such Phase 1 clinical trials of the Product or (ii) that XENCOR has entered into an agreement with at least one Business Partner, whichever of (i) and (ii) occurs earlier. If BII provides XENCOR written notice of its exercise of the first right to negotiate within [...***...] after receipt of such written notice from XENCOR, then for a period of [...***...] following such written notice from BII or such longer period as agreed in writing by BII and XENCOR (or its Business Partner) (the "Clinical Negotiation Period"), XENCOR (or its Business Partner) and BII will negotiate in good faith an agreement for the manufacture and supply of Product for use in Phase 2 and 3 clinical trials, at market rate terms and conditions common for the contract manufacture of monoclonal antibodies within the contract manufacturing industry, to be mutually agreed in writing by the Parties. If BII does not provide written notice of its exercise of the first right to negotiate within such [...***...] period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply of Product for use in Phase 2 and 3 clinical trials. If BII provides written notice of its exercise of the first right to negotiate within such [...***...] period but BII and XENCOR (or its Business Partner) do not enter into such a contract manufacturing agreement within the Clinical Negotiation Period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply of Product for use in Phase 2 and 3 clinical trials (which may include an agreement for any Business Partner or its affiliate to manufacture and supply Product for clinical trials), provided that the supply price for Product is no more than [...***...] percent ([...***...]%) of the clinical supply price of Product last proposed by BII during the negotiations between the Parties (or BII and the Business Partner). If the supply price for Product proposed by a third party (which may include a Business Partner or its affiliate) is more than [...***...] percent ([...***...]%) of the clinical supply price of Product last proposed by BII during the negotiations between the Parties (or BII and the Business Partner) , XENCOR (or its Business Partner) shall provide written notice to BII that XENCOR (and its Business Partner) will accept the clinical supply price last proposed by BII, and BII and XENCOR (or its Business Partner) will enter into a contract manufacturing agreement reflecting such clinical supply price; provided that, if BII does not agree to enter into such contract

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manufacturing agreement within [...***...] after such written notice, XENCOR (or its Business Partner) shall be free to enter into an agreement with a third party (or an agreement for the Business Partner or its affiliate to manufacture and supply Product).

b. In addition, if BI has exercised its first right of negotiation in Section 5.2.2.a, XENCOR hereby grants and will make an eventual Business Partner do so, BII a first right to negotiate to manufacture and supply commercial Product as Principal Supplier for a period up to the [...***...], starting with the first commercial launch of the Product. XENCOR shall provide BII written notice (i) of the decision to have the Product manufactured at a commercial scale and to launch the Product commercially or (ii) that XENCOR has entered into an agreement with at least one Business Partner, whichever of (i) and (ii) occurs earlier. If BII provides XENCOR written notice of its exercise of the first right to negotiate within [...***...] after receipt of such written notice from XENCOR, then for a period of [...***...] following such written notice, or such longer period as agreed in writing by BII and XENCOR (or its Business Partner) (the "Commercial Negotiation Period"), XENCOR (or its Business Partner) and BII will negotiate in good faith an agreement for the manufacture and supply of commercial Product as Principal Supplier, at market rate terms and conditions common for the contract manufacture of monoclonal antibodies within the contract manufacturing industry to be mutually agreed in writing by the Parties. If BII does not provide written notice of its exercise of the first right to negotiate within such [...***...] period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply of commercial Product (which may include an agreement for any Business Partner or its affiliate to manufacture and supply commercial Product). If BII provides written notice of its exercise of the first right to negotiate within such [...***...] period but BII and XENCOR (or its Business Partner) do not enter into such a contract manufacturing agreement within the Commercial Negotiation Period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply, of commercial Product (which may include an agreement for any Business Partner or its affiliate to manufacture and supply commercial Product); provided that the supply price for Product is no more than [...***...] percent ([...***...]%) of the commercial supply price of Product last proposed by BII during the negotiations between the Parties (or BII and the Business Partner). If the supply price for Product proposed by a third party (which may include a Business Partner or its affiliate) is more than [...***...] percent ([...***...]%) of the commercial supply price of Product last proposed by BII during the negotiations between the Parties (or BII and the Business Partner), XENCOR (or its Business Partner) shall provide written notice to BII that XENCOR (and its Business Partner) will accept the commercial supply price last proposed by BII, and BII and XENCOR (or its Business Partner) will enter into a contract manufacturing agreement reflecting such commercial supply price; provided that, if BII does not agree to enter into such contract manufacturing agreement within [...***...] after such written notice, XENCOR (or its Business Partner) shall be free to enter into an agreement with a third party (which may include an agreement for any Business Partner or its affiliate to manufacture and supply Product).

c. The right set forth in Section 5.2.2.b shall automatically terminate if BII does not exercise the first right of negotiation set forth in Section 5.2.2.a. The rights set forth in Section 5.2.2.a and b shall automatically terminate if BII does not produce a viable Process for manufacture of Product as evidenced

by failure to produce cGMP Product within a timeframe reasonably and customary in the biopharmaceutical industry for companies of comparable size and the respective activities.

d. In both cases set forth above, in Section 5.2.2.a. and b., if BII exercises its first right of negotiation, BII and XENCOR (and/or its Business Partner, as applicable) will negotiate in good faith a respective contract manufacturing agreement based on the market rate

terms and conditions common for the contract manufacture of monoclonal antibodies within the contract manufacturing industry, it being understood that any such contract manufacturing agreement would provide for Technology transfer, payment of the Technology Access Fee (if applicable), and other terms set forth in Sections 5.2.3, 5.2.4 and 5.2.5 below.

e. Any use of the Process by XENCOR or any third party outside the terms and conditions set forth in such contract manufacturing agreement is always subject to the provisions set forth in Section 5.2.3 below.

f. In the event that BII elects not to exercise its first right of negotiation described in Section 5.2.2.a or 5.2.2.b, or, despite their commercially reasonably efforts and good faith negotiations the Parties (or BII and the Business Partner) are unable to agree upon a manufacturing agreement within the Clinical Negotiation Period or, Commercial Negotiation Period, as applicable; and/or XENCOR (and/or XENCOR's Business Partner) wishes to use the Process outside the terms and conditions set forth in a contract manufacturing agreement with BII, BII shall transfer the Process in accordance with Section 5.2.3 below.

g. All of BII's rights of negotiation set forth in this Secti6n 5.2.2 shall terminate upon payment of the Technology Access Fee by XENCOR.

5.2.3 Technology Access Fee and Technology Transfer

In the event that XENCOR wishes to use or have used (e.g. by a Business Partner) the Process outside this Agreement or the terms and conditions set forth in a contract manufacturing agreement with BII, except as provided below, XENCOR shall pay BII a technology access fee of three million five hundred thousand (3,500,000.00) US dollars (the "Technology Access Fee").

In the event that XENCOR pays the Technology Access Fee set forth above, XENCOR shall have the right to use or have used (e.g. by a Business Partner) the Process worldwide for the manufacture of Product in accordance with the terms and conditions of this Agreement, without entering into a contract manufacturing agreement with BII.

Notwithstanding the foregoing, no Technology Access Fee shall be due or payable if BII does not produce a viable Process for manufacture of Product as evidenced by failure to produce cGMP Product within the timeframe agreed in the Project Plan or, if factors outside of the reasonable control of BII (such as e.g. a cell-line not suitable for production, delay in the growth of the cell line; shortage of raw materials and supplies, delay or non-performance of BII's suppliers, requests or orders of governments or regulatory authorities, etc.) require the timeframe in the Project Plan to be extended, the extended timeframe agreed upon in writing between BII and XENCOR that is reasonable and customary for paying customers in the biopharmaceutical industry for companies of comparable size and the respective activities. In addition, no Technology Access Fee shall be due or payable in connection with XENCOR's election to use or have used (e.g. by a Business Partner) the Process if (i) BII does not exercise its first right to negotiate under either Section 5.2.2.a or 5.2.2.b, (ii) BII exercises its first right to negotiate but demands a supply price for clinical/commercial supply of Product that exceeds the bid price for the clinical/ commercial supply of Product of a comparable quantity and quality by a third party biopharmaceutical CMO of comparable size and respective activities to BII and with registered headquarters in the Major Territories, or (iii) XENCOR (or its Business Partner) has entered into a contract manufacturing agreement with BII, but BII is not able to supply XENCOR and its Business Partners [...***...] of the Product required. For the avoidance of doubt, nothing in this Section 5.2.3 (ii) shall affect such contract manufacturing agreement or BII's position as Principal Supplier, but XENCOR may solely request the Technology Transfer pursuant to the following sentences of this Section without paying the Technology Access Fee in order to have manufactured the amount of Product missing to satisfy XENCOR's and its Business Partners' demand.

For the avoidance of doubt, the Technology Access Fee is only due one time, and if XENCOR pays the Technology Access Fee, except for the Project Fees, no additional amount will be payable for use or having used the Process worldwide.

The Technology Access Fee includes Technology transfer support of [...***...] FTEs of BII for a period of [...***...] for each of the [...***...] FTEs in a time frame of [...***...] beginning with XENCOR's written request to use or have used (e.g. by a Business Partner) the Process outside the terms and conditions set forth in a contract manufacturing agreement with BII. Further support of BII requested by XENCOR shall be reimbursed at an hourly rate of [...***...] US dollars. The Parties will agree upon the times when to render such Technology transfer support in good faith.

Promptly following XENCOR's election to use the Process, BII shall start to transfer the Process and all reasonably necessary related BII Confidential Information and Know-How) to XENCOR or such designee experienced in the biopharmaceutical production and shall use commercially reasonable efforts, taking into consideration BII's entire contract manufacturing business and other contract manufacturing contracts, to transfer the Process as quickly as possible (and in any event within [...***...] from receipt of XENCOR's written election notice). Both Parties agree and XENCOR will make its Business Partner agree that BII may, however, select the way how to render such support of any Technology transfer at its own discretion, in particular but not only any support of such Technology transfer to a company whose primary business is providing biopharmaceutical CMO services (including e.g. a Technology transfer outside the BI Facility), provided, however, that BII's exercise of such discretion is not unreasonable.

XENCOR and/or any third party may not use the Process outside the terms and conditions set forth in a contract manufacturing agreement with BII except as set forth in Section 5.2.2 and this Section 5.2.3 and provided that XENCOR or it Business Partner strictly adhere to the license conditions set forth in Sect ion 5.2.5 herein.

5.2.4 Payment Terms

The Technology Access Fee, as applicable, shall be paid to BII upon completion of the Technology transfer described in Section 5.2.3 and shall be payable in accordance with the provisions set forth under Sections 3.2 and 3.3 above. Parties agree that the Technology transfer shall be completed upon the transfer of Process and all reasonably necessary related BII Confidential Information and Know-How.

5.2.5 License

Subject to XENCOR's adherence to the obligations under this Agreement, BII hereby grants XENCOR a worldwide, irrevocable, exclusive, sublicensable and royalty free license to use the Process and all reasonably necessary related BII Confidential Information and Know-How, BII Technology and BII Intellectual Property for the sole purpose of making and having made the Product; provided that such license shall become effective only upon complete payment of the Technology Access Fee, as applicable.

5.3 Acknowledgement

The Parties acknowledge that nothing in this Agreement shall limit or restrict XENCOR, itself or with or through any third party, from developing and using any process (except for the Process) for the manufacture of any of its products, including the Product, provided that no BII Confidential Information and Know-How is used and XENCOR adheres to its confidentiality and non-use obligations hereunder and complies with the ownership of intellectual property and Improvements as set forth in Section 8 below.

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6 Representations, Warranties and Indemnification

6.1 Mutual Representations, Warranties and Covenants

Each Party hereby represents, warrants and covenants to the other Party as follows as of the Effective Date:

a. it is a corporation duly organized and validly existing under the laws of the state or other jurisdiction of incorporation or formation; and

b. the execution, delivery and performance of this Agreement by such Party has been duly authorized by all requisite corporate action; and

c. it has full corporate authority to execute and deliver this Agreement and to perform its obligations hereunder, and the Agreement is binding upon it in accordance with it terms; and

d. it has the right, without restriction, to grant the licenses granted under this Agreement.

6.2 XENCOR Warranties

XENCOR hereby warrants that:

a. XENCOR has the right to provide the Material, the XENCOR Technology, the XENCOR Intellectual Property and all XENCOR Confidential. Information and Know-How under this Agreement and to the best of its Knowledge at the Effective Date that there are no third party rights that will limit or restrict use thereof by BII in accordance with this Agreement; and

b. to the best of its Knowledge at the Effective Date XENCOR is not aware of any special or unusual hazards involved in handling the Materials and/or Product of which it has failed to inform BII; and that it will inform BII immediately of any changes related thereto after the date of execution of this Agreement; and

c. at the Effective Date, no third party has asserted any claim or lawsuit against XENCOR claiming that use of the Material, XENCOR Technology, the XENCOR Intellectual Property and the XENCOR Confidential Information and Know-How infringes any intellectual property owned by a third party, and it will promptly notify BII in writing should it become aware of any claims by a third party asserting that use of such infringes any third part intellectual property rights owned by such third party.

d. it will use commercially reasonable efforts to conduct and complete a clinical trial phase 1 regarding the Product; and

e. it will use commercially reasonable efforts to find and enter into an agreement with a suitable Business Partner.

For avoidance of doubt, all XENCOR liability or indemnification obligations that might result from representations and the warranties under this Section 6 are always subject to the limitations set forth in Section 7.4 of this Agreement.

6.3 BII Warranties

BII hereby warrants that:

a. BI is entitled to use the BI Facility and BII Confidential Information and Know-How, for the purposes set forth in this Agreement; and

b. BII at the Effective Date, it is not aware of any special or unusual hazards that would arise as a result of its carrying out of the Projects as planned; and

c. at the Effective Date, it has not been debarred, nor is it subject to a pending debarment, and that it will not, to the best of its Knowledge, use in any capacity in connection with

the Services under this Agreement any person, who has been debarred pursuant to section 306 of the FDCA, 21 U.S.C. § 335a, or who is the subject of a conviction described in such section. BII agrees to notify XENCOR in writing immediately if it has Knowledge that BII or any person who is performing Services is debarred or is the subject of a conviction described in section 306, or if any action, suit, claim, investigation, or proceeding is pending, or to BII's Knowledge, is threatened, relating to the debarment or conviction of BII or any person performing Services under this Agreement; and

d. to the best of its Knowledge at the Effective Date its performance under this Agreement including, but not limited to, the BII Technology and its use in the Process, by BII, XENCOR or a third party manufacturer of XENCOR does not infringe the intellectual property rights of any third party and it will promptly notify XENCOR in writing should it become aware of any claims asserting such infringement or of any third party intellectual property rights, that would be infringed by the BII Technology and its use in the Process. For the avoidance of doubt, the currently pending Cabilly dispute is excluded and will be addressed/ compensated by XENCOR once applicable: and

e. as of the Effective Date no third party has asserted any claim or lawsuit against BII claiming infringement of any intellectual property owned by a third party with relation to BII Technology and/or the Process, or any part or component thereof.

For avoidance of doubt, all BII liability or indemnification obligation that might result from representations and the warranties under this Section 6 are always subject to the limitations set forth in Section 7.4 of this Agreement.

6.4 Process for Defense of Infringement of Third Party Intellectual Property

Subject to each Party's indemnification obligations, in the event that there occurs a Claim (as defined below), the Parties shall follow the following procedures with respect to the defense of the Claim:

a. BII agrees that if a third party threatens or asserts any claim or files any lawsuit, claiming that BII Intellectual Property utilized under this Agreement and necessary for manufacture and production of the Product in accordance with this Agreement, including, without limitation, the BII Technology or the Process, or the use thereof, constitutes infringement of any intellectual property owned by a third party (each, a "Claim"), BII will promptly and timely inform XENCOR of such Claim, and BII shall have the first right to negotiate, litigate and/or settle any such Claim, and shall defend any such Claim unless it would not be commercially reasonable for BII to bear the reasonably anticipated losses, damages, costs and expenses arising from any settlement or judgment resulting from such Claim. For the avoidance of doubt, the term "commercially reasonable", as used in this paragraph a. shall be determined (i) in the context of BII's entire business related to the intellectual property that is the subject to the Claim, where the Claim asserts infringement that impacts aspects of BII's business beyond the XENCOR relationship, and (ii) if the Claim asserts infringement that is limited only to activities performed for XENCOR, in the context of the entire relationship between XENCOR and BII.

b. BII will keep XENCOR reasonably informed about such negotiation or litigation at all times, including all material events related thereto, and in the event that the amounts paid or to be paid by BII in settlement of any such Claim or group of related or unrelated Claims appear reasonably likely to exceed, individually or in the aggregate, BII's indemnification obligations, or any contemplated settlement would place any obligations or restrictions upon XENCOR or the Product, then BII shall immediately inform XENCOR.

c. XENCOR shall not be responsible to pay for any costs of any settlement by BII of any Claim(s) (including, without limitation, any payments resulting of such settlement) that

exceed BII's indemnification obligations or be bound by any obligations or restrictions agreed to by BII in any such settlement, in case such settlement is made without the prior written consent of XENCOR, which may be granted or withheld in its sole discretion.

d. In the case that BII decides not to negotiate, litigate or settle any Claim, XENCOR shall have the right to negotiate, litigate and settle any such Claim, and, provided that XENCOR decides to pursue such negotiation, litigation or settlement, BII will provide all commercially reasonable cooperation to XENCOR such that XENCOR may appropriately defend such Claims.

6.5 Disclaimer of Warranties

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO ANY INTELLECTUAL PROPERTY, TECHNOLOGY, RIGHTS, RESULTS OF THE PROJECTS, MATERIAL, THE DELIVERABLES OR OTHER SUBJECT MATTER OF THIS AGREEMENT OR THAT THE PROJECTS WILL RESULT IN A COMMERCIALLY-VIABLE PROCESS, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABIIITY AND FITNESS FOR A PARTICULAR PURPOSE.

7 Liability, Indemnification, Limitations and Insurance

7.1 General

BII has no control over the manner in which XENCOR intends to use the results of the Project, the Product or the Deliverables, if any, obtained in the Project and in particular does not know or control how XENCOR intends to use such Product or results in clinical studies.

7.2 Liability

a. Of BII

Always subject Section 7.4, in consideration of the aspects set forth in Section 7.1, BII shall only be liable for any losses, damages, costs or expenses including, without limitation, reasonable attorneys' fees of any nature ("Losses") incurred or suffered by XENCOR or its Affiliated Companies or any third party (including but not limited to Business Partners) to the extent such Losses are arising from either (i) BII's non-compliance with the warranties given under Sections 6.1 and 6.3 of this Agreement, or (ii) gross negligence or willful acts or omissions of BII or its Affiliated Companies in performing its obligations under this Agreement.

BII shall not be liable to XENCOR or be obligated to indemnify XENCOR or its Representatives under Section 7.3 for any Losses incurred or suffered by XENCOR, its Affiliated Companies or by any third party, arising out of any dispute or other claims or proceedings made by or brought against XENCOR and/or its Affiliated Companies with respect to XENCOR's use of any results of the Project, the Deliverables (including but not limited to the Product, if any), the Process, the BII Technology and/or the BII Confidential Information and Know-How, obtained (including but not limited to

the use under a license that may be granted under this Agreement) under this Agreement including, without limitation, product liability claims, except to the extent such Losses are caused by the gross negligence or wilful acts or omissions of BII or its Affiliated Companies in performing its obligations under this Agreement, nor shall BII be responsible in any way for dealing with any such disputes, claims or proceedings.

b. Of XENCOR

Always subject to Section 7.4, XENCOR shall be liable for any Losses incurred or suffered by BII, its Affiliated Companies or by any third party arising from either (i) XENCOR's non-compliance with the warranties given under Sections 6.1 and/or 6.2 of this Agreement, or (ii) BII's or XENCOR's use of XENCOR Confidential Information and Know-How, the Material, the XENCOR Intellectual Property and/or the XENCOR Technology in accordance with this Agreement, or (iii) XENCOR's use of the Deliverables (including but not limited to the Product, if any), or (iv) XENCOR' s use of the Process, the BII Technology, the BII Confidential Information and Know-How, and/or any other results of the Project or this Agreement, not in accordance with this Agreement.

XENCOR shall not be liable to BII or its Affiliated Companies or be ob1igated to indemnify BII or its Representatives under Section 7.3 for any Losses incurred or suffered by BII or its Affiliated Companies or any third party arising out of any dispute or other claims or proceedings made by or brought against BII or its Affiliated Companies with respect to BII's use of the BII Confidential Information and Know-How, the Material, the XENCOR Intellectual Property, and/or the XENCOR Technology or BII's use of the license granted to BII under Section 8.2.5.a outside the scope of this Agreement, in each case except to the extent such liability is caused by the gross negligence or wilful acts or omissions of XENCOR, or its Affiliated Companies in performing its obligations under this Agreement, nor shall XENCOR be responsible in any way for dealing with any such disputes, claims or proceedings.

7.3 Indemnification

a. BII's Indemnification Obligations

Always subject to Section 7.4, BII shall indemnify, defend and hold XENCOR, its Affiliated Companies and their respective officers, employees and agents (the "Representatives") harmless from and against all Losses incurred by them as a result of third party claims based on or resulting from (i) BII's non-compliance with the warranties given under Sections 6.1 and 6.3 of this Agreement, or (ii) any gross negligence or wilful acts or omissions of BII or any of its Affiliated Companies in performing its obligations under this Agreement.

b. XENCOR's Indemnification Obligations

Always subject to Section 7.4, XENCOR shall indemnify, defend and hold BII and its Representatives harmless from and against all Losses incurred by them as a result of third party claims based on or resulting from (i) BII's use of the XENCOR Confidential Information and Know-How, the Material, the XENCOR Intellectual Property and/or the XENCOR Technology in accordance with this Agreement; or (ii) XENCOR's non-compliance with the warranties given under Sections 6.1 and 6.2 of this Agreement, or (iii) XENCOR's use of the Deliverables (including but not limited to the Product, if any), or (iv) XENCOR' s use of the Process, the BII Technology, the BII Confidential Information and Know-How, and/or any other results of the Project or this Agreement, not in accordance with this Agreement.

7.4 Limitation of Liability and Indemnification Obligations

With the exception of wilful misconduct by a Party, and such cases where a limitation of liability and/or indemnification is not possible under applicable law, for which cases there shall be no limitation, any and all liability and/or indemnification obligations of each of BII and XENCOR under this Agreement shall be:

a. excluded for incidental, indirect, consequential, punitive or special damages (provided that the foregoing shall not exclude a Party's right to consequential or incidental

damages for any negligent or intentional breach of confidentiality and non-use obligations under Section 9); and

b. each Party's aggregate liability and/or indemnification obligations towards the other Party under this Agreement shall not exceed an amount equal to the average annual aggregate amount paid or to be paid by XENCOR to BII hereunder; *provided*, *however*, that in the case of a Party's negligent or intentional breach of confidentiality and non-use obligations pursuant to Section 9, this limitation of liability shall be increased to twice the average annual aggregate amount paid or to be paid by XENCOR to BII hereunder;

provided however that the foregoing Subsections a. and b. of this Section 7.4 shall not limit XENCOR' s liability and indemnification obligation towards BII with respect to any third party claims according to clause (iii) and (iv) of Section 7.3 b. regarding any use of the Deliverables (in particular the Product) in humans and/or with respect to any third party claim that BII's use of the Material to manufacture the Product infringes any issued patent owed by such third party (excluding any such claim based specifically on use of the Process but not on the use of the Material).

7.5 Insurance

XENCOR and BII shall obtain and/or maintain during the term of this Agreement and for a period of [...***...] thereafter, liability insurance in amounts which are reasonable and customary in the biopharmaceutical industry for companies of comparable size and the respective activities (i.e. BII as CMO and XENCOR as sponsor/pharmaceutical company) at the respective place of business and such liability insurance shall insure against all mandatory liability, including liability for personal injury, physical injury and property damage. BII shall have the right to reasonably self insure.

8 Intellectual Property

8.1 Existing Intellectual Property Rights

BII hereby acknowledges that XENCOR is the owner of XENCOR Confidential Information and Know-How and the XENCOR Technology and BII shall acquire no rights, title or interest whatsoever in or to any of XENCOR Confidential Information and Know-How and/or XENCOR Technology, except as specifically provided for in this Agreement.

XENCOR hereby acknowledges that BII is the owner of BII Confidential Information and Know-How and the BII Technology and XENCOR shall acquire no rights, title or interest whatsoever in or to any of BII Confidential Information and Know-How and/or the BII Technology, except as specifically provided for in this Agreement.

8.2 New Intellectual Property, Project Results and Licenses

8.2.1 XENCOR

Improvements that (i) relate specifically to XENCOR Confidential Information and Know-How and/or the Product (or any modification, derivative or fragment thereof), and (ii) do not relate to BII Confidential Information and Know-How (collectively, "XENCOR Intellectual Property"), will be exclusively owned by XENCOR and XENCOR shall control patent prosecution and maintenance thereof. BII (on behalf of itself and its Affiliated Companies) agrees to assign and hereby assigns to XENCOR all right title and interest it may have in any XENCOR Intellectual Property. BII shall provide reasonable assistance to XENCOR for any action which may be necessary to assign or otherwise transfer any rights to XENCOR Intellectual Property contemplated by this Section 8.2.1. BII shall notify XENCOR within [...***...] of becoming aware of such XENCOR Intellectual Property.

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8.2.2 BII

Improvements that (i) relate specifically to BII Confidential Information and Know-How, and (ii) do not relate to XENCOR Confidential Information and Know-How (collectively, "BII Intellectual Property") will be exclusively owned by BII, and BII shall control patent prosecution and maintenance thereof. XENCOR agrees to assign and hereby assigns to BII all right title and interest it may have in any BII Intellectual Property. XENCOR shall provide reasonable assistance to BII for any action which may be necessary to assign or otherwise transfer such rights to BII Intellectual Property contemplated by this Section 8.2.2.

8.2.3 Other Improvements

Any Improvements that are neither XENCOR Intellectual Property nor BII Intellectual Property shall be defined as "Other Improvements" and shall be jointly owned by BII and XENCOR, with the Parties entitled to practice the same as joint owners, without duty of accounting to the other Party and with the right to license to others without consent of the other Party. BII shall notify XENCOR within [...***...] days of becoming aware of such Other Improvements. Each Party agrees to assign and hereby assigns to the other Party such right title and interest it may have in any Other Improvements as necessary to effect joint ownership of the Other Improvements by BII and XENCOR. Each Party shall provide reasonable assistance for any action which may be necessary to assign or otherwise transfer such rights to Other Improvements to Parties as joint owners. BII shall have the first right to prosecute and maintain patent rights within the Other Improvements, at its expense, provided that if BII elects not to prosecute or maintain an Other Improvement it shall provide written notice to XENCOR, and XENCOR may elect to take over responsibility for prosecution and maintenance of such Other Improvement, at its own expense, by providing written notice to BII, in which case all rights to such Other Improvement shall be assigned to XENCOR. For the avoidance of doubt, except as expressly stated otherwise in Section 10.3, Parties agree that XENCOR's use of the Process is always subject to Section 5.2.3, 5.2.4 and 5.2.5.

For the avoidance of doubt, (i) know-how pertaining to manufacturing of biopharmaceuticals generally and gained during the course of performing this Agreement may be freely used by BII in its biopharmaceutical business without any restrictions, provided, that, notwithstanding the foregoing, BII may not use any Other Improvement that relates specifically to the Product.

a. Each Party shall ensure that all of such Party's (or its Affiliated Company's) employees or contractors acting on its behalf pursuant to this Agreement are and will be obligated under a binding written agreement or by law to assign to such Party all inventions and rights on the inventions made under this Agreement so that such Party can comply with the terms of this Agreement.

b. Subject to the terms and conditions contained in this Agreement, BII shall be responsible for filing, prosecution and maintenance of patent applications and patents granted or generated under this Agreement and owned by BR. XENCOR shall be responsible for filing, prosecution and maintenance of patent applications and patents granted or generated under this Agreement and owned by XENCOR.

c. BII shall keep XENCOR and XENCOR shall keep BII reasonably informed about prosecution of any patent applications and maintenance of any patents generated under this Agreement.

8.2.4 Licenses to Xencor

BII grants to XENCOR the license set forth in Section 5.2.5 as provided therein.

8.2.5 Licenses to BII

a. Freedom to operate XENCOR hereby grants to BII and BII herewith accepts a non exclusive, worldwide, irrevocable, sublicensable (in several cascades), perpetual, royalty-free/fully paid up license under the XENCOR Intellectual Property to the extent it is generally applicable to the manufacturing of biopharmaceutical products, handling

of cell lines and/or development of manufacturing processes, to use such XENCOR Intellectual Property in for the manufacture of biopharmaceutical products, handling of cell lines and/or development of manufacturing processes, but excluding any use with respect to the Product (or any modification, derivative or fragment thereof). BII expressly agrees not to practice any XENCOR Intellectual Property specific to the Product or for any purpose other than as expressly provided in this Section 8.2.5.

b. Performance of Project: During the term of this Agreement, XENCOR hereby grants to BII and BII hereby accepts for the purpose of pursuing the Project a non-exclusive, non-sub-licensable (except to Affiliated Companies), royalty-free, license to use the XENCOR Confidential Information and Know-How, the Material, the XENCOR Intellectual Property and/or any part of the Other Improvements for the sole purpose to develop the Process, and for the manufacturing of the Product for clinical purposes in accordance with this Agreement. BII expressly agrees not to use or practice any

XENCOR Confidential Information and Know-How, the Material, and/or the XENCOR Intellectual Property for any purpose other than performance or the Services in accordance with this Agreement, except if otherwise expressly permitted in this Agreement.

9 Confidentiality

9.1 General

The Parties agree, for the duration of this Agreement and a term of [...***...] after the Effective Date: (a) to hold in strict confidence all Confidential Information and Know-How of a Party ("Disclosing Party") or its Affiliated Companies which has been or will be made available to the other Party ("Receiving Party") or its Affiliated Companies, and not to disclose such Confidential Information and Know-How of the Disclosing Party to any third party whatsoever, (b) not to use such Confidential Information and Know-How of the Disclosing Party for any purpose other than those set forth herein. For clarification, all XENCOR Confidential Information and Know-How, XENCOR Technology and XENCOR Intellectual Property shall be Confidential Information and Know-How of XENCOR and XENCOR shall be the Disclosing Party and BII shall be the Receiving Party with respect thereto, and all BII Confidential Information and Know-How, BII Technology and BII Intellectual Property shall be Confidential Information and Know-How of BII and BII shall be the Disclosing Party and XENCOR shall be the Receiving Party with respect thereto.

The Receiving Party undertakes to protect the Disclosing Party's Confidential Information and Know -How against unauthorized access by third parties using all commercially reasonable efforts.

If Confidential Information and Know-How is disclosed by Disclosing Party or its Affiliated Companies other than in written or electronic form, then Receiving Parties' obligations of confidentiality and non-use shall only apply if the Confidential Information and Know-How is indicated upon disclosure as being confidential and is then summarised electronically or in writing and provided to Receiving Party within [...***...] after initial disclosure. Notwithstanding the foregoing, in no event shall a failure to provide such an electronic or written summary preclude either Party from asserting that such information is Confidential Information and Know-How.

The obligations to keep secret, not to disclose and not to use the Disclosing Party's Confidential Information and Know-How or parts thereof shall not apply in the event that the respective Confidential Information or and Know-How such parts thereof:

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a. can be shown by written documentation to have been known to Receiving Party or its Affiliated Companies prior to disclosure by the Disclosing Party or its Affiliated Companies hereunder or under the MTA (in no event will Confidential Information and Know-How of the Disclosing Party that is generated by the Receiving Party or its Affiliated Companies (e.g., Improvements that are XENCOR Intellectual Property) be considered to be known by the Receiving Party or its Affiliated Companies prior to disclosure by the Disclosing Party or its Affiliated Companies),

b. is or comes into the public domain by publication or otherwise through no breach of this Agreement or the MTA, or

c. can be shown by written documentation to have been made known to Receiving Party or its Affiliated Companies from another source free from any obligation of confidentiality and was not obtained either directly or indirectly from Disclosing Party or its Affiliated Companies, or

d. can be shown by written documentation to have been independently developed or created by Receiving Party or its Affiliated Companies without access to the other Party's Confidential Information and Know-How (in no event will Confidential Information and Know-How of the Disclosing Party that is generated by the Receiving Party or its Affiliated Companies (e.g., Improvements that are XENCOR Intellectual Property) be considered to be independently developed by the Receiving Party or its Affiliated Companies).

Confidential Information and Know-How not be deemed to be in the public domain merely because they may be derived from one or more items which are publicly known.

Receiving Party shall not disclose Disclosing Party Confidential Information and Know-How to any third party without the prior written consent of Disclosing Party, except to such of the Receiving Party's or its Affiliated Companies' responsible employees and/or advisors to whom it is necessary to disclose such Confidential Information and Know-How for purpose set forth herein. Before such Confidential Information and Know-How is disclosed to such employees and/or advisors, Receiving Party shall first impose on such employees and/or advisors confidentiality and non-use obligations not less stringent than those set forth herein, however, the imposition of such obligations shall not relieve Receiving Party of its obligations hereunder.

In the event that Receiving Party or its Affiliated Companies are required by law, regulation, rule, act or order of any governmental authority or agency to disclose the Disclosing Party's Confidential Information and Know-How, the Receiving Party or its Affiliated Companies shall be entitled to do so provided that Receiving Party shall first notify Disclosing Party forthwith of any such required disclosure and limit such disclosure as far as is possible under applicable law. Such disclosure shall, however, not relieve Receiving Party of its other obligations contained herein.

Furthermore, a Receiving Party may make such disclosures of the Disclosing Party's Confidential Information and Know-How to governmental entities to the extent reasonably necessary in connection with pursuit of intellectual property protection, development and commercialization activities related to the Product as contemplated by this Agreement, and approvals to use and sell the Product. Moreover, XENCOR may disclose BII Confidential Information and Know-How to entities (i) with whom XENCOR has (or may have) a marketing and/or development collaboration for the Product (including an actual or potential Business Partner) or (ii) that are actual or potential investors in or acquirers of XENCOR, to the extent reasonably necessary for the pursuit of such actual/ potential collaboration or relationship pursuant to (i) or (ii), and, in both cases, who have a specific need to know such information and who are bound by obligations of confidentiality and restrictions on use similar to those set forth in this Agreement, provided always that XENCOR may not disclose any BII

Confidential Information and Know-How to any company whose primary business is providing biopharmaceutical CMO services except with BII's prior written consent.

9.2 MTA Superseded

The confidentiality and non-use obligations under the MTA shall be superseded hereby and all information disclosed pursuant to the MTA shall be Confidential Information and Know-How subject to this Agreement.

9.3 Controlled Technology

XENCOR hereby agrees and covenants that if it or its Affiliated Companies intend to provide Confidential Information and Know-How to BII or its Affiliated Companies that XENCOR has Knowledge may be listed on the Commerce Control List or the Chemical Weapons Convention Schedules of Chemicals, both contained within the U.S. Export Administration Regulations (hereinafter "Controlled Technology"), then XENCOR shall notify promptly BII of such Knowledge as soon as possible prior to such intended disclosure. In order for BII to take any appropriate precautionary actions before receipt of such Controlled Technology and to ensure compliance with U.S. export laws, XENCOR shall, before providing the Controlled Technology:

a. identify all Confidential Information and Know-How of XENCOR that may be Controlled Technology; and

b. inform BII, to the extent known to XENCOR, where the Controlled Technology is listed on the Commerce Control List or the Chemical Weapons Convention Schedules of Chemicals and what restrictions apply to the export or disclosure of the Controlled Technology under U.S. law.

XENCOR further agrees to cooperate with BII by providing upon request information and other assistance necessary for the export classification, export documentation and export licensing, if required, for the Controlled Technology under U.S. export laws.

In any event, XENCOR hereby agrees that it will not disclose Controlled Technology to BII or its Affiliated Companies without the express prior consent of BII.

10 Term and Termination

10.1 Term

This Agreement shall take effect as of the Effective Date and shall expire upon completion of the Project as set forth in the Project Plan and after payment of all payments due and payable according to this Agreement, unless terminated earlier in accordance with this Agreement.

10.2 Termination of this Agreement

10.2.1 If it is apparent to either Party at any stage of the Project that it will not be possible to carry out the Project for scientific, technical or business reasons, such Party may terminate this Agreement upon one hundred eighty (180) days prior written notice to the other Party.

10.2.2 Termination for Material Breach: This Agreement may be terminated at once by written notice by either Party, if the other Party breaches this Agreement in any material manner and shall have failed to remedy such default within thirty (30) days after written notice thereof from the terminating Party.

10.3 Effects of Termination of this Agreement

10.3.1 Effect of Termination prior to completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3.

a. In the event of termination by XENCOR according to Section 10.2.1 prior to completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3 for technical and/or scientific reasons, XENCOR shall have no obligation to pay BII any or all of the Total Amount. For the avoidance of doubt, in such case, XENCOR may not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII.

b. In the event of termination by XENCOR according to Section 10.2.1 prior to completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3. for any other reason than the reasons set forth under Section 10.3.1.a the Total Amount shall be limited to all non-cancellable expenses reasonably incurred by BII in accordance with the Project Plan prior to such termination in respect of the purchase of supplies or raw materials, and reasonable wind-down costs not to exceed sixty (60) days. BII shall mitigate all wind-down costs and non-cancellable expenses to the extent possible. Campaigns cancelled shall be paid as provided for in Section 4.2 above. For the avoidance of doubt, in such case, XENCOR many not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII.

c. In the event of termination by BII according to Section 10.2.1 prior to completion of the Phase 1 clinical trial with the Product, XENCOR shall have no obligation to pay BII any or all of the Total Amount. The use of the Process is subject to Section 5.2.3, 5.2.4 and 5.2.5.

d. In all of the foregoing cases a.-c., at the request of XENCOR and to the extent available at BII, BII shall destroy the Material or deliver the Material to XENCOR at XENCOR's cost and shall promptly return all XENCOR Confidential Information and Know-How to XENCOR; except for a copy and/or sample of each material for documentation purposes only, which shall remain to the confidentiality and non-use provisions in Section 9, and shall refrain from using the Material. Except for the foregoing, BII's responsibility to keep and store the Material and any other materials shall terminate one hundred eighty (180) days after expiration or termination of the respective Project or this Agreement.

In the foregoing cases a.-c., XENCOR shall promptly return all BII Confidential Information and Know-How to BII, except for a single copy and/or sample for documentation purposes only, which shall remain to the confidentiality and non-use provisions in Section 9, and shall refrain from using the Process, except as contemplated in Section 10.3.1.c or 10.3.1.d.

For the a voidance of doubt, in the event of a termination by XENCOR as contemplated in clause b of this Section 10.3.1, Section 3.1.2.c shall continue in effect, but Section 3.1.2 shall not survive in the event of any termination described in clause a. and c.

10.3.2 Effect of Termination after completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3.

a. In the event of termination by XENCOR according to Section 10.2.1 after completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3 for technical and/or scientific reasons, XENCOR shall have no obligation to pay BII any or all of the Total Amount. For the avoidance of doubt, in such case, XENCOR may not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII. For the avoidance of doubt, in the event of a termination as contemplated in this Section 10.3.2a, Section 3.1.2 c shall survive.

b. In the event of termination by XENCOR according to Section 10.2.1 after completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3 for a reason not listed in Section 10.3.2.a, the Total Amount shall be limited to all non-cancellable expenses reasonably incurred by BII in

accordance with the Project Plan prior to such

termination in respect of the purchase of supplies or raw materials, and reasonable wind-down costs not to exceed sixty (60) days. BII shall mitigate all wind-down costs and non-cancellable expenses to the extent possible. Campaigns cancelled shall be paid as provided for in Section 4.2 above. For the avoidance of doubt, in the event of a termination as contemplated in this Section 10.3.2b, Section 3.1.2.c shall continue in effect. The use of the Process is subject to Sections 5.2.3, 5.2.4 and 5.2.5.

c. In the event of termination by BII according to Section 10.2.1 after completion of the Phase 1 clinical trial with the Product, XENCOR shall have no obligation to pay BII any or all of the Total Amount. The use of the Process is subject to Sections 5.2.3, 5.2.4 and 5.2.5. For the avoidance of doubt, in the event of a termination as contemplated in this Section 10.3.2c, Section 3.1.2 shall not survive.

10.3.3 Effect of Termination due to Material Breach

a. In case of a termination by BII according to Section 10.2.2, the Total Amount shall become immediately due and BII shall be free to claim for damages according to the applicable law and, subject to Section 7.4 above. All licenses granted by either Party to the other Party hereunder shall be null and void. For the avoidance of doubt, XENCOR may not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII; except that, if XENCOR has already exercised its rights under Sections 5.2.3, 5.2.4 and 5.2.5, all such rights granted prior to termination shall remain in effect.

b. In case of a termination by XENCOR according to Section 10.2.2, XENCOR shall have no obligation to pay BII any or all of the Total Amount, and subject to Section 7.4 above, XENCOR shall be free to claim for damages according to the applicable law. All licenses granted by XENCOR to BII hereunder shall be null and void. For the avoidance of doubt, Section 3.1.2 shall not survive in the event of termination as described in this Section 10.3.3.b. The use of the Process is subject to Sections 5.2.3, 5.2.4 and 5.2.5.

10.4 Surviving Provisions

Upon any expiration or termination of this Agreement by either Party pursuant to Section 10.2, all rights and obligations of the Parties under this Agreement shall terminate and be of no further force or effect, except as otherwise expressly set forth below in this Section 10.4 and in Section 10.3. The expiration or termination of this Agreement for any reason shall not release either Party from any liability that, at the time of such expiration or termination, has already accrued to the other Party or that is attributable to a period prior to such expiration or termination. The following provisions of this Agreement shall survive expiration or termination of this Agreement for any reason: Section 1 (Definitions), Section 3 (Payments) except as expressly set forth in Section 10.3; Section 5 (Ownership and Use of Project Data), Section 6.4 (Process for Defense of Infringement of Third Party Intellectual Property); Section 6.5 (Disclaimer of Warranties); Section 7 (Liability, Indemnification, Limitations and Insurance); Section 8 (Intellectual Property), but excluding the last sentence of the first paragraph of Section 8.2.3 (Other Improvements) referring to Sections 5.2.3, 5.2.4 and 5.2.4 except to the extent that those sections are expressly stated to survive termination as set forth in Section 10.3, and excluding Section 8.2.5b; Section 9 (Confidentiality); Section 10.3 (Effects of Termination of this Agreement), including the provisions referenced in Section 10.3 as continuing after termination, as applicable; Section 10.4 (Surviving Provisions); and Section 11 (Miscellaneous).

11 Miscellaneous

11.1 Force Majeure

Neither Party shall be in breach of this Agreement if there is any failure of performance under this Agreement (except for payment of any amounts due hereunder) occasioned by any reason

beyond the control of either Party, including, without limitation, any act of God, fire, act of government or state, war, civil commotion, insurrection, embargo, prevention from or hindrance in obtaining energy or other utilities, or labour disputes of whatever nature.

11.2 Conflict with Improvements under the MTA

The Parties agree that with respect to the ownership of intellectual property rights and/or ownership of Improvements, this Agreement shall prevail over the terms and conditions of the MTA and shall also cover the term of the MTA.

11.3 Secrecy Agreement between the Parties

The Parties agree that all information exchanged pursuant to the Secrecy Agreement between the Parties with effectiveness as of June 28, 2011 shall be Confidential Information and Know-How protected in accordance with this Agreement, and such Secrecy Agreement shall be superseded by the terms of this Agreement and shall have no further force or effect.

11.4 Publicity

XENCOR or BII may issue the mutually agreed press release attached as Appendix 8 announcing the execution of this Agreement. Except as provided in the preceding sentence, no press release or other form of publicity regarding a Project or this Agreement shall be permitted by either Party to be published unless both Parties have indicated their consent to the form of the release in writing. The same applies, to any changes in the press release attached as Appendix 8. Nothing in this Section shall prevent the Parties from disclosing this Agreement, if and as far as required by applicable laws, rules or regulations. However, the disclosing Party shall inform the other Party well in advance whenever reasonably possible and shall provide the opportunity to comment on such required disclosure (e.g. under SEC rules). In addition, subject to XENCOR's compliance with Section 9.1, nothing in this Section shall prevent XENCOR from disclosing the status of development, regulatory approval or commercialization of the Product.

11.5 Notices

Any notice required or permitted to be given hereunder by either Party shall be in writing and shall be (i) delivered personally, (ii) sent by registered mail, return receipt requested, postage prepaid or (iii) delivered by facsimile with immediate confirmation of receipt, to the addresses or facsimile numbers set forth below:

If to BII:

Boehringer Ingelheim International GmbH
Binger Straße 17355216 Ingelheim
Federal Republic of Germany
Attention: Mr. Alois Konrad (Global Dept. Biopharma Contract Manufacturing Business)
Fax: 0049- 7351/54 - 4845
Phone: 0049- 7351/54 - 96145

If to XENCOR:

111 West Lemon Avenue
Monrovia, CA 91016
Attention: Chief Executive Officer
Phone: (626) 305-5900
Fax: (626) 305-0350

11.6 Applicable Law and Arbitration

This Agreement shall be exclusively governed by and construed in accordance with the laws of the State of New York, USA without regard to its conflict of laws provisions.

The application of the UN Convention on Contracts for the International Sale of Goods is excluded.

The Parties agree that all disputes, claims or controversies arising out of, relating to, or in connection with this Agreement, including any question regarding its formation, existence, validity, enforceability, performance, interpretation, breach or termination, shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce ("ICC") by one arbitrator appointed in accordance with said rules.

The exclusive place of arbitration shall be New York State of New York, USA and the proceedings shall be conducted in English language.

The award for arbitration shall be final and binding and may be enforced in any court of competent jurisdiction against BII or XENCOR. Nothing in this Section shall prevent any Party, before an arbitration has commenced hereunder or any time thereafter during such arbitration proceedings, from seeking conservatory and interim measures, including, but not limited to temporary restraining orders or preliminary injunctions, or their equivalent, from any court of competent jurisdiction.

The Parties further agree that

a. except as may be otherwise required by applicable laws, rules or regulations, neither Party, its witnesses, or the arbitrator may disclose the existence, content, results of the arbitration hereunder without prior written consent of both Parties; and

b. neither Party shall be required to give general discovery of documents, but may be required only to produce specific, identified documents, or narrow and specific categories of documents, which are relevant to the case and material to its outcome and reasonably believed to be in the custody, possession or control of the other Party; and

c. decisions *ex aequo et bono* or in equity are not permissible.

11.7 Entire Agreement

This Agreement (including the Exhibits and Schedules attached hereto) constitutes the entire agreement between the Parties relating to its subject matter and supersedes all prior or contemporaneous agreements, understandings or representations, either written or oral, between XENCOR and BII with respect to such subject matter (including the Secrecy Agreement effective as of June 28, 2011).

11.8 Waiver; Amendment

No waiver of any term, provision or condition of this Agreement whether by conduct or otherwise in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such term, provision or condition or of any other term, provision or

condition of this Agreement. No amendment or modification of any provision of this Agreement shall be effective unless in writing signed by a duly authorized representative of each Party. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by a duly authorized representative of each Party.

11.9 Severability

If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction all other provisions shall continue in full force and effect. The Parties hereby agree to attempt to substitute for any invalid or unenforceable provision a valid and enforceable provision which achieves to the greatest extent possible the economic legal and commercial objectives of the invalid or unenforceable provision.

11.10 Dispute Resolution

Any dispute relating to the Project shall first be submitted for resolution to the Steering Committee.

11.11 Assignment

This Agreement shall be binding upon the successors and assigns of the Parties and the name of a Party appearing herein shall be deemed to include, the names of its successors and assigns. This Agreement shall not be assignable by either Party, except with the written consent of the other Party hereto; provided, however, that either Party may assign this Agreement without the other Party's consent to an acquiring party in connection with the transfer or sale of all or substantially all of the business of such Party to which this Agreement relates to such acquiring party, whether by merger, sale of stock, sale of assets or otherwise, provided that in the event of such a sale or transfer (whether this Agreement is actually assigned or is assumed by the acquiring party by operation of law (*e.g.*,. in the context of a reverse triangular merger)).

11.12 Independent Contractors

Nothing in this Agreement is intended, or shall be deemed, to establish a joint venture or partnership (or any fiduciary duty) between XENCOR and BII. Neither Party to this Agreement shall have any express or implied right or authority to assume or create any obligations on behalf of, or in the name of, the other Party, or to bind the other Party to any contract, agreement or undertaking with any third party.

11.13 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the Effective Date.

Monrovia, February 16 2012	Biberach, February 13, 2012
XENCOR, Inc.	**Boehringer Ingelheim International GmbH**
	ppa. ppa.
/s/ Bassil Dahiyat	/s/ Alois Konrad /s/ Dr. Andreas Felder
Bassil Dahiyat President and CEO	Alois Konrad Dr. Andreas Felder

List of Appendices:

Appendix 1: Material and Product

Appendix 2: Project Plan

Appendix 3: Members of the Project Team, Steering Committee and Chief Executive Officers

Appendix 4: MTA

Appendix 5: Quality Agreement

Appendix 6: Specifications, incl. shipping and packing instructions agreed by the Parties (to be attached upon agreement of the Parties)

Appendix 7: Summary Plan for Phase 1 Clinical Trials

Appendix 8: Press Release

Appendix 1:

XmAb®6755 : Anti-TNF_Adalimumab_lgG1/2_M428L/N434S_Xtend
Heavy Chain ORF (Protein)
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Appendix 2:

Appendix 2.1: Project Plan and Price
Project Plan
Xtend-TNF
Process Development
Manufacturing of Clinical Grade Material

Boehringer Ingelheim

Appendix 2.1: Project Plan and Price
Project Plan
Xtend-TNF
Process Development
Manufacturing of Clinical Grade Material

Version of December 19, 2011

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Appendix 3:

Members of the Project Team and Steering Committee

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Appendix 5

Quality Agreement

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Appendix 6:

Specifications, incl. shipping and packing instructions agreed by the Parties (to be attached upon agreement of the Parties)

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Appendix 7:

Summary Plan for Phase I Clinical Trials

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Appendix 8:

Press Release

February 8th, 2012

Boehringer Ingelheim GmbH
Corporate Communications:
Heidrun Thoma
+49/6132 77 3966
Heidrun.Thoma@boehringer-ingelheim.com
Twitter: www.twitter.com/boehringer

Xencor Media Contact
Heidi Chokeir, Ph.D.
Canale Communications
Tel: 619-849-5377
heidi@canalecomm.com

Boehringer Ingelheim and Xencor Enter a Collaboration Agreement for the Development, Manufacture, and Supply of Biosuperior Monoclonal Antibodies

Antibodies engineered with Xencor's proprietary Xtend™ technology for increasing antibody half-life

MONROVIA, Calif., USA and INGELHEIM, Germany — February 14th, 2012 — Xencor, Inc., a company using its proprietary Protein Design Automation® (PDA) platform technology to engineer next-generation antibodies, and Boehringer Ingelheim announced today a collaboration agreement for certain Xencor biosuperior monoclonal antibodies. Under the terms of the agreement, Boehringer Ingelheim will provide all manufacturing and product supply from preclinical through Phase I development. Xencor is responsible for preclinical and clinical studies and retains all development and commercial rights to products under the agreement. Upon successful advancement of clinical programs beyond Phase 1 development, Boehringer Ingelheim has certain manufacturing rights to supply clinical and commercial material to Xencor. "Xencor has developed deep portfolio of biosuperior antibodies with the potential for superior clinical and commercial performance, and this collaboration agreement with Boehringer Ingelheim allows us to establish an important relationship with the leading global contract manufacturer of biologics," said Bassil Dahiyat, Ph.D., president and CEO of Xencor. "Xencor and Boehringer Ingelheim will share the financial risk in early preclinical and clinical development with the incentive of sharing in future success of the programs."

"We are delighted to start this collaboration with Xencor. It reflects one of our new business models in the contract manufacturing in which both parties are enabled to focus on their core competencies", stated Corporate Senior Vice President Simon Sturge at Boehringer Ingelheim Biopharmaceuticals. "We are convinced that this creates a win-win situation for both parties." Xencor's lead biosuperior compound is an anti-TNF antibody engineered using the company's proprietary Xtend™ antibody engineering technology for increasing antibody half-life. Xencor expects to initiate a Phase 1 trial in 2013 potentially resulting in key human pharmacokinetic data validating Xtend technology.

About Xencor, Inc.

Xencor, Inc. engineers superior biotherapeutics using its proprietary Protein Design Automation® technology platform, and is a leader in the field of antibody engineering to significantly improve antibody half-life, immune-regulatory function and potency. The company is advancing multiple XmAb® antibody drug candidates in the clinic, including XmAb®5871 targeting CD32b and CD19 for autoimmune diseases, and an anti-CD30 candidate XmAb®2513 for the treatment of Hodgkin's lymphoma. Xencor is also advancing a portfolio of biosuperior versions of blockbuster antibody drugs engineered for superior half-life and dosing schedule. Xencor has entered into multiple partnerships with industry leaders such as Amgen, Pfizer, Centocor, MorphoSys, Boehringer Ingelheim, CSL Ltd. and Human Genome Sciences. In these partnerships Xencor is applying its suite of proprietary antibody Fc domains to improve antibody drug candidates for traits such as sustained half-life and/or potency. For more information, please visit www.xencor.com.

About Boehringer Ingelheim

The Boehringer Ingelheim group is one of the world's 20 leading pharmaceutical companies. Headquartered in Ingelheim, Germany, it operates globally with 145 affiliates in 50 countries and more than 42,000 employees. Since it was founded in 1885, the family-owned company has been committed for 125 years to researching, developing, manufacturing and marketing novel products of high therapeutic value for human and veterinary medicine.

Today, Boehringer Ingelheim is one of the world's leading companies for contract development and manufacture of biopharmaceuticals. All types of services from mammalian cell line or microbial strain development to final drug production can be delivered within a one-stop-shop concept. Boehringer Ingelheim delivers services for pre-clinical development up to global market supply with a strong commitment to its customers at its global manufacturing facilities for mammalian cell culture and microbial fermentation. Boehringer Ingelheim has brought 19 molecules to market and has many years of experience in multiple molecule classes such as monoclonal antibodies, recombinant proteins, interferons, enzymes, fusion molecules and plasmid DNA. Furthermore, high-titer platform technologies for new antibody mimetic formats such as scaffold proteins and antibody fragments are available for the manufacture of customer products. www.biopharma-cmo.com.

For more information, please contact:

Xencor Inc.
Heidi Chokeir, Ph.D.
Canale Communications for Xencor
Tel: 619-849-5377
heidi@canalecomm.com

Boehringer Ingelheim GmbH
Heidrun Thoma
Corporate communications
Boehringer Ingelheim GmbH
55216 Ingelheim/Germany
Phone: +49/6132 77 3966

Twitter: www.twitter.com/boehringer
More information:
bio-cmo@boehringer-ingelheim.com

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Xencor, Inc.
Monrovia, California

We hereby consent to the use in the Prospectus constituting a part of this Registration Statement of our report dated September 11, 2013, relating to the financial statements of Xencor, Inc., which is contained in that Prospectus. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

We also consent to the reference to us under the caption "Experts" in the Prospectus.

/s/ BDO USA, LLP
BDO USA, LLP
Los Angeles, California

October 25, 2013