
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-36182

Xencor, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation
or Organization)

20-1622502

(I.R.S. Employer Identification No.)

111 West Lemon Avenue, Monrovia, CA

(Address of Principal Executive Offices)

91016

(Zip Code)

(626) 305-5900

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at October 28, 2015
Common stock, \$0.01 par value	40,477,003

Xencor, Inc.**Quarterly Report on FORM 10-Q for the quarter ended September 30, 2015****Table of Contents**

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In this report, unless otherwise stated or the context otherwise indicates, references to "Xencor," "the Company," "we," "us," "our" and similar references refer to Xencor, Inc. The Xencor logo is a registered trademark of Xencor, Inc. This report also contains registered marks, trademarks and trade names of other companies. All other trademarks, registered marks and trade names appearing in this report are the property of their respective holders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities laws. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Forward-looking statements can often be identified by the use of terminology such as “subject to”, “believe”, “anticipate”, “plan”, “expect”, “intend”, “estimate”, “project”, “may”, “will”, “should”, “would”, “could”, “can”, the negatives thereof, variations thereon and similar expressions, or by discussions of strategy.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations, and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. The following uncertainties and factors, among others (including those set forth under “Risk Factors”), could affect future performance and cause actual results to differ materially from those matters expressed in or implied by forward-looking statements:

- our plans to develop and commercialize our product candidates;
- our ongoing and planned clinical trials;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to identify additional products or product candidates with significant commercial potential that are consistent with our business objectives;
- the rate and degree of market acceptance and clinical utility of our products;
- the capabilities and strategy of our suppliers and vendors including key manufacturers of our clinical drug supplies;
- significant competition in our industry;
- costs of litigation and the failure to successfully defend lawsuits and other claims against us;
- our partners’ ability to advance drug candidates into, and successfully complete, clinical trials;
- our ability to receive research funding and achieve anticipated milestones under our collaborations;
- our intellectual property position;
- loss or retirement of key members of management;
- costs of compliance and our failure to comply with new and existing governmental regulations;
- failure to successfully execute our growth strategy, including any delays in our planned future growth; and
- our failure to maintain effective internal controls.

The factors, risks and uncertainties referred to above and others are more fully described under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December, 31, 2014, as amended, as updated from time to time in Current Reports on Form 8-K. Forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. We do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Xencor, Inc.
Balance Sheets
(In thousands, except share amounts)

	September 30, 2015	December 31, 2014
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 57,738	\$ 54,649
Marketable securities	70,206	—
Accounts receivable	408	2,966
Interest receivable	659	—
Prepaid expenses and other current assets	865	134
Total current assets	129,876	57,749
Property and equipment		
Computers, software and equipment	5,275	4,270
Furniture and fixtures	102	97
Leasehold improvements	3,612	3,086
Less accumulated depreciation and amortization	(6,696)	(6,554)
Property and equipment, net	2,293	899
Other assets		
Patents, licenses, and other intangible assets, net	9,617	9,116
Marketable securities - long term	69,632	—
Other assets	63	59
Total other assets	79,312	9,175
Total assets	\$ 211,481	\$ 67,823
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 5,107	\$ 1,691
Accrued expenses	3,817	2,251
Current portion of deferred revenue	47,652	2,254
Total current liabilities	56,576	6,196
Deferred rent, less current portion	659	—
Deferred revenue, less current portion	931	2,337
Total liabilities	58,166	8,533
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.01 par value: 200,000,000 authorized shares at September 30, 2015 and December 31, 2014; 40,477,003 issued and outstanding at September 30, 2015 and 31,434,272 issued and outstanding at December 31, 2014	405	314
Additional paid-in capital	422,258	302,969
Accumulated other comprehensive loss	(6)	—
Accumulated deficit	(269,342)	(243,993)
Total stockholders' equity	153,315	59,290
Total liabilities and stockholders' equity	\$ 211,481	\$ 67,823

See accompanying notes.

Xencor, Inc.
Statements of Comprehensive Loss
(unaudited)
(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenue				
Collaborations, licenses and milestones	\$ 3,503	\$ 848	\$ 6,008	\$ 3,856
Operating expenses				
Research and development	10,582	4,953	23,263	13,464
General and administrative	3,233	2,182	8,521	5,499
Total operating expenses	13,815	7,135	31,784	18,963
Loss from operations	(10,312)	(6,287)	(25,776)	(15,107)
Other income (expenses)				
Interest income	676	2	1,067	31
Interest expense	(4)	(2)	(11)	(7)
Other income (expenses)	(397)	9	(629)	10
Total other income (expense), net	275	9	427	34
Net loss	(10,037)	(6,278)	\$ (25,349)	\$ (15,073)
Other comprehensive loss				
Net unrealized gain (loss) on marketable securities available-for-sale	84	—	(6)	—
Comprehensive loss	\$ (9,953)	\$ (6,278)	\$ (25,355)	\$ (15,073)
Basic and diluted net loss per common share	\$ (0.25)	\$ (0.20)	\$ (0.66)	\$ (0.48)
Weighted average common shares outstanding used to compute basic and diluted net loss per share	40,473,520	31,395,626	38,514,179	31,376,502

See accompanying notes.

Xencor, Inc.
Statement of Stockholders' Equity
(in thousands, except share data)

Stockholders' Equity	Common Stock		Additional Paid in-Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2014	31,434,272	314	302,969	—	(243,993)	59,290
Sale of common stock, net of issuance cost of \$7.7 million	8,625,000	86	115,118	—	—	115,204
Issuance of common stock upon exercise and vesting of stock awards	369,743	4	539	—	—	543
Issuance of common stock from employee stock purchase plan	47,988	1	246	—	—	247
Comprehensive loss	—	—	—	(6)	(25,349)	(25,355)
Stock-based compensation	—	—	3,386	—	—	3,386
Balance, September 30, 2015 (unaudited)	<u>40,477,003</u>	<u>\$ 405</u>	<u>\$ 422,258</u>	<u>\$ (6)</u>	<u>\$ (269,342)</u>	<u>\$ 153,315</u>

See accompanying notes.

Xencor, Inc.
Statements of Cash Flows
(unaudited)
(in thousands)

	Nine Months Ended	
	September 30,	
	2015	2014
Cash flows from operating activities		
Net loss	\$ (25,349)	\$ (15,073)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	768	621
Amortization of premium on marketable securities	642	—
Stock-based compensation	3,386	1,110
Abandonment of capitalized intangible assets	280	496
Gain on disposal of assets	(9)	(1)
Gain on sale of marketable securities available-for-sale	(4)	—
Changes in operating assets and liabilities:		
Accounts receivable	2,558	40
Interest receivable	(659)	—
Prepaid expenses and other assets	(715)	(62)
Accounts payable	3,417	(536)
Accrued expenses	1,608	372
Deferred rent	595	—
Deferred revenue	43,993	(2,454)
Net cash provided by (used in) operating activities	<u>30,511</u>	<u>(15,487)</u>
Cash flows from investing activities		
Purchase of marketable securities	(168,489)	—
Purchase of intangible assets	(1,220)	(1,137)
Purchase of property and equipment	(1,724)	(560)
Proceeds from sale of marketable securities available-for-sale	28,008	—
Proceeds from sale of property and equipment	9	1
Net cash used in investing activities	<u>(143,416)</u>	<u>(1,696)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	122,906	—
Proceeds from issuance of common stock upon exercise of stock awards	543	8
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	247	130
Common stock issuance costs	(7,702)	—
Payments on capital lease obligations	—	(7)
Net cash provided by financing activities	<u>115,994</u>	<u>131</u>
Net increase (decrease) in cash and cash equivalents	<u>3,089</u>	<u>(17,052)</u>
Cash and cash equivalents, beginning of period	54,649	77,975
Cash and cash equivalents, end of period	<u>\$ 57,738</u>	<u>\$ 60,923</u>
Supplemental disclosures of non-cash investing activities		
Net unrealized loss on marketable securities available-for-sale	<u>\$ 6</u>	<u>\$ —</u>

See accompanying notes.

Xencor, Inc.

**Notes to Financial Statements
(unaudited)**

September 30, 2015

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim financial statements for Xencor, Inc. (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. The financial statements include all adjustments (consisting only of normal recurring adjustments) that the management of the Company believes are necessary for a fair presentation of the periods presented. These interim financial results are not necessarily indicative of the results expected for the full fiscal year or for any subsequent interim period.

The accompanying unaudited interim financial statements and related notes should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 23, 2015, as amended.

Marketable Securities

The Company has an investment policy that includes guidelines on acceptable investment securities, minimum credit quality, maturity parameters and concentration and diversification. The Company invests its excess cash primarily in marketable securities issued by investment grade institutions. The Company considers its marketable securities to be "available-for-sale", as defined by authoritative guidance issued by the Financial Accounting Standards Board (FASB). These assets are carried at fair value and the unrealized gains and losses are included in accumulated other comprehensive income (loss). If a decline in the value of a marketable security in the Company's investment portfolio is deemed to be other-than-temporary, the Company writes down the security to its current fair value and recognizes a loss as a charge against income. The Company reviews its portfolio of marketable securities, using both quantitative and qualitative factors, to determine if declines in fair value below cost are other-than-temporary.

There have been no other material changes to the significant accounting policies previously disclosed in the Company's 2014 Annual Report on Form 10-K, as amended.

Sale of Additional Common Stock

In March 2015, we completed the sale of 8,625,000 shares of common stock which included shares we issued pursuant to our underwriters' exercise of their over-allotment option pursuant to a follow-on offering. We received net proceeds of \$115.2 million, after underwriting discounts, commissions and estimated offering expenses.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which establishes principles for reporting revenue and cash flows arising from an entity's contracts with customers. This new revenue recognition standard will replace most of the recognition guidance within the United States GAAP. In July 2015, the FASB announced that the new pronouncement will be effective for reporting periods beginning after December 15, 2017. The new pronouncement permits the use of either the retroactive or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

2. Fair Value of Financial Instruments

The fair values of the financial instruments included in the financial statements, which include cash equivalents, money markets, US government and corporate securities approximate their carrying values at September 30, 2015 due to their short term maturities. Our financial instruments also include accounts receivable, accounts payable and accrued expenses. Marketable securities and cash equivalents are carried at fair value.

The Company accounts for recurring and non-recurring fair value measurements in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value, and requires expanded disclosure about fair value measurements. The ASC 820 hierarchy ranks the quality of reliable inputs, or assumptions, used in the determination of fair value and requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1—Fair Value is determined by using unadjusted quoted prices that are available in active markets for identical assets or liabilities.

Level 2—Fair Value is determined by using inputs other than Level 1 quoted prices that are directly or indirectly observable. Inputs can include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in markets that are not active. Related inputs can also include those used in valuation or other pricing models, such as interest rates and yield curves that can be corroborated by observable market data.

Level 3—Fair value is determined by inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant and subjective judgments to be made by the reporting entity – e.g. determining an appropriate discount factor for illiquidity associated with a given security.

The Company measures the fair value of financial assets using the highest level of inputs that are reasonably available as of the measurement date. The assets recorded at fair value are classified within the hierarchy as follows for the periods reported (in thousands):

	September 30,		
	Total Fair Value	Level 1	Level 2
Money Market Funds	\$ 9,904	\$ 9,904	\$ —
Corporate Securities	88,651	—	88,651
Government Securities	51,187	—	51,187
	<u>\$ 149,742</u>	<u>\$ 9,904</u>	<u>\$ 139,838</u>

Our policy is to record transfers of assets between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. During the three months and nine months ended September 30, 2015, there were no transfers between Level 1 and Level 2. The Company does not have any Level 3 assets or liabilities.

3. Net Loss Per Share

We compute net loss per common share by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Potentially dilutive securities consisting of stock issuable under options and our 2013 Employee Stock Purchase Plan (ESPP) are not included in the diluted net loss per common share calculation where the inclusion of such shares would have had an antidilutive effect.

Basic and diluted (loss) per common share is computed as follows (in thousands except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
(in thousands, except per share data)				
Basic numerator:				
Net loss attributable to common stockholders	\$ (10,037)	\$ (6,278)	\$ (25,349)	\$ (15,073)
Denominator:				
Weighted-average common shares outstanding used in computing basic and diluted net loss	40,473,520	31,395,626	38,514,179	31,376,502
Basic net loss per common share	<u>\$ (0.25)</u>	<u>\$ (0.20)</u>	<u>\$ (0.66)</u>	<u>\$ (0.48)</u>

The following shares of outstanding potentially dilutive securities have been excluded from the calculation of diluted net loss per common share as the effect of including such securities would have been antidilutive.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
(in thousands)				
Employee stock purchase plan shares	31	34	31	34
Options to purchase common stock	3,378	1,361	3,378	1,361
	<u>3,409</u>	<u>1,395</u>	<u>3,409</u>	<u>1,395</u>

In March 2015, the Company issued 8,625,000 shares of common stock in a follow-on stock offering. The issuance of these shares resulted in a significant increase in the Company's weighted average shares outstanding for the three months and nine months ended September 30, 2015 when compared to the comparable prior year period and is expected to continue to impact the year-over-year comparability of the Company's income (loss) per share calculations for the remainder of 2015.

4. Comprehensive loss

Comprehensive loss is comprised of net loss and other comprehensive loss. For the three months and nine months ended September 30, 2015, the only component of other comprehensive loss is net unrealized gains and losses on marketable securities. There were no material reclassifications out of accumulated other comprehensive loss during the three months and nine months ended September 30, 2015.

5. Marketable Securities

The Company's marketable securities held as of September 30, 2015 are summarized below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Money Market Funds	\$ 9,904	\$ —	\$ —	\$ 9,904
Corporate Securities	88,668	55	(72)	88,651
Government Securities	51,176	20	(9)	51,187
	<u>\$ 149,748</u>	<u>\$ 75</u>	<u>\$ (81)</u>	<u>\$ 149,742</u>
Reported as				
Cash and cash equivalents				\$ 9,904
Marketable securities				139,838
Total investments				<u>\$ 149,742</u>

The maturities of the Company's marketable securities are as follows:

	Amortized Cost	Estimated Fair Value
(in thousands)		
Mature in one year or less	\$ 70,208	\$ 70,206
Mature after one year through five years	69,636	69,632
	<u>\$ 139,844</u>	<u>\$ 139,838</u>

6. Stock Based Compensation

Our Board of Directors and the requisite stockholders previously approved the Amended and Restated 2000 Stock Incentive Plan (the 2000 Plan), and the 2010 Equity Incentive Plan (the 2010 Plan, and collectively with the 2000 Plan the Prior Plans). The 2000 Plan terminated August 2010 and no further awards may be issued under the plan. In October 2013, our Board of Directors approved the 2013 Equity Incentive plan (the 2013 Plan) and in November 2013 our stockholders approved the 2013 Plan. The 2013 Plan became effective as of December 3, 2013, the date of the Company's Initial Public Offering (IPO). As of December 2, 2013, we suspended the 2010 Plan and no additional awards may be granted under the 2010 Plan. Any shares of common stock covered by awards granted under the Prior Plans that terminate after December 2, 2013 by expiration, forfeiture, cancellation or other means without the issuance of such shares will be added to the 2013 Plan reserve.

As of September 30, 2015 the total number of shares of common stock available for issuance under the 2013 Plan is 6,335,940, which includes 2,684,456 of common stock that were available for issuance under the Prior Plans as of the effective date of the 2013 Plan. Unless otherwise determined by the Board, beginning January 1, 2014, and continuing until the expiration of the 2013 Plan, the total number of shares of common stock available for issuance under the 2013 Plan will automatically increase annually on January 1 of each year by 4% of the total number of issued and outstanding shares of common stock as of December 31 of the immediate preceding year. As of September 30, 2015 a total of 1,994,750 options had been issued under the 2013 Plan.

In November 2013, our Board of Directors and stockholders approved the 2013 Employee Stock Purchase Plan (ESPP), which became effective as of December 5, 2013. As of September 30, 2015, a total of 581,286 shares of common stock have been reserved for issuance under the ESPP. Unless otherwise determined by our Board, beginning on January 1, 2014, and continuing until the expiration of the ESPP, the total number of shares of common stock available for issuance under the ESPP will automatically increase annually on January 1 by the lesser of (i) 1% of the total number of issued and outstanding shares of common stock as of December 31 of the immediately preceding year, or

(ii) 621,814 shares of common stock. As of September 30, 2015, we have issued a total of 111,852 shares of common stock under the ESPP.

Total employee, director and non-employee stock-based compensation expense recognized for the three months and nine months ended September 30, 2015 and 2014 are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
General and administrative	\$ 593	\$ 276	\$ 1,628	\$ 575
Research and development	493	215	1,758	535
	<u>\$ 1,086</u>	<u>\$ 491</u>	<u>\$ 3,386</u>	<u>\$ 1,110</u>

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

	Number of Shares subject to outstanding options	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balances at December 31, 2014	2,826,794	\$ 5.12		
Options granted	930,250	\$ 15.96		
Options forfeited	(9,375)	\$ 18.75		
Options exercised	(369,743)	\$ 1.47		
Balance at September 30, 2015	<u>3,377,926</u>	<u>\$ 8.47</u>	7.21	\$ 16,173
Exercisable	1,515,353	\$ 3.69	5.15	\$ 12,965

We calculate the intrinsic value as the difference between the exercise price of the options and the closing price of common stock of \$12.23 per share as of September 30, 2015.

Weighted average fair value of options granted during the nine-month period ended September 30, 2015 and 2014 was \$10.73 and \$7.11 per share, respectively. There were 1,019,021 options granted during the period ended September 30, 2014. We estimated the fair value of each stock option using the Black-Scholes option-pricing model based on the date of grant of such stock option with the following weighted average assumptions for the three months and nine months ended September 30, 2015 and 2014:

	Options		Options	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Expected term (years)	6.4	6.0	6.1	6.0
Expected volatility	86.5 %	77.4 %	76.6 %	77.4 %
Risk-free interest rate	1.95 %	2.02 %	1.62 %	2.02 %
Expected dividend yield	— %	— %	— %	— %

	ESPP		ESPP	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Expected term (years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	70.6 - 82.9 %	70.6 %	70.6 - 82.9 %	70.6 %
Risk-free interest rate	.06% - .46 %	.06% - .46 %	.06% - .46 %	.06% - .46 %
Expected dividend yield	— %	— %	— %	— %

At September 30, 2015, the Company had \$11.3 million of total unrecognized compensation expense, net of estimated forfeitures, related to outstanding stock options and shares issued under our ESPP that will be recognized over the next 3.0 years.

7. Commitments and Contingencies

Operating Leases

The Company leases office and laboratory space in Monrovia, CA. In January 2015, we entered into a new lease agreement for the property. The new lease replaces the previous lease and extends our lease term to June 2020 with an option to renew for an additional five years. The new lease is a non-cancelable operating lease.

The Company also leases office space in San Diego, CA. In February 2015, we entered into an amended lease agreement for the San Diego property. The amended lease replaces the previous lease and provides for additional space in a building located in the same multi-building development. The amended lease expires in April 2018 and includes an option to renew for a period of one year.

Future minimum payments under the non-cancelable operating leases consist of the following (in thousands):

Years ending December 31,	Operating Leases
For the remainder of the fiscal year	\$ 165
2016	679
2017	699
2018	602
2019	581
Thereafter	299

Net rent expense for the nine months ended September 30, 2015 and 2014 was \$415,000 and \$441,800 respectively.

Contingencies

From time to time, the Company may be subject to various litigation and related matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

On March 3, 2015, a verified class action complaint, captioned DePinto v. John S. Stafford, et al., C.A. No. 10742, was filed in the Court of Chancery of the State of Delaware against certain of the Company's current and former directors alleging cause of action for Breach of Fiduciary Duty and Invalidity of Director and Stockholder Consents. In general, the complaint alleged that the plaintiff and the class he seeks to represent were shareholders of the Company during the recapitalization and certain related transactions that the Company underwent in 2013 and that the defendants breached their fiduciary duties in the course of approving that series of transactions. It also challenged as invalid certain corporate acts taken in the 2013 time period.

On June 10, 2015, the Company filed a Verified Petition for Relief under Del. C. Section 205 (the 205 Petition) related to the corporate acts challenged in the complaint. The defendants filed an answer to the class action complaint on June 22, 2015. On July 9, 2015, the Court consolidated the 205 Petition with the class action, joined the Company as a defendant and ordered it to file the claims in the 205 Petition as counter-claims in the class action, which the Company has done. On August 11, 2015, the Company filed a Motion for Leave to File an Amended Counter-Claim, along with the proposed Amended Counter-Claim and related documents. On October 5, the parties filed a Stipulation of Partial Settlement and related documents disclosing a settlement of the invalidity claims addressed in the complaint, the counter-claim and the proposed amended counter-claim including a request by plaintiff's counsel for reimbursement of legal fees up to \$950,000. On October 7, 2015, Xencor filed the Amended Counter-Claim and related documents. A settlement hearing is scheduled for December 10, 2015. The Company intends to vigorously defend against the request to pay legal fees. Based on the nature of the claim, the Company believes that it is not possible to estimate a potential loss related to the claim; accordingly, no amount for any loss has been accrued at September 30, 2015.

8. Collaboration and Licensing Agreements

Following is a summary description of the arrangements that generated revenue in the nine months ended September 30, 2015 and 2014.

Amgen, Inc.

2015 Agreement

In September 2015, the Company entered into a research and license agreement (the 2015 Agreement) with Amgen, Inc. (Amgen) to develop and commercialize bispecific antibody product candidates using the Company's proprietary XmAb® bispecific Fc technology. Under the 2015 Agreement, the Company granted an exclusive license to Amgen to develop and commercialize bispecific drug candidates from the Company's preclinical program that bind the CD38 antigen and the cytotoxic T-cell binding domain CD3, (the CD38 Program). The Company will also apply its bispecific technology to five previously identified Amgen provided targets (each a Discovery Program). The Company received a \$45.0 million upfront payment from Amgen and is eligible to receive up to \$1.7 billion in future development, regulatory and sales milestones in total for all six programs and is eligible to receive royalties on any global net sales of products.

Following the Company's transfer of the DNA sequences, constructs and preclinical data related to its CD38 Program to Amgen, Amgen will assume full responsibility for the further development and commercialization of product candidates under the CD38 Program. Assuming successful development and commercialization of a product, the Company could receive up to \$355 million in milestones payments which include \$55 million in development milestones, \$70 million in regulatory milestones and, \$230 million in sales milestones. If commercialized, the Company is eligible to receive from high single-digit up to low double-digit royalties on global net sales of approved products under the CD38 Program.

Under the 2015 Agreement, for each of the five Discovery Programs the Company will apply its bispecific technology to antibody molecules provided by Amgen that bind Discovery Program Targets and return the bispecific product candidates to Amgen for further testing, development and commercialization. Amgen has the right to substitute up to three of the previously identified targets during the research term provided that Amgen has not initiated non-human primate studies with the Xencor provided bispecific candidate. The initial research term is three years from the date of the agreement but Amgen, at its option, may request an extension of one year if Xencor has not completed delivery of all five Discovery Program bispecific candidates to Amgen.

Amgen will assume full responsibility for development and commercialization of product candidates under each of the Discovery Programs. Assuming successful development and commercialization of each Discovery Program compound, the Company could receive up to \$260.5 million in milestones for each compound which include \$35.5 million in development milestones, \$55.0 million in regulatory milestones and \$170.0 million in sales milestones. If commercialized, the Company is eligible to receive mid to high single-digit royalties on global net sales of approved products.

The Company evaluated the 2015 Agreement with Amgen and determined that it is a revenue arrangement with multiple deliverables or performance obligations. The Company's substantive performance obligations under the 2015 Agreement include delivery of the DNA sequences, constructs and preclinical data related to its CD38 Program and application of its bispecific technology to five Amgen provided targets and delivery of the five bispecific product candidates. The Company evaluated the 2015 Agreement with Amgen and determined that the CD38 Program and each of the five Discovery Programs represent separate units of accounting.

The \$45 million upfront payment represents the total initial consideration and was allocated to each of the deliverables using the relative selling price method. After identifying each of the deliverables included in the arrangement, the Company determined its best estimate of selling price for each of the deliverables. In order to determine the best estimate of selling price for the CD38 Program, the Company determined the value of the CD38 Program by calculating a risk-adjusted present value of the potential revenue from the future development and regulatory milestones under the 2015 Agreement. This amount represents the value that a third party would be willing to pay as an upfront fee to license the Company's CD38 Program.

The Company determined the value of each of the Discovery Programs by calculating a risk-adjusted net present value of the potential revenue from future development and regulatory milestones reduced by the estimated cost of the Company's efforts to apply its bispecific technology to the Amgen targets and deliver the five bispecific product candidates. These amounts represent the value that a third party would be willing to pay as an upfront for access to the Company's bispecific technology and capabilities.

The total allocable consideration of \$45 million was allocated to the deliverables based on the relative selling price method as follows:

\$13.75 million to the CD38 Program and,
\$6.25 million to each of the five Discovery Programs

The Company will recognize as collaboration revenue the amount of the total allocable consideration allocated to the CD38 Program upon delivery of the CD38 DNA sequences, constructs and preclinical data to Amgen. At the time that each bispecific Discovery Program is accepted by Amgen, the Company will recognize as collaboration revenue \$6.25 million for each program. Since Amgen has substitution rights for up to three targets, revenue recognition may be delayed until the earlier that Amgen initiates non-human primate studies for a delivered bispecific Discovery Program or the right to substitute the target lapses.

During the three and nine months ended September 30, 2015, we did not recognize any revenue under this arrangement. As of September 30, 2015 there was \$45 million in deferred revenue related to the arrangement.

2010 Agreement

In December 2010, we entered into a Collaboration and Option Agreement (the 2010 Agreement) with Amgen, pursuant to which we agreed to collaborate with Amgen on development of XmAb5871 in rheumatoid arthritis (RA) through completion of a Phase 2 proof-of-concept (POC) trial. After completion of the POC trial, we would deliver a data package to Amgen and they would have 90 days to review and decide whether to exercise an option to obtain worldwide rights to XmAb5871. Upon exercise of the option and payment of a \$50 million option fee, Amgen would own all rights to the compound and be responsible for further development.

We received a nonrefundable upfront payment of \$11 million upon execution of the Collaboration Agreement and a \$2 million milestone in January 2013 upon the initiation of a Phase 1b clinical trial.

In October 2014, we entered into an agreement with Amgen to terminate the 2010 Agreement pursuant to which all worldwide rights to develop and commercialize XmAb5871 reverted back to us. Our obligations to continue development of XmAb5871 under the terms of the 2010 Agreement terminated effective as of the date of the termination agreement. As a result of and effective as of the date of the termination agreement, all of Amgen's rights to XmAb5871 terminated including the right to exercise an exclusive option to acquire the worldwide rights to XmAb5871. Amgen's obligations to make any further payments to us are also terminated. In connection with the termination, we granted

Amgen a right of first negotiation (ROFN) to obtain an exclusive license to develop and commercialize any XmAb5871 product.

As a result of the termination, we recognized the remaining balance in deferred revenue as revenue in the period of the termination, October 2014. There is no remaining revenue or obligations to be reported under this agreement.

There were no revenues recognized during the three and nine months ended September 30, 2015. During the three and nine months ended September 30, 2014 we recognized \$0.6 million and \$1.7 million of revenue under this arrangement, respectively. As of September 30, 2015, there is no remaining deferred revenue under this agreement.

Merck Sharp & Dohme Corporation

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.

In the first quarter of 2014, Merck initiated a Phase 1 clinical trial which triggered a \$0.5 million milestone payment to us. During the three and nine months ended September 30, 2015 we recognized \$25,000 and \$75,000 of revenue respectively. During the three and nine months ended September 30, 2014 we recognized \$25,000 and \$0.5 million of revenue respectively. As of September 30, 2015, there is \$75,000 of deferred revenue related to this arrangement.

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 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. An option must be exercised for any compound that is advanced into development after the first multi-ascending dose trial is initiated.

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. We determined that \$2.5 million of the upfront fee was allocated to the license and is being recognized into income over the initial research term of five years.

In the third quarter of 2014, Alexion initiated a Phase 1 clinical trial with an undisclosed molecule to be used against an undisclosed target. It is the first human clinical trial with a molecule incorporating our Xtend Fc Domain

technology. We received a milestone related to this trial in March 2015 upon issuance of certain patents related to our Xtend technology.

During the three and nine months ended September 30, 2015 we recognized \$0.3 million and \$1.3 million of revenue respectively. During the three and nine months ended September 30, 2014 we recognized \$0.2 million and \$0.8 million of revenue respectively. As of September 30, 2015, we have deferred revenue related to this arrangement of \$1.3 million.

CSL Limited

2009 Agreement

In February 2009, we entered into a Research License and Commercialization Agreement (the 2009 Agreement) with CSL Limited (CSL). Under the agreement, we provided CSL with a research license to our Fc Cytotoxic technology 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.

In May 2013, we entered into an amendment to the 2009 Agreement with CSL, which eliminated a contingent milestone payment requirement 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 expired in February 2014 and four additional options to take commercial licenses through the term of the research period. The amendment proceeds were recognized into income over the remaining period of the research term.

In 2013 CSL sublicensed CSL362 (now called JNJ-56022473) to Janssen Biotech Inc. (Janssen Biotech). In August 2015, CSL, through its sublicensee, Janssen Biotech, initiated a Phase 2 clinical trial for CSL362. As a result of the Phase 2 clinical trial initiation, we received a milestone payment of \$2.5 million.

During the three and nine months ended September 30, 2015, we recognized \$2.5 million of revenue under the arrangement. During the three and nine months ended September 30, 2014, we recognized zero and \$0.7 million of revenue respectively. As of September 30, 2015, we have no deferred revenue related to this arrangement.

2013 Agreement

In March 2013, we entered into a license agreement (the 2013 Agreement) with 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 an upfront payment of \$0.5 million and we were eligible to receive future milestones as CSL advanced the compound into clinical development.

In March 2015, CSL notified us that they were terminating the 2013 Agreement. We have no remaining obligations under the agreement. We did not recognize any revenue under this agreement for the three and nine months ended September 30, 2015 and did not recognize any revenue for the three and nine months ended September 30, 2014. As of September 30, 2015 there is no remaining deferred revenue under the 2013 Agreement.

Novo Nordisk A/S

In December 2014, we entered into a collaboration and license agreement with Novo Nordisk A/S (Novo). Under the terms of the agreement we granted Novo a research license to use certain Xencor technologies including our bispecific, Immune Inhibitor, Xtend and other technologies during a two-year research term. We will provide research support for four FTE's in collaboration with Novo to apply our technologies to Novo provided targets to identify compounds with improved properties. Novo has an option to extend the research term for another twelve months upon written notice to us and payment of another year of research funding. At the end of the research term, Novo will have a commercial license to develop and commercialize any new targets identified during the research term.

The agreement provided for an upfront payment of \$2.5 million and research funding of \$1.6 million per year over the research term. We are also eligible to receive \$2.0 million in milestone payments upon the successful completion of certain projects during the research term. In addition, if Novo identifies a compound from the collaboration to advance into clinical development, we are eligible to receive future development, regulatory and commercial milestone payments and royalties.

We determined that the deliverables under the arrangement were the research license to our technologies and the research support. We believe that the research support and the technologies are integral to each other and are not separate units of accounting. The commercial license did not have standalone value at inception of the agreement due to the uncertainty of identifying a commercial target. We are recognizing the \$2.5 million upfront payment as income over the two year research term. The research funding is being recognized into income over the period that the services are being provided.

During the three and nine months ended September 30, 2015, we recognized \$0.7 million and \$2.1 million of revenue respectively. As of September 30, 2015, we have \$1.9 million in deferred revenue related to this arrangement.

9. Income Taxes

No provision for U.S. income taxes has been made, net of the valuation allowance, with the exception of the minimum statutory amounts, because the Company has incurred losses since its inception. The Company has deferred tax assets consisting primarily of net operating loss and tax credit carryforwards that have been fully offset by a valuation allowance.

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

The following discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this Quarterly Report on Form 10-Q and the financial statements and accompanying notes thereto for the fiscal year ended December 31, 2014 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2014, as amended. This Quarterly Report on Form 10-Q may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements, which represent our intent, belief, or current expectations, involve risks and uncertainties. We use words such as "may," "will," "expect," "anticipate," "estimate," "intend," "plan," "predict," "potential," "believe," "should" and similar expressions to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such statements may include, but are not limited to, statements concerning: (i) the initiation, cost, timing, progress and results of our research and development activities, preclinical studies and future clinical trials, including our expected timeline for nominating clinical development candidates under our strategic alliances and our expected timeline for filing applications with regulatory authorities; (ii) our ability to obtain and maintain regulatory approval of our future product candidates, and any related restrictions, limitations, and/or warnings in the label of an approved product candidate; (iii) our ability to obtain funding for our operations; (iv) our plans to research, develop and commercialize our future product candidates; (v) our ability to attract collaborators with development, regulatory and commercialization expertise; (vi) our ability to obtain and maintain intellectual property protection for our technology; (vii) the size and growth potential of the markets for our technology and future product candidates, and our ability to serve those markets; (viii) our ability to successfully commercialize our technology and our future product candidates; (ix) our ability to develop sales and marketing capabilities, whether alone or with potential future collaborators; (x) regulatory developments in the United States and foreign countries; and (xi) the performance of our collaboration partners, licensees, third-party suppliers and manufacturers. Although we believe the expectations reflected in these forward-looking statements are reasonable, such statements are inherently subject to risk and we can give no assurances that our expectations will prove to be correct. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. As a result of many factors, including without limitation those set forth under "Risk Factors" under Item 1A of Part II below, and elsewhere in this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements. We

undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this report or to reflect actual outcomes.

Company 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 potential revenue streams that require no further resources from Xencor. There are currently eight antibody product candidates in clinical trials that have been engineered with XmAb technology, including six candidates being advanced by licensees and development partners. We have several U.S. patents and U.S patent applications, in addition to foreign counterparts, on file to protect our XmAb technology platform.

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.

Since we commenced active operations in 1998, we have devoted substantially all of our resources to staffing our company, business planning, raising capital, developing our technology platforms, identifying potential product candidates, undertaking pre-clinical and IND enabling studies and conducting clinical trials. 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 stock and convertible promissory notes and through payments generated from our product development partnership and licensing arrangements. We raised \$80.5 million (\$72.5 million net of expenses) in December 2013 through the sale of common stock in connection with our Initial Public Offering (IPO) and full exercise by the underwriters of their over-allotment. We raised an additional \$122.9 million (\$115.2 million net of expenses) through a follow-on public offering of our common stock and full exercise by the underwriters of their over-allotment in March 2015. In September 2015 we received a \$45 million upfront payment from Amgen in connection with the 2015 Amgen Agreement. Although it is difficult to predict our funding requirements, based upon our current operating plan, we anticipate that our cash and cash equivalents and related marketable securities as of September 30, 2015, combined with collaboration payments that we anticipate receiving, will enable us to fund operations, including clinical development of XmAb5871, XmAb7195, XmAb14045 and XmAb 13676, our second bispecific clinical candidate, through 2019.

We have incurred losses in each year since our inception. Our net losses were \$25.3 million and \$15.1 million for the nine months ended September 30, 2015 and 2014, respectively. As of September 30, 2015, we had an accumulated deficit of \$269 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.

Company Programs

XmAb5871. XmAb5871 uses our XmAb Immune Inhibitor Fc Domain and targets B cells, an important component of the immune system. In December 2010, we entered into the Collaboration Agreement with Amgen for an option for the acquisition by Amgen of exclusive rights to our XmAb5871 product candidate. In October 2014, pursuant to a request by us, Amgen agreed to terminate the Collaboration Agreement for convenience, provided we grant them a right of first negotiation (ROFN) to obtain an exclusive license to develop and commercialize any future XmAb5871 product.

In January 2015, we announced top line data from our Phase 1b/2a clinical trial. In addition to the study's primary objective characterizing safety and tolerability, the data showed promising activity in patients with rheumatoid arthritis (RA), including multiple DAS28_CRP remissions and ACR50 and ACR70 responses. The Phase 1b part of the trial was a multiple ascending dose trial involving 29 patients. In the Phase 2a cohort of the trial, 15 XmAb5871 treated patients and eight placebo treated patients were evaluable for RA disease activity at the protocol specified disease activity assessment time point of two weeks following the sixth biweekly infusion. 33% of patients (5 of 15) that received all six biweekly doses of XmAb5871 achieved DAS28-CRP remission or low disease activity versus zero on placebo. This difference was also seen when evaluating across both parts of the study; 41.7% of patients who received any dose of XmAb5871 in Phase 1b or Phase 2a parts of the trial had low disease activity or remission on Day 85 (16.7% low and 25.0% remission) as compared to only 6.7% of patients in the placebo group (0% low and 6.7% remission). ACR responses were also enhanced in XmAb5871 treated patients. In the Phase 2a part of the trial, 86.7%, 40.0% and 20.0% of patients in the XmAb5871 treated group achieved an ACR20, ACR50 and ACR70 response, respectively, compared to 62.5%, 12.5% and 0% for the placebo group. Over the entire Phase 1b/2a trial, there were increased numbers of ACR20, ACR50 and ACR70 responders in the XmAb5871 treated cohorts compared to placebo (77.8% vs. 46.7%, 33.3% vs. 13.3% and 13.9% vs. 0. ACR70 and ACR50 responses refer, respectively to 70% and 50% reductions in the American College of Rheumatology rheumatoid arthritis symptom scale, a common measure of RA disease activity, and each is considered evidence of a substantial improvement in a patient's disease. An ACR20 score represents at least a 20% improvement in these criteria and is considered a modest improvement in a patient's disease..

Biweekly intravenous administration of XmAb5871 for 12 weeks was generally well tolerated. The most common XmAb5871 treatment related adverse events (AEs) observed were predominantly mild to moderate gastrointestinal toxicities (nausea, vomiting, diarrhea) occurring during the first infusion of XmAb5871. These gastrointestinal AEs did not typically recur on subsequent infusions and no infusions were discontinued due to these AEs. Treatment related serious adverse events (SAEs) occurred in two patients that received XmAb5871: infusion related reaction and venous thrombosis. Two patients in the placebo treated group also reported SAEs. In June 2015 we presented full study results at the European League Against Rheumatism (EULAR) 2015 Annual Meeting.

We plan to file an investigational new drug application (IND) this year for XmAb5871 in IgG4-Related Disease (IgG4-RD) and initiate enrollment in a Phase 2 open-label, pilot study in early 2016. We also plan to initiate clinical development of XmAb5871 in an additional autoimmune disease in 2016.

IgG4-RD is a rare fibro-inflammatory autoimmune disorder that impacts approximately 10,000-40,000 patients in the United States. IgG4-Related Disease affects multiple organ systems and is characterized by the distinct microscopic appearance of disease organs, including dense presence of IgG4-positive plasma cells that is required for diagnosis. This objective diagnostic criterion is atypical for autoimmune diseases and offers advantages for accurately identifying patients. There are currently no approved therapies for this newly recognized disorder and corticosteroids are the current standard of care. The initial IgG4-RD trial is planned to be an open-label pilot trial and will enroll approximately 15 subjects with scheduled treatment for up to 24 weeks. The recently reported IgG4-RD Responder Index will be used to assess treatment activity (Carruthers 2012, International Journal of Rheumatology). We plan to report preliminary data from the IgG4-RD trial by the end of 2016.

XmAb7195. XmAb7195 is our wholly-owned program being developed for the treatment of severe asthma and allergic diseases. It uses our XmAb Immune Inhibitor Fc Domain and is designed to reduce blood serum levels of IgE, which mediates allergic responses and allergic disease. In January 2015, we reported that interim data from Part 1 of the Phase 1 trial, where healthy subjects in consecutive dose cohorts received a single intravenous dose of XmAb7195 or placebo, showed rapid reduction of circulating free IgE levels to below the limit of detection at the end of the

XmAb7195 infusion in 90% of XmAb7195 treated subjects that had detectable free IgE pre-dose, including those at the lowest dose evaluated of 0.3 mg/kg. Total IgE levels were also reduced in a parallel fashion. Two subjects with high pre-dose IgE levels (above 400 IU/mL) were treated with XmAb7195, one each at 0.75 mg/kg and 3.0 mg/kg doses, and both had reduction of free IgE levels to below the limit of detection lasting for at least one week. A dose limiting toxicity of transient, asymptomatic thrombocytopenia (low blood platelet count) was observed at the 3.0 mg/kg dose. The decrease in platelet count was transient with a minimum by 24 hours post-dose, recovery starting by 48 hours post-dose and near full platelet count recovery by study Day 8 in all cases, at which time serum drug concentrations still exceeded levels that eliminate detectable IgE. No evidence of thrombocytopenia has been observed in any of the clinical trials of XmAb5871, an anti-CD19 antibody with the identical XmAb Immune Inhibitor Fc domain as that of XmAb7195. Moderate urticaria (hives) was reported in a total of seven XmAb7195 treated subjects with an apparent correlation of dose with frequency of occurrence. In all cases regardless of dose, the signs/symptoms of urticaria were mild, non-diffuse and easily treated with oral antihistamine, and the study drug infusions were continued to completion without worsening of symptoms. Otherwise, there were no other adverse events that occurred in more than two XmAb7195 treated subjects. There were no serious adverse events reported and no subject discontinued Part 1 of the trial early. We continue to conduct an analysis of safety, pharmacokinetics, immunogenicity and efficacy data of Part 1 of the Phase 1a study and have finished enrolling patients in Part 2 of the study, where otherwise healthy subjects with a history of allergic rhinitis and/or allergic conjunctivitis and/or atopic dermatitis and serum IgE levels greater than 300 IU/ml are enrolled in consecutive dose cohorts and given a single intravenous dose of XmAb7195 or placebo. In June 2015 we announced commencement of an expansion of the Phase 1 trial of XmAb7195, in which subjects will receive two doses of XmAb7195. This new part of the trial will allow the Company to examine IgE reduction and the safety profile of XmAb7195 after a second infusion. Data from this trial is expected in the first half of 2016. Additionally, we are planning a clinical trial with a subcutaneous formulation of XmAb7195 in 2016.

Bispecific programs: We continue to advance our XmAb® bispecific pipeline which allows us to create dual-antigen targeting molecules. The core of our bispecific programs is a novel Fc domain that is a scaffold for two, or potentially more, different antigen binding domains, creating a single molecule that can bind to two or more targets simultaneously. Our Fc domain technology is designed to maintain full-length antibody properties in a bispecific antibody, potentially enabling stable molecules with favorable *in vivo* half-life and allowing for the use of standard antibody production methods. These bispecific Fc domains are used to generate a broad array of novel drug candidates. 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 several bispecific antibodies built on these Fc domains are highly active in primate models.

In November 2014, we announced preclinical data from three programs using our XmAb bispecific Fc technology showing that bispecific antibodies targeting CD123, CD20 and CD38 antigens each activated T-cells to rapidly kill target cells from a single dose IV bolus in cynomolgus monkeys and demonstrated prolonged half-life of approximately one week in mice. Our initial bispecific programs are tumor-targeted antibodies that contain both a tumor antigen binding domain (CD123, CD20, or CD38) and a cytotoxic T-cell binding domain (CD3). We have selected our lead anti-CD123xCD3 bispecific antibody, XmAb14045, for IND-enabling studies and cGMP process development and manufacturing. We plan to initiate clinical trials in acute myeloid leukemia with XmAb14045 in the first half of 2016. In June we announced that we have selected XmAb13676 as our second bispecific candidate for clinical development. XmAb13676 is an anti-CD20xCD3 bispecific antibody that targets B-cell malignancies. We plan on initiating clinical trials for this candidate in the second half of 2016. Additional bispecific development candidates against additional tumor targets are also in discovery.

In September 2015 we entered into the 2015 Agreement with Amgen to develop bispecific product candidates with our bispecific technology. Under the 2015 Agreement and upon delivery by us of the DNA sequences, constructs and preclinical data that we have generated for the CD38 Program, Amgen will assume all future development of our CD38 x CD3 preclinical program. Subsequent to execution of the 2015 Agreement, we have delivered the DNA sequences, constructs and related CD38 preclinical data to Amgen. As part of the 2015 Agreement, Amgen will also provide five predetermined targets to us and we will apply our bispecific technology to Amgen-provided molecules against the targets and return the bispecific product candidates to Amgen for further testing and development. Amgen will assume all future development of these bispecific product candidates. The Amgen transaction highlights the plug-and-play nature of our bispecific platform and the ability to apply it to multiple targets in an efficient manner.

Licensing Partnerships: We currently have seven licensing partnerships for the licensing of our XmAb technology. These arrangements provide upfront payments and annual licensing fees in addition to potential milestones and contractual payments as our partners advance compounds that incorporate our technology into clinical development. In the first quarter of 2014, Merck initiated a Phase 1 clinical trial with an undisclosed product with our Fc optimization technology which triggered a milestone payment. In the third quarter of 2014, Alexion initiated a Phase 1 clinical trial with an undisclosed product incorporating our Xtend technology. In December 2014, we announced a discovery collaboration with Novo Nordisk to jointly discover novel biologic drug candidates for an undisclosed target by combining multiple Xencor XmAb technologies. In March 2015, CSL notified us that they were terminating the 2013 Agreement. In August 2015, CSL, through its sublicensee, Janssen, initiated a Phase 2 clinical trial with JNJ-56022473 which incorporates our Cytotoxic Fc Domain. The Phase 2 trial initiation triggered a \$2.5 million milestone payment to us. There are currently six compounds in clinical development from our partners that have incorporated our XmAb technology.

Results of Operations

Comparison of the Three Months Ended September 30, 2015 and 2014

The following table summarizes our results of operations for the three months ended September 30, 2015 and 2014 (in millions):

	Three Months Ended		
	September 30,		
	2015	2014	Change
Revenues:			
Research collaboration	\$ 0.7	\$ 0.6	\$ 0.1
Licensing	0.3	0.2	0.1
Milestone	2.5	—	2.5
Total revenues	\$ 3.5	\$ 0.8	\$ 2.7
Operating expenses:			
Research and development	10.6	4.9	5.7
General and administrative	3.2	2.2	1.0
Total operating expenses	13.8	7.1	6.7
Other income (expense), net	0.3	—	0.3
Net loss	\$ (10.0)	\$ (6.3)	\$ (3.7)

Research Collaboration Revenues

Research collaboration revenues were \$0.7 million and \$0.6 million for the three months ended September 30, 2015 and 2014 respectively. The \$0.1 million increase in revenue reflects the revenue earned under our agreement with Novo Nordisk in 2015 compared with the revenue earned in 2014 from Amgen under the 2010 Agreement which terminated in the fourth quarter of 2014.

Licensing Revenues

Licensing revenues were \$0.3 million and \$0.2 million for the three months ended September 30, 2015 and 2014 respectively. The licensing revenue in each three-month period reflects revenue earned under our agreement with Alexion.

Milestone Revenues

Milestone and contingent payments were \$2.5 million and zero for the three months ended September 30, 2015 and 2014 respectively. The milestone revenue of \$2.5 million in 2015 reflects revenue earned under the 2009 Agreement with CSL.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended September 30, 2015 and 2014, (in millions):

	Three Months Ended		
	September 30,		
	2015	2014	Change
Product programs:			
XmAb5871	\$ 2.4	\$ 1.0	\$ 1.4
XmAb7195	1.8	1.9	(0.1)
Bi-specific	5.8	1.7	4.1
Early research and discovery	0.6	0.3	0.3
Total research and development expenses	\$ 10.6	\$ 4.9	\$ 5.7

Research and development expenses were \$10.6 million for the three months ended September 30, 2015 compared to \$4.9 million for the same period in 2014, an increase of \$5.7 million. Spending on the XmAb5871 and bispecific programs increased during the three months ended September 30, 2015 compared to the same period in 2014, while spending on the XmAb 7195 decreased during the same periods. The \$1.4 million increase in spending associated with the XmAb5871 program is primarily due to expenses related to the development and planned clinical trial in IgG4-RD. There was an increase in spending of \$4.1 million in the three months ended September 30, 2015 on our bispecific program as we advanced our initial bispecific candidates, XmAb14045 and XmAb13676, into IND enabling studies and manufacturing of drug supply and conducted additional work on our bispecific platform and other preclinical programs.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended September 30, 2015 and 2014 (in millions):

	Three Months Ended		
	September 30,		
	2015	2014	Change
General and administrative	\$ 3.2	\$ 2.2	\$ 1.0

General and administrative expenses were \$3.2 million and \$2.2 million for the three months ended September 30, 2015 and 2014, respectively, an increase of \$1.0 million. The increase is primarily due to an increase in professional fees and stock based compensation costs.

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

The following table summarizes our results of operations for the nine months ended September 30, 2015 and 2014 (in millions):

	Nine Months Ended		
	September 30,		
	2015	2014	Change
Revenues:			
Research collaboration	\$ 2.1	\$ 1.8	\$ 0.3
Licensing	0.9	1.6	(0.7)
Milestone	3.0	0.5	2.5
Total revenues	\$ 6.0	\$ 3.9	\$ 2.1
Operating expenses:			
Research and development	23.3	13.5	9.8
General and administrative	8.5	5.5	3.0
Total operating expenses	31.8	19.0	12.8
Other income (expense), net	0.5	—	0.5
Net loss	\$ (25.3)	\$ (15.1)	\$ (10.2)

Research Collaboration Revenues

Research collaboration revenues were \$2.1 million and \$1.8 million for the nine months ended September 30, 2015 and 2014 respectively. The \$0.3 million increase in revenue reflects the revenue earned under our agreement with Novo Nordisk in 2015 compared with the revenue earned in 2014 from Amgen under the 2010 Agreement which terminated in the fourth quarter of 2014.

Licensing Revenues

Licensing revenues were \$0.9 million and \$1.6 million for the nine months ended September 30, 2015 and 2014 respectively. The lower licensing revenue of \$0.7 million in 2015 over 2014 amounts reflects the revenue earned under the 2009 Agreement with CSL.

Milestone Revenues

Milestone and contingent payments for the nine months ended September 30, 2015 and 2014 were \$3.0 million and \$0.5 million respectively. The \$2.5 million increase from 2015 reflects the milestone revenue earned under the 2009 Agreement with CSL.

Research and Development Expenses

The following table summarizes our research and development expenses for the nine months ended September 30, 2015 and 2014, (in millions):

	Nine Months Ended		
	September 30,		
	2015	2014	Change
Product programs:			
XmAb5871	\$ 5.3	\$ 2.9	\$ 2.4
XmAb7195	4.3	5.1	(0.8)
Bi-specific	12.1	3.2	8.9
Early research and discovery	1.6	2.3	(0.7)
Total research and development expenses	\$ 23.3	\$ 13.5	\$ 9.8

Research and development expenses were \$23.3 million for the nine months ended September 30, 2015 compared to \$13.5 million for the same period in 2014, an increase of \$9.8 million. Spending on the XmAb7195 and early research and discovery programs decreased during the nine months ended September 30, 2015 compared to the same period in 2014, while spending on the bispecific program and the XmAb 5871 programs increased during the same periods. The \$0.8 million decrease in spending associated with the XmAb7195 program is primarily due to a decrease in manufacturing costs for the drug product. There was an increase in spending of approximately \$2.4 million on the XmAb5871 program related to continued development costs for the planned clinical trials targeting IgG4-RD. There was an increase in spending of \$8.9 million in the nine months ended September 30, 2015 on our bispecific program as we advanced our initial bispecific candidates, XmAb14045 and XmAb13676, into IND enabling studies and manufacturing of drug product and conducted additional work on our bispecific platform and other preclinical bispecific programs.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2015 and 2014 (in millions):

	Nine Months Ended		
	September 30,		
	2015	2014	Change
General and administrative	\$ 8.5	\$ 5.5	\$ 3.0

General and administrative expenses were \$8.5 million and \$5.5 million for the nine months ended September 30, 2015 and 2014, respectively, an increase of \$3.0 million. The increase is primarily due to an increase in staffing of legal and accounting personnel, professional fees and stock based compensation costs.

Cash Flows

The following table sets forth the primary sources and uses of cash for each of the periods presented below (in thousands):

	<u>Nine Months Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Net cash provided by (used in):			
Operating activities	\$ 30,511	\$ (15,487)	\$ 45,998
Investing activities	(143,416)	(1,696)	(141,720)
Financing activities	115,994	131	115,863
Net increase (decrease) in cash	<u>\$ 3,089</u>	<u>\$ (17,052)</u>	<u>\$ 20,141</u>

Operating Activities

Cash provided by operating activities for the nine months ended September 30, 2015 was \$30.5 million compared to cash used in operating activities of \$15.5 million for the nine months ended September 30, 2014, an increase of \$46.0 million. The increase in cash provided by operating activities is primarily due to our receipt of upfront payment of \$45 million from our 2015 Amgen research and licensing transaction which is reported in deferred revenue at September 30, 2015.

Investing Activities

Investing activities consist primarily of investments in marketable securities, purchases of intangible assets, capitalization of patent and licensing costs and, purchases of property and equipment. Net cash used in investing activities was \$143 million and \$1.7 million for the nine months ended September 30, 2015 and 2014, respectively. We purchased \$1.2 million of intangible assets for the nine months ended September 30, 2015 compared to \$1.1 million for the same period in 2014. We purchased \$168 million of marketable securities for the nine months ended September 30, 2015, offset by proceeds from the sale of marketable securities of \$28 million. We purchased \$1.7 million of capital equipment for the nine months ended September 30, 2015 compared to \$0.6 million for the same period in 2014. This increase is primarily related to additional capital spending on laboratory equipment, facility improvements and equipment.

Financing Activities

Net cash provided by financing activities consist primarily of net proceeds of \$115.2 million from the sale of common stock and \$0.8 million from the issuance of common stock upon exercise of stock awards as well as the Employee Stock Purchase Plan during the nine months ended September 30, 2015.

Liquidity and Capital Resources

We have financed our operations primarily through private placements of our equity and convertible notes, the public offerings of our common stock, and payments received under our product development partnerships and licensing arrangements.

On March 3, 2015, we finalized the sale of 8,625,000 shares of common stock at an offering price of \$14.25 per share, resulting in net proceeds of approximately \$115.2 million, after deducting underwriting discounts, commissions and offering expenses. In September 2015 we received a \$45 million upfront payment in connection with our 2015 Amgen transaction.

At September 30, 2015, we had \$197.6 million of cash, cash equivalents and marketable securities. We expect to continue to receive additional payments from our collaborators for research and development services rendered, additional milestone, contingent payments, opt-in and annual license maintenance payments. Our ability to receive milestone payments and contingent payments from our partners is dependent upon either our ability or our partners' abilities to achieve certain levels of research and development activities and is therefore uncertain at this time.

Funding Requirements

We have not generated any revenue from product sales to date and do not expect to do so until such time as we obtain regulatory approval of and commercialize one or more of our product candidates. As we are currently in clinical stage of development, it will be some time before we expect to achieve this and it is uncertain that we ever will. We expect that we will continue to increase our operating expenses in connection with ongoing as well as additional clinical and pre-clinical development of product candidates in our pipeline.

Although it is difficult to predict our funding requirements, we expect that our existing cash, cash equivalents and marketable securities and certain potential milestone and contingent contractual payments will fund our operating expenses and capital expenditure requirements through 2019. 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.

Off-Balance Sheet Arrangements

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

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary objective when considering our investment activities is to preserve capital in order to fund our operations. Our primary exposure to market risk is related to changes in interest rates. Our current investment policy is to invest principally in deposits and securities issued by the U.S. government and its agencies, government sponsored agency debt obligations, corporate debt obligations and money market instruments. As of September 30, 2015 we had cash and cash equivalents and marketable securities of \$198 million consisting of bank deposits, interest-bearing money market accounts, and US government and corporate securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. Due to the short-term maturities of our cash equivalents and marketable securities and the conservative risk profile of our marketable securities, a substantial change in interest rates would not have a material effect on the fair market value of our cash equivalents and marketable securities. We have the ability to hold our marketable securities until maturity, and we therefore do not expect a change in interest rates to affect our operating results or cash flows to any significant degree.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2015. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in this Quarterly Report on Form 10-Q has been appropriately recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level as of September 30, 2015.

Changes in Internal Control

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On March 3, 2015, a verified class action complaint, captioned DePinto v. John S. Stafford, et al., C.A. No. 10742, was filed in the Court of Chancery of the State of Delaware against certain of the Company's current and former directors alleging cause of action for Breach of Fiduciary Duty and Invalidity of Director and Stockholder Consents. In general, the complaint alleged that the plaintiff and the class he seeks to represent were shareholders of the Company during the recapitalization and certain related transactions that the Company underwent in 2013 and that the defendants breached their fiduciary duties in the course of approving that series of transactions. It also challenged as invalid certain corporate acts taken in the 2013 time period. On June 10, 2015, the Company filed a Verified Petition for Relief under Del. C. Section 205 (the 205 Petition) related to the corporate acts challenged in the complaint. The defendants filed an answer to the class action complaint on June 22, 2015. On July 9, 2015, the Court consolidated the 205 Petition with the class action, joined the Company as a defendant and ordered it to file the claims in the 205 Petition as counter-claims in the class action, which the Company has done.

On August 11, 2015, the Company filed a Motion for leave to File an Amended Counter-Claim, along with the proposed Amended Counter-Claim and related documents. On October 5, 2015, the parties filed a Stipulation of Partial Settlement and related documents disclosing a settlement of the invalidity claims addressed in the complaint, the counter-claim and the proposed amended counter-claim including a request by plaintiff's counsel for reimbursement of legal fees up to \$950,000. On October 7, 2015, Xencor filed the Amended Counter-Claim and the related documents. The Company intends to vigorously defend against the request to pay legal fees. Based on the nature of the claim, the Company believes that it is not possible to estimate a potential loss related to the claim; accordingly, no amount for any loss has been accrued at September 30, 2015.

Item 1A. Risk Factors

Our business and results of operations are subject to numerous risks, uncertainties and other factors that you should be aware of, some of which are described below. The risks, uncertainties and other factors described below are not the only ones facing our company. Additional risks, uncertainties and other factors not presently known to us or that we currently deem immaterial may also impair our business operations.

The risk factors set forth below with an asterisk () next to the title contain changes to the description of the risk factors associated with our business previously disclosed in Item 1A. of our annual report on Form 10-K for the year ended December 31, 2014, as amended. Any of the risks, uncertainties and other factors could have a materially adverse effect on our business, financial condition or results of operations and could cause the trading price of our common stock to decline substantially.*

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 equity and debt financings and our research and licensing agreements and have incurred significant operating losses since our inception in 1997. Our net losses for the nine months ended September 30, 2015 and 2014 were \$25.3 million and \$15.1 million, respectively. As of September 30, 2015, we had an accumulated deficit of \$269 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.

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, XmAb7195, XmAb14045 and XmAb13676 as well as the product candidates that are being developed by us, our partners or 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 Amgen for our bispecific candidates and technology and 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.*

We expect our expenses to increase in connection with our ongoing development activities, including additional clinical trials of XmAb5871 and XmAb7195 and continued development of our bispecific drug candidates including XmAb14045, XmAb13676 and other research activities. Identifying potential product candidates and conducting preclinical testing and clinical trials are time-consuming, expensive and uncertain processes that take 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. 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 our existing cash, cash equivalents and marketable securities, together with interest thereon, will be sufficient to fund our operations through the end of 2019. 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 clinical trials for XmAb5871, XmAb7195 or our planned clinical trials for our bispecific candidates or other drug candidates may encounter technical, enrollment or other issues that could cause our development costs to increase more than we expect. 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 XmAb5871, XmAb7195, XmAb14045, XmAb13676 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 our bispecific candidates, our current lead internal 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 and 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 1b/2a clinical trial of XmAb5871, for example, some subjects reported mild to moderate gastrointestinal toxicities (nausea, vomiting, and diarrhea). Other treatment related adverse events experienced in more than two XmAb5871-treated patients were pyrexia (fever) and headache. Treatment related serious adverse events occurred in two patients that received XmAb5871: infusion related reaction and venous thrombosis. Further, interim analysis in our Phase 1a clinical trial of XmAb7195 resulted in subjects having urticarial and dose limiting thrombocytopenia. If these or other side effects cause excessive discomfort, safety risks or reduction in acceptable dosage, then the development and commercialization of XmAb5871 or XmAb7195 could suffer significant negative consequences.

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.

In early 2015 we reported that there were some dose-limiting toxicities in our Phase 1a clinical trial of XmAb7195 that may limit the potency of the dose we can give in the future. 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.

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 four properties: immune inhibition, cytotoxicity, extended half-life and more recently, heterodimeric Fc domains enabling molecules with dual target binding. This platform has led to our five lead product candidates, XmAb5871, XmAb7195 and XmAb5574/MOR208, and our first bispecific development candidate, XmAb14045 and XmAb13676, 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 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. 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 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, Novo Nordisk, 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, 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 described in these risk factors relating to product development, regulatory approval and commercialization described in this Quarterly Report 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) for the production of XmAb5871 and XmAb7195 and third parties for fill and testing services, pursuant to existing agreements. We rely on KBI Biopharma, Inc. (KBI) to develop manufacturing processes for the manufacturing of our bispecific development candidates, XmAb14045 and XmAb13676. Any of our contract manufacturers may not perform as agreed, may be unable to comply with cGMP requirements and with FDA, state and foreign regulatory requirements or may terminate their respective agreements 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 KBI and are currently completely dependent on each of Catalent and KBI for the production of XmAb5871, XmAb7195, XmAb14045 and XmAb13676 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 KBI 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 XmAb5871, XmAb7195, XmAb14045 or XmAb13676 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, XmAb7195, XmAb14045 and XmAb13676, we have not entered into a commercial supply agreement with either Catalent or KBI and neither has demonstrated that they will be capable of manufacturing XmAb5871, XmAb7195, XmAb14045 or XmAb13676 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 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 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 or any of our product candidates 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 or other product candidates 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, XmAb7195, XmAb14045, XmAb13676 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 manufacturers 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 December 31, 2014, we held at least 150 issued patents and 170 pending patent applications. We file 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 cannot 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. It is also possible that we might unknowingly in-license technology that has U.S. government march-in rights in connection with other technology.

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 parte 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 \$7.0 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.

In addition, during the course of our operations our directors, executives, and employees may have access to material, nonpublic information regarding our business, our results of operations, or potential transactions we are considering. We may not be able to prevent a director, executive, or employee from trading in our common stock on the basis of, or while having access to, material, nonpublic information. If a director, executive, or employee was to be investigated or an action was to be brought against a director, executive, or employee for insider trading, it could have a negative impact on our reputation and our stock price. Such a claim, with or without merit, could also result in substantial expenditures of time and money, and divert attention of our management team from other tasks important to the success of our business.

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 Ownership of Our Common Stock

The market price of our common stock is likely to be highly volatile, and you could lose all or part of your investment.*

Prior to our recently completed initial public offering, there was no public market for our common stock. The trading price of our common stock is likely to be volatile. Since our IPO, the trading price of our common stock has

ranged from a low of approximately \$5.75 to a high of approximately \$24.82 through September 30, 2015. 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 and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

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.

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.*

Based on information available to us as of September 30, 2015 our executive officers, directors, 5% stockholders and their affiliates beneficially owned, as a group, approximately 37.2% of our voting stock. Further, John

S. Stafford III, one of our directors, beneficially owns approximately 17.8% of our voting stock and his family members beneficially own approximately an additional 8.1% of our voting stock. Therefore, 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 amount of our outstanding voting stock. These stockholders 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:

- 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) December 31, 2018, (2) the last day of the fiscal year (a) in which we have total annual gross revenue of at least \$1 billion, or (b) in which we are deemed to be a large accelerated filer, and (3) 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 cannot predict if investors will find our common stock less attractive because we are an emerging growth company. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

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 have or are currently conducting early phase clinical trial for XmAb5871 and XmAb7195, but have not completed any late stage clinical trials for these or any other product candidate. We have not yet demonstrated our ability to successfully complete any 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 weakness and significant deficiencies 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 audit of our financial statements for the year ended December 31, 2013, we concluded that there were a material weakness and significant deficiencies 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 weakness our independent registered public accounting firm identified related to 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 significant deficiencies related to adjustments to stock-based compensation and additional paid-in capital, and to the financial reporting close process as it related to periodic review of intangible assets and accrued compensation amounts, although the amounts were individually and in the aggregate not material.

To remediate our resource weakness and the significant deficiencies, we have hired additional finance and accounting personnel to augment our accounting staff and to provide more resources for complex GAAP accounting matters. To remediate our revenue recognition weakness, we have reviewed our revenue recognition policies and procedures, hired personnel with experience with respect to such policies and procedures and devoted additional resources to our revenue recognition. We have updated our accounting policies and the documentation of our procedures and engaged an independent third party to review our policies, procedures and our documentation.

In addition 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 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.

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

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline. In addition, shares of common stock that are subject to outstanding options become eligible from time to time for sale in the public market to the extent permitted by the provisions of various vesting schedules. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

The holders of 10,149,071 shares of our common stock, or approximately 32.3% of our total outstanding common stock as of December 31, 2014, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by affiliates, as defined in Rule 144 under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

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 4% 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.

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. Upon analysis, we believe that we triggered “ownership change” and our net operating loss and tax credit carryforwards have been limited as a result. The limitation of our tax credits and our net operating loss carryforwards 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. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Requirements associated with being a public reporting company will continue to increase our costs significantly, as well as divert significant company resources and management attention.

We have only been subject to the reporting requirements of the Exchange Act and the other rules and regulations of the Securities and Exchange Commission (SEC) since December 2013. We are working with our legal, independent accounting, and financial advisors to identify those areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public reporting company. These areas include corporate governance, corporate control, disclosure controls and procedures, and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas. Compliance with the various reporting and other requirements applicable to public reporting companies will require considerable time, attention of management, and financial resources. In addition, the changes we make may not be sufficient to allow us to satisfy our obligations as a public reporting company on a timely basis

Further, the listing requirements of The NASDAQ Global Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel will need to devote a substantial amount of time to ensure that we comply with all of these requirements. Moreover, the reporting requirements, rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. These reporting requirements, rules and regulations, coupled with the increase in potential litigation exposure associated with being a public company, could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or board committees or to serve as executive officers, or to obtain certain types of insurance, including directors' and officers' insurance, on acceptable terms.

In addition, being a public company could make it more difficult or more costly for us to obtain certain types of insurance, including directors' and officers' liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Any changes we make to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all.

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

Recent Sales of Unregistered Securities

None

Use of Proceeds from Registered Securities

On December 3, 2013, we completed our IPO and issued 14,639,500 shares of our common stock at \$5.50 per share, which included shares we issued pursuant to our underwriters' exercise of their over-allotment option, and received net proceeds of \$72.5 million, after underwriting discounts, commissions and estimated offering expenses. None of the expenses associated with the IPO were paid to directors, officers, persons owning 10% or more of any class of equity securities, or to their associates, or to our affiliates.

Shares of our common stock began trading on the NASDAQ Global Market on December 3, 2013. The shares were registered under the Securities Act on registration statements on Form S-1 (Registration Nos. 333-191689).

We are using the proceeds from the IPO to fund research and development activities and for working capital and general corporate purposes. We described the planned use of proceeds from our IPO in our prospectus dated December 2, 2013, filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, including using a portion of such proceeds for a planned Phase 2b clinical trial with XmAb5871. In October 2014, we announced that we will not be pursuing a Phase 2b clinical trial of XmAb5871 in RA and will initiate clinical development of XmAb5871 in IgG4-Related Diseases and possibly other autoimmune diseases. As of September 30, 2015, we have used approximately \$38.5 million of the funds from the IPO.

Item 6. Exhibits

- 3.1 Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 11, 2013).
- 3.2 Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 11, 2013).
- 4.1 Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 25, 2013).
- 4.2* Third Amended and Restated Investor Rights Agreement, dated September 26, 2013, among the Company and certain of its stockholders incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
- 10.1** Research and License Agreement effective September 15, 2015 between the Company and Amgen Inc.
- 31.1 Rule 13a-14(a) Certification of Principal Executive Officer.
- 31.2 Rule 13a-14(a) Certification of Principal Financial Officer.
- 32.1 Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Schema Document
- 101.CAL XBRL Calculation Linkbase Document
- 101.DEF XBRL Definition Linkbase Document
- 101.LAB XBRL Labels Linkbase Document
- 101.PRE XBRL Presentation Linkbase Document

* 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.

SIGNATURES

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

XENCOR, INC.

BY: /s/ BASSIL I. DAHIYAT

Bassil I. Dah, Ph.D.

President and Chief Executive Officer

(Principal Executive Officer)

BY: /s/ JOHN J. KUCH

John J. Kuch

Vice President, Finance

(Principal Financial Officer)

Dated: November 3, 2015

EXHIBIT INDEX

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101.PRE	XBRL Presentation Linkbase Document

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** 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.

CONFIDENTIAL
EXECUTION VERSION

EXHIBIT 10.1

RESEARCH AND LICENSE AGREEMENT

This Research and License Agreement (the “**Agreement**”) is entered into as of September 15, 2015 (the “**Effective Date**”), by and between **Xencor, Inc.**, a corporation organized under the laws of the State of Delaware (“**Xencor**”), having an address of 111 West Lemon Avenue, Monrovia, California 91016, and **Amgen Inc.**, a corporation organized under the laws of the State of Delaware (“**Amgen**”), having an address of One Amgen Center Drive, Thousand Oaks, California 91320.

Recitals

Whereas, Xencor has developed expertise in engineering Bi-Specific Antibodies (as defined below);

Whereas, Amgen is engaged in the research, development and commercialization of pharmaceutical products, including Bi-Specific Antibodies;

Whereas, the parties intend to conduct a discovery program using the Xencor Know-How to identify Compounds and Products (as such terms are defined below) for development and commercialization, subject to the terms and conditions of this Agreement; and

Whereas, Amgen desires to obtain from Xencor, and Xencor desires to grant to Amgen, an exclusive license to develop, manufacture, and commercialize Products, subject to the terms and conditions of this Agreement.

Agreement

Now, Therefore, in consideration of the foregoing premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Xencor and Amgen hereby agree as follows:

1. Definitions

1.1 “Affiliate” means, with respect to a given Person, any Person that, directly or indirectly, through one or more intermediaries, is controlled by, controls, or is under common control with such party, as the case may be, but for only so long as such control exists. As used in this Section 1.1, “control” shall mean direct or indirect beneficial ownership of more than 50% (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) of the voting share capital or other equity or economic interest of a Person, or the power, whether pursuant to a contract, ownership of securities or otherwise, to direct the management and policies of a Person.

1.2 “Amgen Background Patents” means any and all Patents that Amgen or any of its Affiliates Controls as of the Effective Date or during the Term that (i) Cover Amgen Know-How,

or (ii) would be infringed by (a) the performance of Xencor's obligations hereunder, or (b) the development, manufacture, use, or sale of a Xencor Reverted Product, excluding Amgen Invention Patents.

1.3 “Amgen Invention” means, subject to Section 9.1(a)(i) and (ii), any Invention invented solely by Amgen or its Affiliates or Sublicensees or by any of their employees or contractors.

1.4 “Amgen Invention Patent” means a Patent that Covers an Amgen Invention.

1.5 “Amgen Know-How” means all Know-How that Amgen or any of its Affiliates Controls as of the Effective Date or during the Term (subject to Section 15.6), excluding Amgen Inventions, which Know-How (i) is disclosed by Amgen to Xencor, in Amgen’s sole discretion and is reasonably necessary or useful for Xencor to perform Research Program activities, or (ii) (A) was used by Amgen or its Affiliates in research and development of the Programs prior to the Effective Date or (B) is used by Amgen or its Affiliates, or Xencor or its Affiliates, in performing its obligations or exercising its rights hereunder after the Effective Date.

1.6 “Amgen Patents” means all Amgen Background Patents and Amgen Invention Patents.

1.7 “Amgen Technology” means the Amgen Know-How, Amgen Inventions and the Amgen Patents.

1.8 “Antibody” means any protein derived from an immunoglobulin or fragment thereof (including heavy chain domains, light chain domains, Fc domains, constant chain domains, scFv, Fv Region, Fab and Fab’2 fragments).

1.9 “Available” [...***...].

1.10 “Biosimilar” [...***...]

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[*...***...].

1.11 “Bi-Specific Antibody” means an Antibody that (i) contains a heterodimeric Fc domain, and (ii) has at least two Fv Regions, which Fv Regions bind two, and only two, different Targets.

1.12 “Calendar Quarter” means each respective period of three consecutive months ending on March 31, June 30, September 30, and December 31.

1.13 “Calendar Year” means each respective period of 12 consecutive months ending on December 31.

1.14 “[...***...].

1.15 “[...***...].

1.16 “[...***...].

1.17 “Change of Control” means with respect to a specified party: (a) the acquisition, directly or indirectly, by a Person or “group” (whether in a single transaction or multiple transactions) of more than 50% of the voting power of such party or of beneficial ownership of (or the right to acquire such beneficial ownership) of more than 50% of the outstanding equity or convertible securities of such party (including by tender offer or exchange offer); (b) any merger, consolidation, share exchange, business combination, recapitalization, the sale of substantially all assets of, or similar corporate transaction involving such party (whether or not including one or more wholly owned subsidiaries of such party), other than: (i) transactions involving solely such party and one of more Affiliates, on the one hand, and one or more of such party’s Affiliates, on the other hand, and/or (ii) transactions in which the stockholders of such party immediately prior to such transaction hold at least 50% of the voting power of the surviving company or ultimate parent company of the surviving company; or (c) the adoption of a plan relating to the liquidation or dissolution of such party. For purposes of this definition, the terms “group” and “beneficial

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ownership” shall have the meaning accorded in the U.S. Securities Exchange Act of 1934 and the regulations promulgated thereunder in effect as of the Effective Date.

1.18 “Combination Product” means a Product sold in combination with other pharmaceutical products.

1.19 “Commercially Reasonable Efforts” means, with respect to a party and an obligation to conduct a particular activity pertaining to the research, development or commercialization obligations hereunder that level of efforts and resources reasonably required to carry out such obligation consistent with the efforts commonly used by a similarly situated company in the biopharmaceutical industry with respect to a biopharmaceutical product which is of similar market potential and at a similar stage in its development or product life, and other relevant factors such as technical, legal, scientific or medical factors. Without limiting the foregoing, Commercially Reasonable Efforts requires, with respect to such obligations, that the party: promptly assign responsibility for such obligation to specific employee(s) or management team, which employees or team are responsible for progress and monitor such progress on an on-going basis, set annual objectives for carrying out such obligations, and allocate resources designed to advance progress with respect to such objectives. Notwithstanding the foregoing, to the extent that the performance of a party’s obligations hereunder is impaired by the other party’s failure to perform its obligations hereunder, the determination of whether such first party has used Commercially Reasonable Efforts in performing a given obligation will be determined in the context of such other party’s failure.

1.20 “Compound” means a Discovery Program Compound or a Xencor Compound, as applicable.

1.21 “Confidential Information”, of a party, means confidential or proprietary information, whether written, oral or in any other form, disclosed by such party to the other party, including any of the foregoing of Third Parties. “Confidential Information” shall also include information exchanged prior to the date hereof by either party pursuant to the Nondisclosure Agreement. “Confidential Information” includes the following, which are transferred, disclosed or made available by the disclosing party:

- (a) confidential and proprietary technical and commercial information, Know-How, drawings, specifications, models and/or designs relating to development, manufacture, production, registration, promotion, distribution, marketing, performance or sale(s);
- (b) experimental, manufacturing, process, analytical, packaging, product, warehousing, quality control and quality assurance and marketing specifications, standards, procedures, processes, methods, instructions and techniques, samples, prototypes, formulae, writings of any kind, opinions or otherwise unwritten data or in the form of computer software or computer programs;
- (c) biological, chemical or physical materials provided under this Agreement;
- (d) reports provided under this Agreement; and

(e) subject to Section 11.5, the terms of this Agreement, including correspondence and notices provided under this Agreement.

1.22 “Control” or “Controlled” means, with respect to any Know-How, Patent or other intellectual property right, the legal authority or right (whether by ownership, license or otherwise but without taking into account any rights granted by one party to the other party under the terms of this Agreement) of a party or its Affiliates to grant access, a license or a sublicense of or under such Know-How, Patent or other intellectual property rights to another party hereto, or to otherwise disclose proprietary or trade secret information to such other party, without (i) breaching the terms of any agreement with a Third Party, or misappropriating the proprietary or trade secret information of a Third Party, in each case in existence as of the time such party or its Affiliates would first be required hereunder to grant the other party such access, license or sublicense, or (ii) requiring any payment (whether or not then due and payable) with respect to the grant or exercise of such access, license or sublicense under any agreement with any Third Party in place as of the time such party would first be required hereunder to grant such access and license or sublicense (unless the other party agrees in writing to be responsible for such payments).

1.23 “Cover” means, with respect to a product and a Patent, that, in the absence of a (sub)license under, or ownership of, such Patent, the making, using, importing, offering for sale, selling or exporting of such product with respect to a given country would infringe, or contribute to or induce the infringement of, a Valid Claim of such Patent, or with respect to a patent application, any claim of such patent application as if it were contained in an issued patent. Cognates of the word **“Cover”** shall have correlative meanings.

1.24 “Discovery Program Compound” means a Bi-Specific Antibody that is created in the performance of a Discovery Program.

1.25 “[*...***...].

1.26 “FDA” means the U.S. Food and Drug Administration, or any successor agency thereto.

1.27 “Field” means any and all uses.

1.28 “First Commercial Sale” means, on a Product-by-Product and country-by-country basis, the first sale of such Product by Amgen or any of its Affiliates or Sublicensees to a Third Party for end use or consumption in such country after Regulatory Approval has been granted with respect to such Product in such country; provided, that “First Commercial Sale” shall not include any sale (i) by Amgen to an Affiliate or Sublicensee, or (ii) sale, disposal or use of a Product for marketing, regulatory, development or charitable purposes, such as clinical trials, pre-clinical trials, compassionate use, named patient use, or indigent patient programs, without consideration.

1.29 “FTE Rate” means \$[...***...] per year.

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1.30 “Fv Region” means an antigen binding domain of an antibody containing a variable heavy region and a variable light region. For clarity, Fv Regions can be scFv domains or be contained within Fab domains, each on a different polypeptide sequence.

1.31 “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 or other entity generally recognized as having the right to establish such principles in the United States, in each case consistently applied.

1.32 “GCP” means the then-current good clinical practices officially published by the FDA and under the ICH, and comparable regulatory standards in jurisdictions outside the U.S., that may be in effect from time to time.

1.33 “GLP” means the then-current good laboratory practice standards promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58, and comparable regulatory standards in jurisdictions outside the U.S., that may be in effect from time to time.

1.34 “GMP” means then-current good manufacturing practices required by the FDA, as set forth in the U.S. Federal Food, Drug and Cosmetic Act, as amended, and the regulations promulgated thereunder, for the manufacture and testing of biopharmaceutical materials, and comparable laws or regulations applicable to the manufacture and testing of biopharmaceutical materials in jurisdictions outside the U.S., that may be in effect from time to time. For clarity, GMP shall include applicable quality guidelines promulgated under the ICH.

1.35 “ICH” means the International Conference on Harmonization (of Technical Requirements for Registration of Pharmaceuticals for Human Use).

1.36 “[*...***...].

1.37 “[...***...].

1.38 “IND” means an investigational new drug application filed with the applicable Regulatory Authority, which application is required to commence human clinical trials in the applicable country.

1.39 “Initiation”, with respect to a clinical trial or GLP toxicity study, means the first dosing of a subject in such clinical trial or study.

1.40 “Inventions” means all inventions, whether or not patentable, that are invented in the course of performing activities under this Agreement.

1.41 “Joint Invention” means, subject to Section 9.1(a)(i) and (ii), any Invention invented, jointly by, on the one hand, Amgen or its Affiliates or Sublicensees or by any of their employees or contractors, and, on the other hand, Xencor or its Affiliates or by any of their employees or contractors.

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1.42 “Joint Invention Patent” means any Patent Covering a Joint Invention.

1.43 “Know-How” means all techniques, technology, trade secrets, inventions (whether patentable or not), methods, processes, know-how, data and results (including all research data, clinical pharmacology data, chemistry-manufacture-controls data (including analytical and quality control data and stability data), pre-clinical data and clinical data), regulatory documents and filings, and all other scientific, clinical, regulatory, manufacturing, marketing, financial and commercial information.

1.44 “[*...*...]”**.

1.45 “Net Sales” means, with respect to the sale of a unit of Product, the gross amounts invoiced by Amgen or any of its Affiliates or Sublicensees to Third Parties for sales of such Product, less the following deductions actually incurred, allowed, paid, accrued or otherwise specifically allocated to the sale of such unit of Product by Amgen or any of its Affiliates or Sublicensees using GAAP applied on a consistent basis:

- (a) credits or allowances actually granted for defective or damaged Product, returns or rejections of Product (including allowances for spoiled, outdated, or withdrawn Product), price adjustments and billing errors;
- (b) governmental and other rebates, refunds and chargebacks (or equivalents thereof) granted to managed health care organizations, pharmacy benefit managers (or equivalents thereof), federal, state, provincial, local and other governments, their agencies and purchasers and reimbursers or to trade customers;
- (c) normal and customary trade, cash, prompt payment and/or and quantity discounts, allowances and credits actually allowed or paid and mandated discounts;
- (d) sales taxes, VAT taxes, excise taxes, use taxes and other taxes and duties paid in relation to such Product and[...***...] any other equivalent governmental charges imposed upon the importation, use or sale of Product;
- (e) reasonable fees paid to wholesalers, distributors, selling agents (excluding any sales representatives of Amgen or any of its Affiliates or Sublicensees), group purchasing organizations, Third Party payors, other contractees and managed care entities, in each case with respect to such Product;
- (f) [...***...]% of gross sales to cover items such as bad debt, freight or other transportation charges, insurance charges, additional special packaging and other governmental charges; and
- (g) retroactive price reductions actually granted to the Third Party applicable to sales of such Product.

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Net Sales shall not include sales to Affiliates, Sublicensees or contractors engaged by Amgen to develop, promote, co-promote, market, sell or otherwise distribute Product, solely to the extent that such Affiliate, Sublicensees or contractor purchasing the Product resells such Product to a Third Party. However, subsequent sales of Product by such Amgen Affiliates, Sublicensees or contractors to a Third Party shall be included in the Net Sales when sold in the market for end-user use. For the avoidance of doubt, sales of a Product at or below Amgen's actual cost of goods for such Product for use in conducting clinical trials of such Product in a country in order to obtain the Regulatory Approval of such Product in such country shall be excluded from Net Sales calculations for all purposes. Also, notwithstanding anything to the contrary above, sales of a Product at or below Amgen's actual cost of goods for such Product for any compassionate use or named patient sales shall be excluded from Net Sales calculations.

In no event shall any particular amount identified above be deducted more than once in calculating Net Sales (i.e., no "double counting" of reductions).

In the event that Product is sold as part of a financial bundle with other products or included in financial package deals to customers and in such case, the price of Product relevant for the calculation of Net Sales will be the average invoiced sales price of Product in the preceding Calendar Quarter sold separately less the average discount of all products sold as part of such bundle or package.

For Net Sales of a Combination Product, the Net Sales applicable to such Combination Product in a country will be determined by multiplying the total Net Sales of such combined product by the fraction $A/(A+B)$, where A is the actual price of the Product that is included in such Combination Product in the same dosage amount or quantities in the applicable country during the applicable quarter if sold separately, and B is the sum of the actual prices of all other products with which such Product is combined in such Combination Product, in the same dosage amount or quantities in the applicable country during the applicable quarter if sold separately. If A or B cannot be determined because values for such Product or such other products with which such Product is combined are not available separately in a particular country, then the parties shall discuss an appropriate allocation for the fair market value of such Product and such other products with which such Product is combined to mutually determine Net Sales for the relevant transactions based on an equitable method of determining the same that takes into account, in the Territory, variations in potency, the relative contribution of each therapeutically active ingredient, and relative value to the end user of each therapeutically active ingredient.

1.46 "NCBI" means the National Center for Biotechnology Information.

1.47 "Nondisclosure Agreement" means the confidential disclosure agreement between the parties dated as of March 12, 2015 (Amgen ref. [...***...]), including all subsequent addendums.

1.48 "Patents" means (i) all patents, priority patent filings and patent applications, and (ii) any renewal, divisional, continuation (in whole or in part), or request for continued examination of any of such patents, and patent applications, and any and all patents or certificates of invention issuing thereon, and any and all reissues, reviews, reexaminations, extensions, divisions, renewals,

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substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing.

1.49 “Person” means any corporation, limited or general partnership, limited liability company, joint venture, trust, unincorporated association, governmental body, authority, bureau or agency, any other entity or body, or an individual.

1.50 “Phase 1 Clinical Trial” means a study in humans which provides for the first introduction into humans of a product, conducted in normal volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, as more fully defined in 21 CFR §312.21(a) or comparable regulations in any country or jurisdiction outside the U.S., and any amended or successor regulations.

1.51 “Phase 2 Clinical Trial” means a study in humans for which a primary endpoint is a preliminary determination of efficacy in patients with the disease being studied, as more fully defined in 21 CFR §312.21(b) or comparable regulations in any country or jurisdiction outside the U.S., and any amended or successor regulations.

1.52 “Phase 3 Clinical Trial” means a controlled study in humans that is performed after preliminary evidence suggesting effectiveness of a product has been obtained, and is intended to demonstrate or confirm the therapeutic benefit of such product and to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of such product and to provide support for filing for Regulatory Approval and for such product’s labeling and summary of product characteristics, as more fully defined in 21 CFR §312.21(c) or comparable regulations in any country or jurisdiction outside the U.S., and any amended or successor regulations.

1.53 “Program” means each discrete portion of the Research Program to develop, using Xencor Know-How, one or more Bi-Specific Antibodies against two defined Targets (i.e., each discrete portion will be limited to two different, specific Targets). For clarity, the Research Program will consist of six Programs. [*...***...]:

- (a) [...***...]
- (b) [...***...]
- (c) [...***...]
- (d) [...***...]
- (e) [...***...]
- (f) CD38 and CD3.

The Programs described in sub-clauses (a) through (e), inclusive, and any Program resulting from a Target substitution in accordance with Section 3.1(b), are each further defined as a

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“Discovery Program” and the Program described in sub-clause (f) is further defined as the **“Xencor Program”**.

1.54 “Product” means any pharmaceutical or biologic product that contains or comprises a Compound or any modified or optimized version of a Compound, in any dosage form or formulation. Notwithstanding anything to the contrary herein, references to “Product” will be deemed references to the Compound (or any modified or optimized version of a Compound) contained in or comprising such Product. For clarity, references to “Compound” are not deemed references to any particular Product.

1.55 “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, reviews, reissues and the like with respect to such Patent, together with the conduct of interferences, the defense of oppositions, post-grant reviews, inter partes reviews and other similar proceedings with respect to a Patent.

1.56 “Public Official or Entity” means (i) any officer, employee (including physicians, hospital administrators, or other healthcare professionals), agent, representative, department, agency, de facto official, representative, corporate entity, instrumentality or subdivision of any government, military or international organization, including any ministry or department of health or any state-owned or affiliated company or hospital, or (ii) any candidate for political office, any political party or any official of a political party.

1.57 “Regulatory Approval” means any and all approvals, licenses, registrations, or authorizations of any country, federal, supranational, state or local regulatory agency, department, bureau or other government entity that are necessary for the development, manufacture, use, storage, import, transport, commercialization and sale of a Product in a given jurisdiction.

1.58 “Regulatory Authority” means any international, national, provincial, local or, in respect of any other political subdivision, regulatory agency, department, bureau, court or other government entity or instrumentality, that has responsibility in its applicable jurisdiction over the research, development, manufacture and commercialization of Products.

1.59 “Research Plan” means the plan of research to be conducted by the parties during the Research Term, which is attached as Schedule 1.59 as agreed by the parties as of the Effective Date, and as such plan may be amended by the JRC pursuant to Section 2.3.

1.60 “Research Program” means the research program, comprised of the individual Programs, to be conducted in accordance with the Research Plan and this Agreement.

1.61 “Research Term” means, [*...***...].

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1.62 “Royalty Term” means, on a Product-by-Product and country-by-country basis, the period of time commencing on the First Commercial Sale of such Product in such country and ending [...***...].

1.63 “SEC” means the U.S. Securities and Exchange Commission or any successor entity.

1.64 “Sublicensee” means a Third Party that is granted a license or sublicense to develop, make, have made, use, market, import, offer for sale or sell any Product, beyond the mere right to purchase Product from Amgen and its Affiliates, and shall not include Amgen’s Affiliates or Third Party subcontractors acting solely for Amgen or its Affiliates in the supply chain or that perform discrete services (as opposed to being granted or delegated broad rights or responsibilities) on behalf of Amgen or its Affiliates. In no event shall Xencor or any of its Affiliates be deemed a Sublicensee.

1.65 “Target” means a specific human protein that is bound by an Fv Region of a Bi-Specific Antibody. [...***...].

1.66 “Territory” means the entire world.

1.67 “Third Party” means a Person other than Xencor or Amgen, or an Affiliate of Xencor or Amgen.

1.68 [...***...].

1.69 [...***...].

1.70 “U.S.” means the United States of America, including the District of Columbia.

1.71 “Valid Claim” means a claim of any issued and unexpired patent or patent application that has not specifically been held invalid or unenforceable by a final decision of a court or governmental agency of competent jurisdiction, which decision can no longer be appealed or was not appealed within the time allowed; provided, however, that if a claim of a pending patent application shall not have issued within [...***...] 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 right issues with such claim (from and after which time the same would be deemed a Valid Claim).

1.72 “Xencor Background Patents” means any and all Patents that Xencor or any of its Affiliates Controls that Cover Xencor Know-How, excluding Xencor Invention Patents.

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1.73 “Xencor Compound” means a Bi-Specific Antibody that binds CD38 and CD3 and that is further developed during the performance of the Xencor Program. [...***...].

1.74 “Xencor Invention” means (i) subject to Section 9.1(a)(ii), any Invention invented solely by Xencor or its Affiliates or by any of their employees or contractors, or (ii) any Invention that is subject to Section 9.1(a)(i).

1.75 “Xencor Invention Patent” means a Patent that Covers a Xencor Invention.

1.76 “Xencor Know-How” means Know-How that Xencor or any of its Affiliates Controls as of the Effective Date or during the Research Term (subject to Section 15.6) and that is reasonably necessary to research, develop, make, have made, use, export, sell and offer for sale or otherwise exploit Products in the Field in the Territory and (x) was used by Xencor and its Affiliates in its research and development of the Programs prior to the Effective Date or (y) that is used by Xencor or its Affiliates to perform the Research Program on or after the Effective Date, excluding Xencor Inventions. For clarity, and notwithstanding the foregoing, in all cases, Xencor Know-How (A) is limited to Know-How relating to (i) Fc domain variants for increased heterodimer formation and stability, or enhanced heterodimer separation, (ii) Bi-specific Antibody formats, (iii) Fv Regions that bind [...***...], and (iv) Fc domain variants that ablate Fc γ receptor binding and (B) does not include any Know-How related to other Xencor Fc variants, including Fc variants for enhanced Fc γ RIIb binding, enhanced ADCC or enhanced in vivo half-life.

1.77 “Xencor Patents” means all Xencor Invention Patents and Xencor Background Patents, as applicable.

1.78 “Xencor Technology” means the Xencor Know-How, Xencor Inventions and Xencor Patents.

1.79 Additional Definitions. The following terms have the meanings set forth in the corresponding Sections of this Agreement:

Term	Section
Abandoned Program	3.1(b)
Acquiree	15.6
Acquisition	15.6
Agreement	Preamble
Alliance Manager	2.1(b)
Amgen	Preamble
Amgen Indemnitee	13.1
[...***...]-like Target	1.9
Discovery Program	1.53
Dispute Claim	14.1
Effective Date	Preamble
Infringement	9.4(a)
JRC	2.1(a)
Losses	13.1
Materials	3.5

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Term	Section
Milestone	7.2(a)
Milestone Payment	7.2(a)
Non-Publishing Party	11.4(a)
Pre-Clinical Development Data	3.6
Publishing Party	11.4(a)
Sale Transaction	15.5(a)
Term	12.1
Third Party Patent	7.3(c)
VAT	8.3(c)
Withdrawal Notice	2.5
Xencor	Preamble
Xencor Compound Patents	9.2(b)
Xencor Indemnitee	13.2
Xencor Program	1.53
Xencor Reverted Product(s)	12.4(b)(iii)(1)

2. Governance

2.1 Committee Formation.

(a) Promptly after the Effective Date, the parties will establish a joint research committee (the “JRC”) to oversee the Research Program. The JRC will be comprised of three representatives, who shall be employees of the applicable party, appointed by each of Xencor and Amgen respectively. Each party will notify the other party of its initial JRC members within [*...***...] days after the Effective Date. The parties, through the mutual agreement of their representatives to the JRC, may change the number of JRC representatives as long as there are an equal number of representatives of each of Xencor and Amgen respectively on the JRC. Each party may change its JRC representatives at any time by written notice to the other party. Any representative of the JRC may designate a substitute to attend and perform the functions of that representative at any meeting of the JRC. Amgen shall appoint one of its JRC representatives as chairperson of the JRC, whose sole role as chairperson shall be to convene and preside at meetings of the JRC. Each party may invite a reasonable number of non-voting representatives of such party to attend meetings of the JRC. The JRC in its discretion may create functional subcommittees or working teams. Neither party shall invite a Third Party to attend without, except in the case of external legal counsel, the prior consent of the other party hereto, which consent shall not be unreasonably withheld, conditioned, or delayed; provided, that if a party wishes to invite legal counsel to a meeting of the JRC, it shall provide reasonable prior notice to the other party.

(b) Within [...***...] days of the Effective Date, each party shall appoint a representative (“Alliance Manager”) to facilitate communications between the parties 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.

2.2 Committee Meetings. The JRC will hold meetings once each Calendar Quarter, or as otherwise agreed to by the parties. Such meetings may be conducted by videoconference,

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teleconference or in person, as agreed to by the parties; provided, that no less than two meetings of the JRC each Calendar Year shall be in person (one such meeting at Xencor's facilities and one such meeting at Amgen's facilities), unless otherwise agreed to by the parties. Minutes will be kept of all JRC meetings and will reflect material decisions made at such meetings. Meeting minutes will be prepared by the parties on a rotating basis and sent to each member of the JRC for review and approval promptly following each meeting. Minutes will be deemed approved unless a member of the JRC objects to the accuracy of such minutes within [...***...] days of receipt. Any costs and expenses incurred by a party or its representatives related to a JRC meeting, including, if applicable, travel or telecommunication expenses, shall be borne by such party.

2.3 Committee Authority. The JRC shall be responsible for review and oversight of the parties' Research Program activities and decisions regarding any future research plans and experiments. Without limiting the foregoing, the JRC shall (a) provide a forum for review and discussion of the Research Plan; (b) review and approve amendments to the Research Plan; (c) facilitate the exchange of Information about the Research Program between the parties; and (d) have such other responsibilities as mutually agreed upon by the parties in writing on a case-by-case basis. The JRC shall only have such powers as are specifically assigned to it in this Agreement, and such powers shall be subject to the terms and conditions set forth herein. Without limiting the generality of the foregoing, the JRC shall have no power to amend this Agreement, and no decision of the JRC shall be in contravention of any terms and conditions of this Agreement.

2.4 Committee Decision-Making. Decisions of the JRC with respect to matters within the decision-making authority of the JRC shall be made by unanimous vote, with Xencor's representatives on the JRC collectively having one vote and Amgen's representatives on the JRC collectively having one vote. At each JRC meeting, at least one member appointed by each party present at the meeting shall constitute a quorum. If the JRC fails to reach unanimous agreement on a matter before it for decision for a period in excess of [...***...] days, then either party may refer the matter to the Executive Vice President, R&D, for Amgen, and the Chief Executive Officer, for Xencor. Such executives shall endeavor to meet promptly to discuss the matter. In the event that such executives are unable to reach agreement regarding any matter referred to them within [...***...] days of such referral, and provided that Amgen's executive has used good faith efforts to reach a mutually satisfactory resolution, then Amgen shall decide such matter; provided, however, that Amgen shall not have the power to resolve such a matter (a) in a manner that would require Xencor to perform additional activities not contemplated by this Agreement or the Research Plan (as the Research Plan exists on the Effective Date or as it was last amended with Xencor's consent); (b) with the effect of reducing or delaying payments to Xencor; (c) in a manner that would restrict Amgen from performing additional activities in furtherance of the Research Plan and in accordance with this Agreement; or (d) by unilaterally amending the terms of this Agreement.

2.5 Withdrawal. At any time during the Term and for any reason, Xencor shall have the right to withdraw from participation in the JRC upon written notice to Amgen, which notice shall be effective immediately upon receipt ("**Withdrawal Notice**"). Following the issuance of a Withdrawal Notice and subject to this Section 2.5, Xencor's representatives to the JRC shall not participate in any meetings of the JRC. If, at any time, following the issuance of a Withdrawal Notice, Xencor wishes to resume participation in the JRC, Xencor shall notify Amgen in writing and, thereafter, Xencor's representatives to the JRC shall be entitled to attend any subsequent meeting of the JRC as if a Withdrawal Notice had not been issued by Xencor. Following Xencor's

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issuance of a Withdrawal Notice, unless and until Xencor resumes participation in the JRC in accordance with this Section 2.5: (i) all meetings of the JRC shall be held at Amgen's facilities; and (ii) Xencor shall have the right to continue to receive the minutes of the JRC but shall not have the right to approve the minutes for, or vote on any matter before, the JRC with respect to any meeting held after Xencor's issuance of a Withdrawal Notice (and unless and until Xencor resumes participation in the JRC in accordance with Section 2.5).

2.6 Dissolution. The JRC shall dissolve and cease to exist upon the completion of the Research Term or as otherwise agreed by the Parties.

3. Research Program

3.1 Research Program.

(a) Subject to the terms and conditions of this Agreement, Xencor and Amgen shall conduct the Research Program in good scientific manner and in compliance in all material respects with all requirements of applicable laws, rules and regulations and the terms of this Agreement and the Research Plan, using Commercially Reasonable Efforts to carry out the activities assigned to such party under the Research Plan. The Research Plan may be amended from time to time during the Research Term by the JRC.

(b) Subject to subclause (iv) below, at any time during the Research Term, Amgen will be entitled to substitute Targets in up to three of the five Discovery Programs with respect to which Amgen has not initiated in vivo non-human primate studies, by way of providing written notice thereof to Xencor; provided, that (i) such substituted Targets are Available at the time such written notice is received by Xencor for such substitution, (ii) Amgen shall not have the right to substitute a Target for [...***...] in any of the Discovery Programs that include [...***...] as of the Effective Date, (iii) Amgen shall not have the right to substitute [...***...] as a Target for any Discovery Program that does not include [...***...] as of the Effective Date, and (iv) if Xencor has delivered to Amgen [...***...] under the Research Plan with respect to the initial Discovery Program Targets, Amgen shall make any substitutions under this Section 3.1(b) of such initial Targets by the [...***...]. For clarity, from and after provision of such notice, the Bi-Specific Antibodies with specificity for such substituted Targets shall henceforth be Compounds hereunder, while the Bi-Specific Antibodies that have specificity for the Target(s) that were replaced shall cease to be Compounds hereunder and the Program that is no longer being pursued shall be referred to as an **"Abandoned Program"**. For clarity, Amgen will have no right to substitute Targets in any Discovery Program (x) that has [...***...] or (z) at any time after the expiration of the Research Term.

(c) Each party shall be responsible for those costs and expenses it incurs in performing its obligations under the Research Plan; provided, that, if Amgen desires to extend the Research Term beyond the third anniversary of the Effective Date, (i) Amgen shall provide written notice thereof to Xencor no later than [...***...] days prior to such date, (ii) the parties shall cooperate in good faith to agree upon [...***...], (iii) Xencor promptly (but in any event

prior to the third anniversary of the Effective Date) shall invoice Amgen for [...***...] and (iv) Amgen will pay such invoice within [...***...] days of its receipt thereof. For clarity, Amgen shall not have the right to extend the Research Term for more than a total of 12 months beyond the third anniversary of the Effective Date and any extension of the Research Tem shall be contingent upon notice and payment being provided in accordance with this Section 3.1(c).

3.2 Exchange of Information. Promptly following the Effective Date, and from time to time as necessary during the Research Term, Xencor shall disclose to Amgen all Xencor Know-How that is reasonably necessary for the performance by Amgen of its responsibilities under the Research Program, and Amgen shall disclose to Xencor all Amgen Know-How that is reasonably necessary for the performance by Xencor of its responsibilities under the Research Program. After the Research Term, Xencor shall disclose to Amgen all Xencor Know-How not previously disclosed that is reasonably necessary for Amgen to exercise the rights licensed under Section 5.1(a). Notwithstanding the foregoing, or anything to the contrary herein, neither party shall be required to disclose information that is subject to *bona fide* confidentiality obligations to a Third Party; provided, that if the rights granted to the other party hereunder would reasonably be expected to be adversely affected or such party otherwise would be prejudiced hereunder by such failure to disclose, the party bound by such confidentiality obligations will use commercially reasonable efforts to obtain the consent of such Third Party to disclose such information.

3.3 Records and Reports. Xencor and Amgen shall each maintain records, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect work done and results achieved in the performance of the Research Program by such party. The parties will share information about the performance of the Research Program, including Development Data generated through performance of the Research Program through the JRC.

3.4 Use of Subcontractors. Subject to Section 5.3, each party shall be entitled to utilize the services of Affiliates and/or Third Parties to perform certain of its Research Program activities; provided, that each subcontracting party shall remain at all times responsible for the performance of its respective responsibilities under the Research Program and any Third Party subcontractor to be engaged by a party to perform its obligations set forth in this Agreement will meet the qualifications typically required by such party for the performance of work similar in scope and complexity to the subcontracted activity. The subcontracting party will (i) be responsible for ensuring compliance by any such subcontractors with the terms of this Agreement, as if such subcontractor(s) are such party hereunder; and (ii) will contractually require such subcontractor(s) to (A) enter into a written agreement containing confidentiality obligations that are substantially consistent with the obligations of confidentiality and non-use contained in this Agreement, (B) prior to the time such subcontractor(s) initiates work, assign ownership of Inventions made in the course of Research Program activities to such party in accordance with Section 10.1(a) and (C) conduct the relevant activities under this Agreement in accordance with such party's commitments hereunder. The activities of any such subcontractor(s) will be considered activities of such party under this Agreement. A subcontracting party shall notify the other party of such use of a subcontractor as promptly as practicable upon engagement of such subcontractor.

3.5 Materials. In order to facilitate the Research Program, either party may provide to the other party certain tangible biological materials or chemical compounds Controlled by the

supplying party (collectively, **“Materials”**) for use by the other party in accordance with the terms of this Agreement. Except as otherwise provided under this Agreement, all such Materials delivered to the other party will remain the sole property of the supplying party, will be used only in furtherance of the exercise of rights or performance of obligations under this Agreement and in accordance with this Agreement, and for no other purpose, and will not be used or delivered to or for the benefit of any Third Party without the prior written consent of the supplying party (unless otherwise specifically contemplated hereunder), and will be used in compliance with all applicable laws, rules and regulations. Specifically, the receiving party shall not use the Materials in humans, including for diagnostic testing, or in animals intended for food use. The provision of Materials to the receiving party hereunder does not grant such party any rights other than those specifically granted in this Agreement. Delivery of the Materials shall be [*...***...]. The receiving party shall be responsible for any and all consents, approvals, authorizations or other permits necessary for the use, handling, transfer, and/or storage of the Materials. The receiving party shall: (i) receive the Materials; (ii) promptly notify the supplying party when the Materials have been received; and (iii) forward to the supplying party any applicable chain of custody forms, in-transport temperature record(s) and receipt verification documentation and such other documentation reasonably requested by the supplying party. The receiving party shall be responsible for import clearance (including preparing any necessary documentation with respect thereto) and making entry of shipment. The supplying party shall provide the relevant shipping documentation, pro forma invoice and airway bill, together with such other documentation necessary for the use, handling, transfer, and/or storage of the Materials. The Materials supplied under this Agreement must be used with prudence and appropriate caution in any experimental work because not all of their characteristics may be known. Except as expressly set forth herein, THE MATERIALS ARE PROVIDED **“AS IS” AND WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY.** During the Research Term, for record-keeping purposes, the parties shall compile a list (that shall include the type of material, quantity, shipping date and any other relevant details) on a quarterly basis setting forth the Materials provided to/from each party, which document shall be signed by an authorized representative of each party. For clarity, this Section 3.5 shall apply during the Research Term only, after which the parties will enter into an appropriate material transfer agreement with respect to any transfer of Materials, which agreement will be subject to this Agreement and will be interpreted consistent with the terms hereof.

3.6 Ownership of Pre-Clinical Development Data. All pre-clinical data and other pre-clinical results generated by or resulting from or in connection with the conduct of the Research Program (collectively, the **“Pre-Clinical Development Data”**) shall be jointly owned by the parties (and each party shall require that all of its Affiliates and subcontractors assign any of such Affiliates’ and subcontractors’ right, title and interest in and to such Pre-Clinical Development Data to such party) and shall be deemed the Confidential Information of both parties.

4. Development, Manufacturing and Commercialization

4.1 Development, Manufacturing and Commercialization.

(a) Subject to the terms and conditions of this Agreement (including those activities to be performed by Xencor during the Research Term), Amgen (itself and with its Affiliates and Sublicensees, as applicable) shall be responsible, at its sole cost and expense, for all

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development, regulatory, manufacturing and commercialization activities with respect to each Product in the Field in the Territory, including distribution, marketing and sales activities. For clarity, after the completion of the Research Term, Amgen shall continue to have the right to conduct preclinical development with respect to all Products (but shall not have the right to create new Compounds). Subject to the terms and conditions of this Agreement, all decisions concerning the development, marketing and sales of Products, including the clinical and regulatory strategy, design, sale, price and promotion of Products shall be within the sole discretion of Amgen.

(b) On a Program-by-Program basis, Amgen shall use Commercially Reasonable Efforts (itself and with its Affiliates and Sublicensees, as applicable) to develop, obtain and maintain Regulatory Approval of, and, if successful, commercialize a Product from each Program on a worldwide basis.

4.2 Conduct of Activities.

(a) In performing all activities hereunder, each party shall (and shall cause its Affiliates and Sublicensees, as applicable, to) use relevant facilities and equipment in a good scientific manner and in compliance with applicable scientific standards, laboratory practices and legal and regulatory requirements, and retain adequately trained personnel and engage and control adequately qualified internal or external personnel and collect and develop all relevant Know-How for the research, development and commercialization of Products.

(b) Each party (and its Affiliates and Sublicensees, as applicable) shall perform its activities with respect to Products in the Field in the Territory in good scientific manner and in compliance with all requirements of applicable laws, rules and regulations, including (as applicable): the U.S. Federal Food, Drug and Cosmetic Act, as amended (FFDCA), the U.S. 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, GCP, GLP, GMP, IND regulations, and any conditions imposed by a Regulatory Authority, and comparable statutes and regulatory requirements in other jurisdictions.

(c) Subject to Sections 3.4 and 5.3, Amgen shall be entitled to utilize the service of Third Parties to perform such development, regulatory, manufacturing and commercialization activities with respect to Products in the Field in the Territory; provided, that any such Third Party service provider relationship shall be in writing and shall be subject to, and consistent with, the terms and conditions of this Agreement and Amgen shall be responsible for compliance with the terms and conditions of this Agreement by any such Third Party service provider.

4.3 Disclosure Regarding Efforts. With respect to each Program, following the end of the Research Term and during the remainder of the Term until a Product within such Program obtains Regulatory Approval, Amgen will provide Xencor with annual written reports within [*...***...] days after the end of each Calendar Year, summarizing Amgen's and its Affiliates' and Sublicensees' development and commercialization efforts with respect to each Product in the Field during such Calendar Year, including significant preclinical, clinical and regulatory events such as initiation and results of clinical trials and filing of significant regulatory documents and a

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description of planned activities for the following Calendar Year. In addition to such report and during such same period, at Xencor's request, Xencor and Amgen will meet in-person or remotely by telephone or video-conference at least semi-annually in order for Amgen to update Xencor regarding the matters described in this Section 4.3. Without limiting the generality of the foregoing, Amgen shall report to Xencor the achievement of each Milestone for which payment to Xencor is due in accordance with Section 7.2.

5. Grant of Licenses

5.1 License Grant to Amgen. Subject to the terms and conditions of this Agreement, during the Term, Xencor hereby grants to Amgen:

(a) an exclusive (even as to Xencor and its Affiliates, except as expressly set forth herein and subject to Xencor and its Affiliates retaining the rights necessary or useful to perform the Research Program), worldwide, royalty-bearing license, with the right to grant sublicenses as provided in Section 5.3, under the Xencor Technology and Xencor's rights under the Joint Invention Patents, solely to research and develop (but not create new Compounds), conduct clinical trials, obtain Regulatory Approval of, make, have made, use, import, offer for sale, sell, export or otherwise exploit, Products in the Field in the Territory; and

(b) a non-exclusive, worldwide, royalty-free license, with the right to grant sublicenses as provided in Section 5.3, under the Xencor Technology and Xencor's rights under the Joint Invention Patents, solely to perform Amgen's obligations under the Research Program during the Research Term.

5.2 License Grant to Xencor. Subject to the terms and conditions of this Agreement, during the Research Term, Amgen hereby grants to Xencor a non-exclusive, worldwide, royalty-free license, with the right to grant sublicenses as provided in Section 5.3, under the Amgen Technology and Amgen's rights under the Joint Invention Patents, solely to perform Xencor's obligations under the Research Program during the Research Term.

5.3 Sublicenses. Each party shall have the right to grant sublicenses under the licenses granted to it under Section 5.1 or 5.2, as applicable, to any Affiliate or Third Party. Any and all sublicenses granted hereunder shall be in writing and shall be subject to, and consistent with, the terms and conditions of this Agreement. Each party shall be responsible for compliance with the terms and conditions of this Agreement by its Sublicensees and Affiliates to whom it grants any sublicense hereunder and will continue to be responsible for the full performance of all of such party's obligations under the Agreement. Within [*...***...] days after execution, each party shall provide the other party with a full and complete copy of each agreement granting a sublicense to any Sublicensee (provided that a party may redact any confidential information contained therein that is not necessary or useful to confirm compliance with this Agreement). For clarity, the obligation to provide a copy of each sublicense agreement includes the agreements granted through multiple tiers of sublicensing.

5.4 Reserved Rights. Subject only to the rights expressly granted to Amgen under Section 5.1 and the obligations set forth in Article 6, Xencor hereby expressly reserves all rights to practice, and to grant licenses under, the Xencor Technology for any and all purposes, including to conduct all activities to be conducted by Xencor pursuant to the Research Plan. Subject only to the

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rights expressly granted to Xencor under Section 5.2, Amgen hereby expressly reserves all rights to practice, and to grant licenses under, the Amgen Technology for any and all purposes. For clarity, and notwithstanding the foregoing, the licenses (i) granted under this Article 5 by Xencor or Amgen, as applicable, shall immediately expire, without any further actions required by either party, with respect to any Abandoned Program and any Product associated with an Abandoned Program, and (ii) granted by Xencor to Amgen under Section 5.1 do not include the right to create any Compounds. In addition, for clarity, Amgen expressly reserves all rights to create or otherwise exploit Bi-Specific Antibodies or other compounds against the Targets without using, infringing or misappropriating the Xencor Technology.

5.5 No Implied License. No right or license under any Patents or other intellectual property rights of a party is granted or shall be granted by implication to the other party, and each party covenants not to practice or use any Patents or other intellectual property rights of the other party except pursuant to the licenses expressly granted in this Agreement or any other written agreement between the parties. All such rights or licenses are or shall be granted only as expressly provided in the terms of this Agreement. Each party further covenants and agrees that it shall not (and shall cause its Affiliates and Sublicensees not to), either directly or indirectly, use the Xencor Technology (in the case of Amgen), or the Amgen Technology (in the case of Xencor), in any manner not expressly set forth in Section 5.1 or Section 5.2 (or, to the extent applicable, Section 12.4(b)(iii)(1)), as applicable.

6. Exclusivity.

On a Program-by-Program basis, during the Term, and subject to Amgen using Commercially Reasonable Efforts to develop or commercialize a Product with respect to such Program, Xencor and its Affiliates will not conduct or participate in, or knowingly advise, assist or enable any Third Party to conduct or participate in, the development, manufacture or commercialization of any Bi-Specific Antibody that only (relative to other human Targets) (i) binds [...***...] such Program and (ii) in the case of a Program in which [...***...] is a Target, binds to the [...***...] Target in such Program and binds to a [...***...] Target, except under and in accordance with this Agreement.

7. Fees and Payments

7.1 Initial Payment. Amgen shall make a one-time, non-refundable, non-creditable payment to Xencor of \$45,000,000 within [...***...] days after the Effective Date.

7.2 Milestone Payments.

(a) [...***...] (i) within [...***...] business days after the first achievement of each of the events set forth below (each, a **“Milestone”**) by Amgen or any of its Affiliates or Sublicensees, Amgen shall notify Xencor in writing of such occurrence, (ii) Xencor shall invoice Amgen for the corresponding payment amount (each, a **“Milestone Payment”**) and (iii) Amgen will pay each such invoice within [...***...] days of its receipt thereof:

(i) with respect to the [...***...] of the corresponding Milestone for a Product containing or comprising a Xencor Compound:

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Milestone	Milestone Payment
1. Development Milestones	
(a) [...***...]	\$ [...***...]
(b) [...***...]	\$ [...***...]
(c) [...***...]	\$ [...***...]
(d) [...***...]	\$ [...***...]
(e) [...***...]	\$ [...***...]
(f) [...***...]	\$ [...***...]
2. Sales Milestones	
(a) [...***...]	\$ [...***...]
(b) [...***...]	\$ [...***...]
3. Total Milestone Payments for the Xencor Program	\$ 355,000,000

(ii) with respect to the first occurrence of the corresponding Milestone for a Product containing or comprising a Discovery Program Compound:

Milestone	Milestone Payment
1. Development Milestones	
(a) [...***...]	\$ [...***...]
(b) [...***...]	\$ [...***...]
(c) [...***...]	\$ [...***...]
(d) [...***...]	\$ [...***...]
(e) [...***...]	\$ [...***...]
(f) [...***...]	\$ [...***...]
(g) [...***...]	\$ [...***...]
2. Sales Milestones	
(a) [...***...]	\$ [...***...]
(b) [...***...]	\$ [...***...]
3. Total Milestone Payments for each Discovery Program	\$ 260,500,000

(b) All Milestones Payments are non-creditable and non-refundable and shall be due and payable upon the occurrence of the corresponding Milestone regardless of any failure by Amgen to provide the notice required by Section 7.2(a). [...***...].

(c) In the event that the development or commercialization of a Product in a given Program would trigger a Milestone Payment that skips any of the preceding Milestones, then at the time such Milestone Payment is made, all skipped Milestone Payments shall become

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immediately due and payable (e.g., [...***...]).

7.3 Royalty Payments.

(a) On a Program-by-Program basis (i.e., not on an aggregate basis across all Products under this Agreement or across all Discovery Programs), Amgen shall pay to Xencor royalties on Net Sales of Products within a given Program at the applicable rate set forth below with respect to all Net Sales in a given Calendar Year:

(i) with respect to Products containing or comprising a Xencor Compound:

With respect to the Xencor Program only, worldwide Net Sales of Products in any Calendar Year	Royalty Due to Xencor (as a percentage of Net Sales)
That portion of Net Sales in any given Calendar Year that is less than or equal to \$[...***...]	[...***...]%
That portion of Net Sales in any given Calendar Year that is greater than \$[...***...], but less than or equal to \$[...***...]	[...***...]%
That portion of Net Sales in any given Calendar Year that exceeds \$[...***...]	[...***...]%

(ii) with respect to Products containing or comprising a Discovery Program Compound:

With respect to a given Discovery Program, worldwide Net Sales of Products in any Calendar Year	Royalty Due to Xencor (as a percentage of Net Sales)
That portion of Net Sales in any given Calendar Year that is less than or equal to \$[...***...]	[...***...]%
That portion of Net Sales in any given Calendar Year that is greater than \$[...***...], but less than or equal to \$[...***...]	[...***...]%
That portion of Net Sales in any given Calendar Year that exceeds \$[...***...]	[...***...]%

(b) The royalty rates under Section 7.3(a) are incremental with respect to the annual Net Sales of the applicable Products in a given Program. As an example, if Products containing or comprising a Xencor Compound achieve in any given Calendar Year \$[...***...] in Net Sales, then an [...***...]% royalty shall be paid on the first \$[...***...] and a [...***...]% royalty shall be paid on the remaining \$[...***...]. From and after the expiration of the Royalty Term with respect to Product in a given country, Net Sales of such Product in such country will no longer be included in calculating global Net Sales for purposes of calculating the royalty due from Amgen to

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Xencor pursuant to Section 7.3(a), and no royalties shall be due in connection with sales of such Product in such country.

(c) [...***...].

(d) [...***...].

(e) [...***...].

8. Payment; Records; Audits

8.1 Payment; Reports. The royalty payments due by Amgen to Xencor under Section 7.3 shall be calculated, reported and paid for each Calendar Quarter within [...***...] days after the end of each Calendar Quarter during which the applicable Net Sales occurred and shall be accompanied by a report setting forth Net Sales of Products by Amgen and its Affiliates and Sublicensees in reasonably sufficient detail to permit confirmation of the accuracy of the royalty payment made, including the gross sales and Net Sales of each Product, on a country-by-country basis, and the exchange rates used in accordance with Section 8.2.

8.2 Manner and Place of Payment. All references to dollars and "\$" herein shall refer to U.S. dollars. When conversion of payments from any currency other than U.S. dollars is required, such conversion shall be calculated using the average rate of exchange over the applicable Calendar Quarter to which the sales relate, in accordance with GAAP and the then current standard methods of Amgen or the applicable Sublicensee, to the extent reasonable and consistently applied; provided, however, that if, at such time, Amgen or the applicable Sublicensee does not use a rate for converting into U.S. dollar equivalents that is maintained in accordance with GAAP, then such party shall use an exchange rate equal to the rate of exchange for the currency of the country from which such payments are payable as published by *The Wall Street Journal*, Western U.S. Edition, as of the last day of the applicable Calendar Quarter in which the applicable sales were made (or, if unavailable on such date, the first date thereafter on which such rate is available). All payments hereunder shall be payable in U.S. dollars. All payments owed under this Agreement shall be made by wire transfer in immediately available funds to a bank and account designated in writing by the receiving party, unless otherwise specified in writing by such party.

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8.3 Taxes.

(a) The parties acknowledge and agree that it is their mutual objective and intent to minimize, to the extent feasible, taxes payable with respect to their collaborative efforts under this Agreement and that they shall use their commercially reasonable efforts to cooperate and coordinate with each other to achieve such objective. For the avoidance of doubt, as between the parties, Amgen shall be responsible for any Branded Prescription Drug Fees that may be levied under section 9008 of the Affordable Care Act with respect to any Product sold.

(b) Subject to this Section 0(b), Xencor will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are paid or required to be withheld by Amgen for the benefit of Xencor on account of any payments payable to Xencor under this Agreement, Amgen will (i) deduct such taxes from the amount of payments otherwise due to Xencor, (ii) timely pay the taxes to the proper taxing authority, (iii) send proof of payment to Xencor as promptly as practicable following such payment and (iv) cooperate with Xencor in any way reasonably required by Xencor to obtain available reductions, credits or refunds of such taxes.

(c) All remuneration amounts payable by Amgen to Xencor are net amounts. Amgen shall be responsible for all Value Added Taxes (“VAT”), if any, attributable to transactions contemplated by this Agreement upon receipt of a valid VAT invoice and without any offset or reimbursement from Xencor. Xencor shall cooperate with Amgen in any way reasonably requested by Amgen to obtain available reductions, credits or refunds of any VAT amounts attributable to transactions contemplated by this Agreement. For clarity, this Section 8.3(c) is not intended to limit Amgen’s right to deduct value-added taxes in determining Net Sales.

(d) In the event that any tax is owing as a result of any action by Amgen, including any assignment or sublicense (including assignment to, or payment hereunder by, another Amgen-related entity or Affiliate), or any failure on the part of Amgen or its Affiliates to comply with applicable tax laws or filing or record retention requirements, that has the effect of modifying the tax treatment of Xencor hereto, then the payment in respect of which such tax is owing shall be made without deduction for or on account of such tax to ensure that Xencor receives a sum equal to the sum which it would have received had such tax not been due or otherwise, and any such payment shall be made after deduction of such tax. Each party shall cooperate with the other party in any way reasonably requested by the other party to minimize the tax implications of any such action.

(e) [...***...].

8.4 Records; Audit. During the Term and for [...***...] years thereafter, Amgen shall keep, and shall cause its Affiliates and Sublicensees to keep, complete and accurate records pertaining to the sale or other disposition of Product in sufficient detail to permit Xencor to confirm the accuracy of payments due hereunder. Xencor shall have the right, upon [...***...] days’ prior written notice to Amgen, to cause an independent, certified international public accounting firm reasonably acceptable to Amgen to audit such records during Amgen’s normal business hours with the purpose of confirming the number of Product units sold, the gross sales and Net Sales of Product, the

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royalties payable, the method used to calculate the royalties payable, and the exchange rates used in accordance with Section 8.2. The audit shall be limited to pertinent records kept by Amgen and its Affiliates and Sublicensees for any year ending not more than [...***...] months prior to the date of the written notice. An audit under this Section 8.4 shall not occur more than once in any Calendar Year, except in the case of any subsequent “for cause” audit. The accounting firm shall disclose to Xencor only whether the reports are correct or incorrect and the specific details concerning any discrepancies. No other information shall be provided to Xencor. The accounting firm shall provide Amgen with a copy of any disclosures or reports made to Xencor and Amgen shall have an opportunity to discuss such disclosures or reports with Xencor and the accounting firm. Information, disclosures, or reports arising from any such examination shall be Confidential Information of Amgen subject to the confidentiality and other obligations of Article 11. Prompt adjustments shall be made by the parties to reflect the results of such audit (but in no event later than [...***...] days thereafter). Xencor shall bear the full cost of such audit unless such audit discloses a variance of more than [...***...]% of the payments due under this Agreement, in which case, Amgen shall bear the full cost of such audit.

8.5 Late Payments. In the event that any payment due under this Agreement is not sent to Xencor when due in accordance with the applicable provisions of Sections 7.1, 7.2, or 8.1, the payment shall accrue interest from the date due at the prime rate as reported by Citibank N.A., plus [...***...]% [...***...] per year calculated on the number of days such payment is delinquent, compounded annually and computed on the basis of a 365-day year; provided, however, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit Xencor from exercising any other rights it may have as a consequence of the lateness of any payment.

9. Intellectual Property

9.1 Ownership of Inventions.

(a) Inventorship, and ownership, of any Inventions will be determined in accordance with the standards of inventorship and conception under U.S. patent laws (without reference to any conflict of law principles); [...***...].

(b) Without modifying or limiting the ownership and rights as provided for in Section 9.1(a), each party shall, prior to any public disclosure or filing of a Patent application, disclose to the other party each Invention, and shall allow reasonably sufficient time (at least [...***...] days 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 9.2). The parties will work together to resolve any issues regarding inventorship or ownership of Inventions; provided that, subject to

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Section 9.2, the final decision on whether to file a Patent on an Invention shall be in the sole discretion of the party owning the Invention.

(c) Each party shall perform its activities under this Agreement through personnel who are subject to written obligations to assign intellectual property created in the course of their employment to such party or its Affiliate.

(d) Except as expressly provided in this Agreement, it is understood that neither party will have any obligation to obtain any approval or consent of, nor pay a share of the proceeds to or account to, the other party to practice, enforce, license, assign or otherwise exploit its interest in Pre-Clinical Development Data, Inventions or Patents owned jointly by the parties hereunder, including any Joint Inventions or Joint Invention Patents, and each party hereby waives any right it may have under the laws of any jurisdiction to require such approval, consent or accounting. Each party agrees to cooperate with the other party, as reasonably requested and at the requesting party's reasonable expense, and to take such actions, at the requesting party's reasonable expense, as may be required to give effect to this Section 9.1(d) in a particular country in the Territory.

9.2 Patent Prosecution and Maintenance.

(a) **Coordination.** Each party shall undertake Prosecution and Maintenance of Amgen Invention Patents, Joint Invention Patents, and Xencor Invention Patents in accordance with this Section 9.2, and subject to discussion by the parties. Furthermore, with respect to the Prosecution and Maintenance of each such Patent each party agrees to: (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. For clarity, the parties understand that some Inventions may require coordination of Patent filings, including timing and coordination of genus and species filings as appropriate, to preserve and maximize intellectual property rights, prolong exclusivities and minimize the creation of prior art against such Patent filings of either party. If a party controls Prosecution and Maintenance of an Invention Patent (which for clarity does not include an Amgen Background Patent or a Xencor Background Patent) pursuant to this Section 9.2, and the other party in good faith reasonably believes that Xencor Technology (in the case of Xencor) or the Amgen Technology (in the case of Amgen), would be adversely affected by such controlling party's Prosecution and Maintenance activities, the parties shall use reasonable best efforts to work together to develop a mutually agreeable solution. If the parties are unable to agree on such solution within a reasonable period of time, the issue will be escalated to the chief patent counsels of each of Xencor and Amgen, as applicable, for resolution. If the chief patent counsels cannot reach a mutually agreeable solution, then the controlling party shall have the right to make the decision taking into account the other party's interest.

(b) **Joint Invention Patents and Xencor Compound Patents.** Amgen shall have the first right, at its expense, to control the Prosecution and Maintenance of Joint Invention Patents and Patents solely related to Xencor Compound composition of matter or method of use ("**Xencor Compound Patents**"). Amgen shall consult with Xencor as to the Prosecution and Maintenance of the Joint Invention Patents and Xencor Compound Patents reasonably prior to any deadline or action with the applicable patent office and shall furnish to Xencor copies of all relevant documents reasonably in advance of such consultation; provided, that if Amgen determines not to continue the Prosecution and Maintenance of any Joint Invention Patents or Xencor Compound

Patent, then Amgen shall provide reasonable prior written notice to Xencor of such determination (which notice shall, in any event, be given no later than [...***...] days prior to the next deadline for any action that may be taken with respect to such Joint Invention Patent or Xencor Compound Patent with the applicable patent office), and Amgen shall, and it hereby does effective upon such notice with respect to a Joint Invention Patent, assign to Xencor Amgen's ownership interest in and to any such Joint Invention Patents, such that Amgen shall have no further rights under, in or to any such Joint Invention Patent (including under this Article 9), and Xencor shall have the right to undertake the Prosecution and Maintenance of any such Joint Invention Patents or Xencor Compound Patent at its own expense. For clarity, any such assignment by Amgen to Xencor of its ownership interest in or to any such Joint Invention Patents, is not intended to, and does not, confer upon Xencor any rights with respect to the development, manufacture or commercialization of a Discovery Program Compound or a Product containing a Discovery Product Compound.

(c) **Amgen Invention Patents.** Amgen shall have the sole right, at its expense, to control the Prosecution and Maintenance of Amgen Invention Patents. Amgen shall consult with Xencor as to the Prosecution and Maintenance of the Amgen Invention Patents that Cover Products, or the manufacture or use thereof, reasonably prior to any deadline or action with the applicable patent office and shall furnish to Xencor copies of all relevant documents reasonably in advance of such consultation.

(d) **Xencor Invention Patents.** Xencor shall have the sole right, at its expense, to control the Prosecution and Maintenance of Xencor Invention Patents (except as set forth in Section 9.2(b) with respect to Xencor Compound Patents). Xencor shall consult with Amgen as to the Prosecution and Maintenance of the Xencor Invention Patents that Cover Products or the manufacture or use thereof, reasonably prior to any deadline or action with the applicable patent office and shall furnish to Amgen copies of all relevant documents reasonably in advance of such consultation; provided, that if Xencor determines not to continue the Prosecution and Maintenance of any Xencor Invention Patent that solely Covers a Product then Amgen shall have the right to undertake such Prosecution and Maintenance at its own expense.

(e) **Background Patents.** Xencor shall have the sole right, but not the obligation, to control the Prosecution and Maintenance of the Xencor Background Patents and Amgen shall have the sole right, but not the obligation, at its expense, to control the Prosecution and Maintenance of the Amgen Background Patents. Without limiting the foregoing, Amgen shall be responsible for the out-of-pocket costs that Xencor incurs in connection with the Prosecution and Maintenance of the Xencor Background Patents that solely Cover a Product. Xencor shall invoice Amgen for such costs from time-to-time, and Amgen shall pay such invoices within [...***...] days of receipt thereof.

9.3 Cooperation of the Parties. Each party shall cooperate with the other party in connection with all activities relating to the Prosecution and Maintenance of the Xencor Invention Patents, Amgen Invention Patents and Joint Invention Patents undertaken by such other party pursuant to Section 9.2, 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 Invention Patents, Amgen Invention Patents or Joint Invention Patents pursuant to Section 9.2; and (ii) if and as appropriate, signing (or causing to have signed) all documents relating to the Prosecution and Maintenance of any Xencor Invention Patents, Amgen

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Invention Patents or Joint Invention Patents by such other party. Each party shall, if requested, permit such other party to participate at its own expense in any opposition, interference, appeal, inter partes review, post-grant review or similar proceeding with respect to any Xencor Invention Patent, Amgen Invention Patent or Joint Invention Patent to the extent the same are directed to any Product, or manufacturing or use thereof.

9.4 Infringement or Misappropriation by Third Parties.

(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 Invention Patent, Xencor Know-How, Amgen Know-How or Joint Invention by the manufacture, sale, use or importation of a Product, 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) **Joint Invention Patents and Xencor Compound Patents.** 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 Joint Invention Patents or Xencor Compound Patents or to defend a challenge of such Joint Invention Patent or Xencor Compound Patent in a declaratory judgment 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. If Amgen fails to bring any such action or proceeding with respect to an Infringement by the sooner of (a) [...***...] days following a request by Xencor to do so, or (b) [...***...] 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 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 9.4(b) 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 9.4(b).

(c) **Xencor Patents.** Xencor shall have the sole right to initiate any infringement proceedings or take other appropriate actions against an Infringement of any Xencor Patent or to defend against any challenge of a Xencor Patent, except in each case with respect to Xencor Compound Patents, which are subject to Section 9.4(b)).

(d) **Amgen Patents.** Amgen shall have the sole right to initiate any infringement proceedings or take other appropriate actions against an Infringement of any Amgen Patent or to defend against any challenge of an Amgen Patent.

(e) **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 any infringement proceeding or other action pursuant to this Section 9.4, 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 any recovery realized by Amgen as a result of such litigation (excluding any recovery attributable to Amgen Background Patents), after reimbursement of the parties’ litigation expenses, shall be treated as [...***...]

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(f) **Cooperation.** In the event a party brings an infringement proceeding or other action in accordance with this Section 9.4, the other party shall reasonably cooperate with the party bringing the proceeding, including, if legally required to bring such action, being named as a party. The parties shall keep one another informed of the status of their respective activities regarding any proceeding or action undertaken with respect to (i) a Joint Invention Patent, or (ii) any Amgen Invention Patent or Xencor Invention Patent that Cover Products, pursuant to this Section 9.4 or settlement thereof, and the parties shall assist one another and cooperate in any such action at the other's reasonable request. The party enforcing and/or defending a Joint Invention Patent, or any Xencor Invention Patent or Amgen Invention Patent that Cover Products, may enter into any settlement, consent judgment, or other voluntary final disposition of any action contemplated by this Section 9.4 without the other party's prior consent; provided, that (a) the other party receives a general release of any claims against it in such proceeding and is promptly provided thereafter a copy of such settlement, consent judgment or other voluntary disposition and (b) such settlement does not have an adverse impact on (1) (A) the rights granted by a party to the other party hereunder or (B) if Amgen is the settling party, any Xencor Background Patent, or if Xencor is the settling party, any Amgen Background Patent, or (2) result in a payment or other liability by the other party to a Third Party. Any other settlement, consent judgment or voluntary final disposition of any proceeding under this Section 9.4 by the party enforcing an Amgen Invention Patent, Xencor Invention Patent or Joint Invention Patent shall require the prior written consent of the other party, which consent such other party shall not unreasonably withhold.

9.5 Defense and Settlement of Third Party Claims. Each party shall promptly notify the other in writing of (a) 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 or (b) any declaratory judgment action that is brought naming either party as a defendant and alleging invalidity of any of the Amgen Patents, Xencor Patents or Joint Invention Patents. 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 9.5 in a manner that admits the invalidity or unenforceability of the other party's Patents or a Joint Invention Patent or imposes on the other party restrictions or obligations or other liabilities, without the written consent of such other party, which consent shall not be unreasonably withheld.

9.6 Patent Extension. The parties shall cooperate in determining which Patent claiming, covering, or that is directed to a given Product should be extended, and thereafter the parties shall cooperate in obtaining patent term restorations, supplemental protection certificates and/or their equivalents, and other forms of patent term extensions for a given Product with respect to any applicable Xencor Patent, Joint Invention Patent or Amgen Patent in any country or region where applicable; provided that, Amgen shall have the final decision making authority with respect

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thereto; provided, further, that Amgen shall not have the right to seek any such restoration, supplemental protection certificate or other extension of any Xencor Background Patent without Xencor's prior written consent, which Xencor may withhold in its sole discretion.

9.7 Trademarks. As between the parties, Amgen shall own all right, title and interest in and to any trademarks adopted by Amgen for use with a Product, and shall be responsible for the registration, filing, maintenance and enforcement thereof.

10. Representations, Warranties and Covenants

10.1 Mutual Covenants.

(a) **Employees, Consultants and Contractors.** Each party covenants that it has obtained or will obtain written agreements from each of its employees, consultants and contractors who perform research or development activities pursuant to this Agreement, which agreements will obligate such persons to obligations of confidentiality and non-use and to assign Inventions in a manner consistent with the provisions of this Agreement.

(b) **Debarment.** Each party represents, warrants and covenants to the other party that it is not debarred or disqualified under the U.S. Federal Food, Drug and Cosmetic Act or comparable laws in any country or jurisdiction other than the U.S. and, to its knowledge, does not, and will not during the Term knowingly, employ or use, directly or indirectly, including through Affiliates or, in the case of Amgen, Sublicensees, the services of any person who is debarred or disqualified, in connection with activities relating any Product. In the event that either party becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to such party, directly or indirectly, including through Affiliates or, in the case of Amgen, Sublicensees, which directly or indirectly relate to activities contemplated by this Agreement, such party shall promptly notify the other party in writing and such party shall cease employing, contracting with, or retaining any such person to perform any such services.

(c) **Compliance.** Each party covenants to the other that:

(i) In the performance of its obligations under this Agreement, such party shall comply with, and shall cause its and its Affiliates' employees and contractors to comply, with all applicable laws, rules and regulations.

(ii) As of the Effective Date through the expiration and termination of this Agreement, such party and, to its knowledge, its and its Affiliates' employees and contractors, shall not, in connection with the performance of their respective obligations under this Agreement, directly or indirectly through Third Parties, pay, promise or offer to pay, or authorize the payment of, any money or give any promise or offer to give, or authorize the giving of anything of value to a Public Official or Entity or other person for purpose of obtaining or retaining business for or with, or directing business to, any Person, including either party (it being understood that, without any limitation to the foregoing, such party, and to its knowledge, its and its Affiliates' employees and contractors, has not directly or indirectly promised, offered or provided any corrupt payment, gratuity, emolument, bribe, kickback, illicit gift or hospitality or other illegal or unethical benefit to a Public Official or any other Person in connection with the performance of such party's obligations under this Agreement, and shall not, directly or indirectly, engage in any of the foregoing).

10.2 Mutual Representations and Warranties. Each party represents and warrants to the other that, as of the Effective Date: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation, and has full corporate power and 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 action, (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and 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 applicable law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it and (d) no consent, approval, authorization or order of any court or governmental agency or governmental body or Third Party is required for execution, delivery and performance by such party of this Agreement.

10.3 Xencor Representations and Warranties. Xencor represents and warrants to Amgen that, as of the Effective Date, and except as set forth on Schedule 10.3:

(a) Xencor has full legal or beneficial title and ownership of, or an exclusive license to, the Xencor Patents as is necessary to grant the licenses (or sublicenses) to Amgen to such Xencor Patents that Xencor purports to grant pursuant to this Agreement.

(b) Xencor has the rights necessary to grant the licenses to Amgen under Xencor Know-How that Xencor purports to grant pursuant to this Agreement, and the Xencor Know-How constitutes all the Know-How of Xencor that is necessary for Amgen to research, develop, conduct clinical trials, obtain Regulatory Approval of, make, have made, use import, offer for sale, sell, export or otherwise exploit Products in the Field in the Territory.

(c) The Xencor Patents owned by Xencor are not subject to, and to Xencor's knowledge the Xencor Patents licensed to Xencor are not subject to, any liens or encumbrances, and Xencor has not, and will not during the Term, grant any right to any Third Party under or with respect to the Xencor Technology that would conflict with the rights granted to Amgen hereunder or terminate any rights granted by a Third Party to Xencor or its Affiliates that are further granted to Amgen hereunder.

(d) None of the Xencor Patents are in-licensed by Xencor.

(e) Xencor has shared with Amgen complete and accurate copies of all Third Party licenses and agreements pursuant to which Xencor or its Affiliates has obtained rights to Xencor Patents and Xencor Know-How.

(f) No claim or action has been brought or, to Xencor's knowledge, threatened by any Third Party alleging that (i) the Xencor Patents are invalid or unenforceable or (ii) use of the Xencor Technology infringes or misappropriates or would infringe or misappropriate any right of any Third Party, and no Xencor Patent is the subject of any interference, opposition, cancellation or other protest proceeding.

(g) There are no pending actions, claims, investigations, suits or proceedings against Xencor or its Affiliates, at law or in equity, or before or by any Regulatory Authority, and neither Xencor nor any Affiliate has received any written notice regarding any pending or

threatened actions, claims, investigations, suits or proceedings against Xencor or such Affiliate, at law or in equity, or before or by any Regulatory Authority, in either case with respect to the Xencor Technology.

(h) To Xencor's knowledge, no Third Party, including any current or former employee or consultant of Xencor, is infringing or misappropriating or has infringed or misappropriated the Xencor Technology.

(i) Notwithstanding Section 10.2(d), no premerger notification filing is required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in connection with the transaction that is subject to this Agreement (subject to Amgen's determination of value pursuant to 16 C.F.R. Sec. 801.10).

10.4 Additional Amgen Representations and Warranties. Amgen represents, and warrants to Xencor that, as of the Effective Date:

(a) Amgen has full legal or beneficial title and ownership of, or a license to, the Amgen Patents as is necessary to grant the licenses (or sublicenses) to Xencor to such Amgen Patents that Amgen purports to grant pursuant to this Agreement.

(b) Amgen has the rights necessary to grant the licenses to Xencor under Amgen Know-How that Amgen purports to grant pursuant to this Agreement.

(c) No claim or action has been brought or, to Amgen's knowledge, threatened by any Third Party alleging that (i) the Amgen Patents are invalid or unenforceable or (ii) use of the Amgen Technology infringes or misappropriates any right of any Third Party, and no Amgen Patent is the subject of any interference, opposition, cancellation or other protest proceeding to the extent that Xencor's rights under this Agreement could be reasonably expected to be prejudiced thereby.

(d) There are no pending actions, claims, investigations, suits or proceedings against Amgen, at law or in equity, or before or by any Regulatory Authority, and Amgen has not received any written notice regarding any pending or threatened actions, claims, investigations, suits or proceedings against Amgen, at law or in equity, or before or by any Regulatory Authority, in either case with respect to the Amgen Technology.

(e) Notwithstanding Section 10.2(d), no premerger notification filing is required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder, in connection with the transaction that is subject to this Agreement.

10.5 Additional Covenants. [*...***...].

10.6 Disclaimer. Except as expressly set forth in this Agreement, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS, AND MATERIALS (IF ANY), PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS" AND EACH PARTY EXPRESSLY

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DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING 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, (i) neither party represents or warrants as to the success of any study or test conducted by such party pursuant to this Agreement or the safety or usefulness for any purpose of the technology, right or materials it provides hereunder, or that either party will be successful in obtaining any patents rights, or that any patents will issue based on a pending application; and (ii) each party specifically disclaims any guarantee that the Products will be successful, in whole or in part.

10.7 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF [...***...] OR ARTICLE 11, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, LOST PROFITS, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; provided, however, that this Section 10.7 shall not be construed to limit either party's indemnification obligations under Article 13.

11. Confidentiality

11.1 Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties, the parties agree that, during the Term and for [...***...] ([...***...]) years thereafter, the receiving 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 Information furnished to it by the other party pursuant to this Agreement or any Confidential Information developed by the other party hereunder, and both parties shall keep confidential and, subject to Section 11.5, shall not publish or otherwise disclose the terms of this Agreement. Each party may use the other party's Confidential Information only to the extent required to accomplish the purposes of this Agreement (including exercising rights and performing obligations). Each party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own (but no less than reasonable care) to ensure that its employees, agents, consultants, contractors and other representatives do not disclose or make any unauthorized use of the Confidential Information of the other party. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information of the other party.

11.2 Exceptions. The obligations of confidentiality and restriction on use under this Article 11 shall not apply to any Confidential Information that: (a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving party, generally known or available to the public; (b) is known by the receiving party or any of its Affiliates at the time of receiving such information, other than by previous disclosure of the disclosing party, or its Affiliates, employees, agents, consultants, or contractors; (c) is hereafter furnished to the receiving party or any of its Affiliates without restriction by a Third Party who is not known by the receiving party to be subject to an obligation of confidentiality or limitations on use with respect thereto, as a matter of right; or (d) is independently discovered or developed by the employees, subcontractors, consultants or agents of the receiving party or any of its Affiliates without the use of Confidential Information

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belonging to the disclosing party, which the receiving party can prove by competent written evidence.

11.3 Authorized Disclosure. Each party may disclose Confidential Information belonging to the other party as expressly permitted by this Agreement or if and to the extent such disclosure is reasonably necessary in the following instances:

- (a) filing, prosecuting, or maintaining Patents as permitted by this Agreement;
- (b) regulatory filings for Products that such party has a license or right to develop hereunder in a given country or jurisdiction;
- (c) prosecuting or defending litigation as permitted by this Agreement;
- (d) complying with applicable law or governmental regulations (including any securities law or regulation or the rules of a securities exchange) or with a court order or legal or administrative proceeding; and
- (e) disclosure to Affiliates, Sublicensees, employees, consultants, contractors, agents or other Third Parties in connection with due diligence or similar investigations by such Third Parties (including potential Third Party acquirers (whether through asset or stock purchase or merger)), and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such Affiliate, Sublicensee, employee, consultant, contractor, agent or Third Party agrees to be bound by terms of confidentiality and non-use consistent with those set forth in this Article 11.

Notwithstanding the foregoing, in the event a party is required to make a disclosure of the other party's Confidential Information pursuant to Section 11.3(c) through (d), it will give reasonable advance notice to the other party of such disclosure and use Commercially Reasonable Efforts to secure confidential treatment of such Confidential Information and at least as diligently as such party would use to protect its own confidential information. In any event, the parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder. Any information disclosed pursuant to Section 11.3(c) through (d) shall still be deemed Confidential Information and subject to the restrictions set forth in this Agreement, including the foregoing provisions of Article 11.

11.4 Publications.

(a) If a party (the "**Publishing Party**") proposes to publish or present on any results or data on any Product, or use thereof, or, in the case of Amgen as the Publishing Party, any Xencor Technology (excluding publications or presentations which include only a standard source reference to Xencor Technology, consistent with scientific journal publication practices) or, in the case of Xencor as the Publishing Party, any Amgen Technology (excluding publications or presentations which include only a standard source reference to Amgen Technology, consistent with scientific journal publication practices), the other party (the "**Non-Publishing Party**") shall, in accordance with and to the extent provided in the following clause (b), have the right to review and comment on any material proposed for such publication or presentation by the Publishing Party, such as by oral presentation at scientific conferences or seminars, scientific journal manuscripts or

abstracts; provided, however, that Amgen will have the sole right (without Xencor's consent but subject to the review and comment provisions in Section 11.4(b)) to publish and make scientific presentations with respect to Products, and Xencor will not do so without Amgen's prior written consent, except as required by law.

(b) With respect to any such publications or presentation, before any such material is submitted for publication or presentation, the Publishing Party shall deliver a complete copy of such material to the Non-Publishing Party at least [*...***...] days prior to the proposed submission for publication or presentation, and the Non-Publishing Party shall use reasonable efforts to give its comments to the Publishing Party as promptly as practicable following delivery of such material; provided, that, if the Non-Publishing Party does not provide comments within [...***...] days of its receipt such publication or proposal, it will be deemed to have no comments with respect thereto. The Publishing Party shall (a) give due consideration to any editorial comments received from the Non-Publishing Party, (b) comply with any request from the Non-Publishing Party to delete the Non-Publishing Party's Confidential Information (for this purpose, Pre-Clinical Development Data shall not be considered Xencor Confidential Information) in any such material, and (c) delay any submission for publication or presentation for a period of up to an additional [...***...] days for the purpose of preparing and filing appropriate patent applications in accordance with the terms of Article 9 hereof.

(c) Notwithstanding the foregoing, Xencor will not publish any data revealing the Targets, Programs or amino acid sequence of any Compound without Amgen's prior written consent (to be given or withheld in its sole discretion).

11.5 Publicity; Public Disclosures. A joint press release substantially in the form attached hereto as Schedule 11.5 shall be issued by the parties on or following the Effective Date (but in no event later than [...***...] business days following the Effective Date). It is understood that each party may desire or be required to issue subsequent press releases or other public statements relating to this Agreement or activities hereunder, and each party agrees not to issue any press release or other public statement disclosing information relating to this Agreement or the transactions contemplated hereby or the terms hereof without the prior return consent of such party, not to be unreasonably withheld, conditioned or delayed; provided, that, no such consent shall be required with respect to the publication of materials or information that have been previously disclosed. The parties agree to consult with each other reasonably and in good faith with respect to the text and timing of such press release or public statement; provided, however, that the issuing party will provide the reviewing party with a copy of the proposed press release or public statement within a reasonable time prior to issuance thereof and the parties will consult and work in good faith to prepare a mutually acceptable press release. Notwithstanding the foregoing (but subject to the parties' rights to review and comment), either party make such disclosures as required by law based on the advice of counsel (including with respect to the achievement of a Milestone and the amount of, and receipt of, any Milestone Payment). The parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by a party with the SEC or as otherwise required by law. In addition, following the initial press release announcing this Agreement, either party shall be free to disclose, without the other party's prior written consent, the existence of this Agreement, the identity of the other party and those terms of the Agreement which have already been publicly disclosed in accordance herewith.

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11.6 Prior Non-Disclosure Agreement. As of the Effective Date, the terms of this Article 11 shall supersede any prior non-disclosure, secrecy or confidentiality agreement between the parties (or their Affiliates) dealing with the subject of this Agreement, including the Nondisclosure Agreement. Any information disclosed pursuant to any such prior agreement shall be deemed Confidential Information of the applicable party for purposes of this Agreement.

11.7 Equitable Relief. Given the nature of the Confidential Information and the competitive damage that a party may suffer upon unauthorized disclosure, use or transfer of its Confidential Information to any Third Party, the parties agree that monetary damages may not be a sufficient remedy for any breach of this Article 11. In addition to all other remedies, a party shall be entitled to specific performance and injunctive and other equitable relief as a remedy for any breach or threatened breach of this Article 11 without the need to post any bond.

11.8 Attorney-Client Privilege. Neither party is waiving, nor will be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges recognized under the applicable law of any jurisdiction as a result of disclosing information pursuant to this Agreement, or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the receiving party, regardless of whether the disclosing party has asserted, or is or may be entitled to assert, such privileges and protections. The parties may become joint defendants in proceedings to which the information covered by such protections and privileges relates and may determine that they share a common legal interest in disclosure between them that is subject to such privileges and protections, and in such event, may enter into a joint defense agreement setting forth, among other things, the foregoing principles, but are not obligated to do so.

12. Term and Termination

12.1 Term. This Agreement shall commence on the Effective Date, and unless terminated earlier as provided in this Article 12 or by mutual written agreement of the parties, shall continue, on a Program-by-Program basis, until the expiration of all royalty payment obligations with respect to such Program under this Agreement (the “Term”).

12.2 Termination for Cause. Each party shall have the right to terminate this Agreement either on a Program-by-Program basis or in full, upon [...***...] days’ ([...***...] days’ for any payment default) prior written notice to the other party upon the occurrence of any of the following:

(a) upon or after the bankruptcy, insolvency, dissolution or winding up of the other party (other than a dissolution or winding up for the purpose of reconstruction or amalgamation); or

(b) after the material breach of this Agreement by the other party if the breaching party has not cured such breach within the [...***...]-day period ([...***...]-day period for any payment default) following written notice of termination by the non-breaching party.

12.3 Individual Party Termination Rights.

(a) Amgen shall have the right to terminate this Agreement in its entirety or on a Program-by-Program basis at any time and for any reason or for no reason upon delivery of at least

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(i) [...***...] days' prior written notice to Xencor in the case of any Program with respect to which a First Commercial Sale of a Product has not occurred (or this Agreement in its entirety if no First Commercial Sale has occurred with respect to any Program), and (ii) [...***...] days' prior written notice to Xencor in the case of any Program with respect to which a First Commercial Sale of a Product has occurred (or this Agreement in its entirety if a First Commercial Sale has occurred with respect to any Program).

(b) Xencor shall have the right to terminate this Agreement upon written notice to Amgen if (i) Amgen or any of its Affiliates directly, or indirectly through any Third Party, commences any opposition proceeding, post-grant review, inter partes review or ex parte reexamination or Third Party submissions or submits observations with respect to, challenges the validity or enforceability of, or opposes any extension of or the grant of a supplementary protection certificate with respect to, any Xencor Patent or (ii) any Sublicensee directly, or indirectly through any Third Party, commences any opposition proceeding, post-grant review, inter partes review or ex parte reexamination or Third Party submissions or submits observations with respect to, challenges the validity or enforceability of, or opposes any extension of or the grant of a supplementary protection certificate with respect to, any Xencor Patent, and (A) Amgen does not cause such Sublicensee to withdraw such action or (B) Amgen does not terminate the sublicense agreement with such Sublicensee, in each case, within 10 days of Amgen receiving from Xencor written notice of any such action being taken by such Sublicensee. Notwithstanding the foregoing, Xencor shall have no such right to terminate this Agreement in the case of (I) any claim made by Amgen or any of its Affiliates or Sublicensees as a defense in any lawsuit or administrative proceeding brought by Xencor; or (II) any lawsuit, reexamination proceeding or opposition brought by Amgen or any of its Affiliates or Sublicensees challenging the validity or enforceability of any Patent Controlled by Xencor that is not included in the Xencor Technology.

12.4 Effect of Expiration or Termination; Surviving Obligations.

(a) **Effect of Expiration.** Upon expiration of this Agreement in accordance with Section 12.1, and provided that Amgen has paid all undisputed payments payable under this Agreement, the licenses granted by Xencor to Amgen shall become non-exclusive and survive on a fully-paid, irrevocable, perpetual basis, and all other rights and obligations of the parties under this Agreement shall terminate, except as provided elsewhere in this Section 12.4.

(b) **Effect of Termination.** Upon any termination of this Agreement, the following provisions shall apply (subject to Section 12.4(d)); provided, that, to the extent this Agreement is terminated with respect to only a certain Program, then the remainder of this Section 12.4(b) shall only apply to the terminated Program and the Products from such Program:

(i) all licenses granted by Xencor to Amgen with respect to the terminated Program(s) and the Products from such Program(s) shall automatically terminate and all other rights and obligations of the parties under this Agreement shall terminate, except as provided elsewhere in this Section 12.4(b), and following such termination, Amgen shall have no further obligation pursuant to Section 4.1(b) to develop and commercialize Products from such Program(s);

(ii) subject to Xencor's consent, any sublicenses granted by Amgen pursuant to Section 5.3 with respect to the terminated Program(s) and the Products from such Program(s) shall remain in effect and become direct licenses from Xencor subject to the terms and

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conditions of the applicable sublicense agreement; provided, that the relevant Sublicensee is in good standing under this Agreement and the applicable sublicense agreement; and

(iii) solely with respect to the termination, if any, of the Xencor Program:

(1) [*...***...];

(2) [...***...];

(3) [...***...];

(4) [...***...]

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[*...***...];

(5) [...***...];

(6) [...***...];

(7) [...***...];

(8) [...***...]

(9) [...***...].

For clarity, the foregoing sub-clause (iii) shall only apply in the event that the terminated Program is the Xencor Program.

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(c) **Confidential Information and Material.** Upon expiration or termination of this Agreement in its entirety, except to the extent that a party retains a license from the other party as provided in this Section 12.4, each party shall promptly, upon request of the other party, delete or destroy, all Material and relevant records and materials in such party's possession or control containing Confidential Information of the other party; provided that such party may keep one copy of such records and materials for legal archival purposes only subject to continuing confidentiality obligations in accordance with Article 11. Notwithstanding the foregoing, in the event that this Agreement is terminated with respect to only a certain Program, then the obligations of return under this Section 0 shall only apply with respect to such terminated Program and the Products from such Program.

(d) **Survival.** Expiration or termination of this Agreement shall not relieve the parties of any obligation or right accruing prior to such expiration or termination. In addition to any provisions expressly set forth herein, the provisions set forth below shall survive expiration or termination of this Agreement:

- Article 1 – Definitions
- Section 3.5 – Materials
- Section 0 – Taxes (with respect to sales of Products made before such expiration or termination)
- Section 8.4 – Records; Audit (with respect to sales of Products made before such expiration or termination)
- Section 8.5 – Late Payments (with respect to sales made before such expiration or termination)
- Section 9.1 – Ownership of Intellectual Property
- Section 9.2(a) and (b) – Patent Prosecution and Maintenance
- Sections 9.4 (a), (b), (e) and (f) – Infringement and Misappropriation by Third Parties (with respect to actions initiated prior to such expiration or termination)
- Section 10.5– Additional Covenants
- Section 10.6 – Disclaimer
- Section 10.7 – Limitation of Liability
- Article 11 – Confidentiality
- Section 12.4 – Effect of Termination; Surviving Obligations
- Section 12.5 – Exercise of Right to Terminate
- Section 12.6 – Damages; Relief
- Section 12.7 – Rights in Bankruptcy
- Article 13 – Indemnification
- Article 14 – Dispute Resolution
- Article 15 – General Provisions

All other rights and obligations with terminate upon expiration or termination of this Agreement.

12.5 Exercise of Right to Terminate. The use by either party hereto of a termination right provided for under this Agreement shall not give rise to the payment of damages or any other form of compensation or relief to the other party with respect thereto; provided, however, that termination of this Agreement shall not preclude either party from claiming any other damages, compensation or relief at law or in equity that it may be entitled to upon such termination.

12.6 Damages; Relief. Subject to Section 12.5, termination of this Agreement shall not preclude either party from claiming any other damages, compensation or relief at law or in equity that it may be entitled to upon such termination.

12.7 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by one party to the other party are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws, licenses of rights to “intellectual property” as defined under Section 101 of the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws. The parties agree that a party that is a licensee of such rights under this Agreement will retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws. The parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a party to this Agreement under the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws, the other party will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same will, if not already in its possession, be promptly delivered to it (a) upon any such commencement of a bankruptcy or insolvency proceeding upon its written request therefor, unless the bankrupt party elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under (a) above, following the rejection of this Agreement by or on behalf of the bankrupt party upon written request therefor by the other party.

13. Indemnification

13.1 Indemnification by Xencor. Xencor hereby agrees to save, defend and hold Amgen and its Affiliates and its and their respective directors, officers, employees and agents (each, a “**Amgen Indemnitee**”) harmless from and against any and all liabilities, expenses and losses, including reasonable legal expenses and attorneys’ fees (collectively, “**Losses**”), to which any Amgen 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 directly or indirectly out of: (a) the performance by or on behalf of Xencor or its Affiliates or Sublicensees of Xencor’s obligations under the Research Plan, (b) the gross negligence or willful misconduct of Xencor or any of its Affiliates, Sublicensees or subcontractors in performing under this Agreement, or (c) the breach by Xencor of any warranty, representation, covenant or agreement made by Xencor in this Agreement; except, in each case, to the extent such Losses result from clause (a), (b) or (c) of Section 13.2.

13.2 Indemnification by Amgen. Amgen hereby agrees to save, defend and hold Xencor, its Affiliates, its licensees and their respective directors, officers, employees and agents (each, a “**Xencor Indemnitee**”) harmless from and against any and all 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 directly or indirectly out of: (a) the development, manufacture, use, handling, storage, sale or other disposition of any Product by or on behalf of Amgen or its Affiliates or Sublicensees, (b) the gross negligence or willful misconduct of Amgen or any of its Affiliates, Sublicensees or subcontractors in performing under this Agreement, or (c) the breach by Amgen of any warranty, representation, covenant or agreement made by Amgen in this Agreement; except, in each case, to the extent such Losses result from clause (a), (b) or (c) or Section 13.1.

13.3 Control of Defense. Any entity entitled to indemnification under this Article 13 shall give notice to the indemnifying party of any Losses that may be subject to indemnification, promptly after learning of such Losses (provided, however, that any failure or delay to notify shall not excuse any obligation of the indemnifying party except to the extent such party is actually prejudiced thereby), and the indemnifying party shall assume (and have control over) the defense of such Losses with counsel reasonably satisfactory to the indemnified party and the indemnified party shall reasonably cooperate (at the indemnifying party's reasonable expense). If such defense is assumed by the indemnifying party with counsel so selected, the indemnifying party will not settle any claim with respect to such Losses without the indemnified party's prior written consent (but such consent will not be unreasonably withheld or delayed), and will not be obligated to pay the fees and expenses of any separate counsel retained by the indemnified party with respect to such Losses. For clarity, the indemnified party may freely withhold its consent to a settlement of a claim with respect to Losses if (i) such settlement does not include a complete release from liability of the indemnified party or if such settlement would involve undertaking an obligation (including the payment of money by an indemnified party), (ii) would bind or impair the indemnified party or (iii) includes any admission of wrongdoing or that any intellectual property or proprietary right of the indemnified party or this Agreement is invalid, narrowed in scope or unenforceable. The Indemnified Party shall not settle or compromise any claim for which it is entitled to indemnification without the prior written consent of the Indemnifying Party, unless the Indemnifying Party is in breach of its obligation to defend hereunder.

13.4 Insurance. Each party, at its own expense, shall maintain product liability and other appropriate insurance (or self-insure sufficiently to provide materially the same level and type of protection) in an amount consistent with sound business practice and adequate in light of its obligations under this Agreement during the Term. Each party shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to the other party upon request. Such insurance will not create a limit to either party's liability hereunder.

14. Dispute Resolution

14.1 Disputes. 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 JRC), 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 [...***...] days 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 14.2.

14.2 Arbitration.

(a) If the parties are unable to resolve such dispute through the negotiations described in Section 14.1, then, except in the case of a dispute, controversy or claim that concerns (a) the validity or infringement of a patent, trademark or copyright, or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory, the dispute shall be resolved by expedited binding arbitration before a panel of three independent and neutral

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experienced arbitrators, one chosen by Xencor, one chosen by Amgen and the third chosen by the foregoing two arbitrators. Each party shall select its arbitrator within [...***...] days of one party notifying the other party that it is exercising its rights under this Section 14.2, and the two arbitrators shall select the third arbitrator within [...***...] days of their selection. Any such arbitration proceeding shall be administered by [...***...], in accordance with its then current rules governing commercial disputes and the place of arbitration shall be Los Angeles, California; provided, that, such rules shall be modified by this Section 14.2, to the extent any such modifications are necessary.

(b) Any arbitration shall be conducted in the English language and applicable arbitration association shall use California as the governing law for this Agreement and the parties' obligations hereunder in accordance with Section 14.1. Within [...***...] days after the arbitrators are selected, the parties will each submit to the arbitrators, and to one another, a written statement of their respective positions regarding the alleged dispute. The parties will also provide the arbitrators a copy of this Agreement, as may be amended at such time. Each party will have [...***...] days from receipt of the other party's submission to provide to the arbitrator a written response thereto. Neither party may have any communication (either written or oral) with the arbitrators other than for the sole purpose of engaging the arbitrator at the outset or as expressly permitted in this Section 14.2; provided, that the arbitrator will have the right to meet with the parties, either alone or together, as necessary in the arbitrator's opinion to make a determination. Based on the materials submitted, the arbitrators will determine whether any discovery process is necessary, and, if it is, the parameters of such process with the intent of resolving the arbitration as expeditiously as possible (e.g., limiting the number of depositions and the time discovery is permitted to take). The parties and arbitrators shall employ procedures designed to resolve the conflict by arbitration within [...***...][...***...] of the dispute being referred for arbitration.

(c) The arbitrator(s) shall have no authority to award punitive or any other type of damages not measured by a party's compensatory damages and the arbitrator(s) shall have no authority to grant any award or remedy other than such awards or remedies that are available under the applicable law. Except to the extent necessary to confirm or enforce 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 Xencor and Amgen. In no event shall 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 California statute of limitations.

(d) 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.) or the fees and costs of the arbitrators. Each party agrees to fully perform and satisfy any arbitration award made against it within [...***...] days of the service of the award.

(e) 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 the right to seek or obtain

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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.

14.3 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 14.2.

15. General Provisions

15.1 Governing Law; Jurisdiction. This Agreement, and all questions regarding the existence, validity, interpretation, breach or performance of this Agreement, shall be governed by, and construed and enforced in accordance with, the laws of the State of California, United States, without reference to its conflicts of law principles. The United Nations Conventions on Contracts for the International Sale of Goods shall not be applicable to this Agreement.

15.2 Entire Agreement; Modification. This Agreement (including the Schedules attached hereto) constitutes a complete and exclusive statement with respect to all of its terms. This Agreement (including the Schedules attached hereto) supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the parties.

15.3 Relationship Between the Parties. The parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the parties. Neither party is a legal representative of the other party, and neither party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other party for any purpose whatsoever. For clarity, the parties acknowledge and agree that their activities hereunder will not create a partnership for tax purposes.

15.4 Non-Waiver. The failure of a party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such party.

15.5 Assignment. 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, conditioned or delayed); provided, however, that either party may assign or otherwise transfer this Agreement and its rights and obligations hereunder without the other party's consent:

(a) in connection with the transfer or sale of all or substantially all of the business or assets of such party relating to the subject matter of this Agreement to a Third Party, whether by merger, consolidation, divestiture, restructure, sale of stock, sale of assets or otherwise (a “**Sale Transaction**”); 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.

The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties specified above, and the name of a party appearing herein will be deemed to include the name of such party’s successors and permitted assigns to the extent necessary to carry out the intent of this Section 15.5. Any assignment not in accordance with this Agreement shall be void.

15.6 Sale Transaction or Amgen Acquisition. [*...***...]

15.7 Change of Control. Xencor shall give Amgen written notice within [...***...] of any Change of Control of Xencor. Upon such notice, Amgen shall have the right to (i) transfer some or all of the Research Program activities from Xencor to Amgen, upon written notice by Amgen and (ii) may exclude Xencor (following such Change of Control) from participation in whole or in part from the JRC or any other governance committees or working teams; provided, that the parties shall work together in good faith to establish an appropriate process by which Xencor (or its successor) can stay reasonably informed regarding, and comment on, the progress of the Research Program.

15.8 No Third Party Beneficiaries. This Agreement is neither expressly nor impliedly made for the benefit of any party other than the parties and their successors and permitted assigns, except for the persons expressly entitled to indemnification as provided in Article 13 and only in accordance with the terms of such Article 13.

15.9 Severability. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not, to the extent feasible, affect or impair, in whole or in part, the validity, enforceability, or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

15.10 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by (a) air mail (postage prepaid) requiring return receipt, (b) overnight courier, or (c) email or facsimile confirmed thereafter by any of the foregoing, to the party to be notified at its address(es) given below, or at any address such party may designate by prior written notice to the other in accordance with this Section 15.10. Notice shall be deemed sufficiently given

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for all purposes upon the earliest of: (i) the date of actual receipt; (ii) if air mailed, [...***...] days after the date of postmark; (iii) if delivered by overnight courier, the next day the overnight courier regularly makes deliveries; or (iv) if emailed or sent by facsimile, the date of confirmation of receipt if during the recipient's normal business hours, otherwise the next day.

If to Amgen, notices must be addressed to:

Amgen Inc.
One Amgen Center Drive
Thousand Oaks, CA 91320
Attention: Corporate Secretary
Facsimile: [...***...]

with a copy (which shall not constitute notice) to:

Amgen Inc.
One Amgen Center Drive
Thousand Oaks, CA 91320
Attention: Senior Vice President,
Business Development
Facsimile: [...***...]

If to Xencor, notices must be addressed to:

Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Attention: Chief Executive Officer
Facsimile: [...***...]

with a copy (which shall not constitute notice) to:

Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Attention: General Counsel
Facsimile: [...***...]

15.11 Force Majeure. Each party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement (other than failure to make payment when due) by reason of any event beyond such party's reasonable control including acts of God, fire, flood, explosion, earthquake, pandemic flu, or other natural forces, war, civil unrest, acts of terrorism, accident, destruction or other casualty or any other event similar to those enumerated above. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the party has not caused such event(s) to occur. Notice of a party's failure or delay in performance due to force majeure must be given to the other party within [...***...] days after its occurrence. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure. In no event shall any party be required to prevent or settle any labor disturbance or dispute.

15.12 Interpretation. The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable. Unless otherwise specified, references in this Agreement to any Article shall include all Sections, subsections and paragraphs in such Article, references to any Section shall include all subsections and paragraphs in such Section, and references in this Agreement to any subsection shall include all paragraphs in such subsection. The word "including" and similar words means including without limitation. The word "or" means "and/or" unless the context dictates otherwise because the subject of the conjunction are mutually exclusive. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision. All references to days in this Agreement shall mean calendar days, unless otherwise specified. Ambiguities and uncertainties in this Agreement, if

*****Confidential Treatment Requested**

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.

15.13 Counterparts; Electronic or Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed and delivered electronically or by facsimile and upon such delivery such electronic or facsimile signature will be deemed to have the same effect as if the original signature had been delivered to the other party.

15.14 Schedules. All schedules referred to in this Agreement are attached hereto and incorporated herein by this reference.

[Signature Page Follows]

In Witness Whereof, the parties hereto have caused this **Research and License Agreement** to be executed and entered into by their duly authorized representatives as of the Effective Date.

XENCOR, INC.

AMGEN INC.

By: /s/ Bassil Dahiyat

By: /s/ Robert A. Bradway

Name: Bassil Dahiyat

Name: Robert A. Bradway

Title: Chief Executive Officer

Title: Chief Executive Officer

Signature Page to Research and License Agreement

[*...***...]

Schedule 1.59

*****Confidential Treatment Requested**

[*...***...]

*****Confidential Treatment Requested**

Schedule 10.3

[*...***...]

[...***...]

Schedule 10.3

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News Release

AMGEN AND XENCOR ANNOUNCE STRATEGIC COLLABORATION IN CANCER IMMUNOTHERAPY AND INFLAMMATION

Combines Amgen's Proprietary Antibodies and Xencor's XmAb® Bispecific Antibody Platform to Develop New Therapeutic Candidates

Includes Xencor's Pre-Clinical CD38 Bispecific T Cell Engager for Multiple Myeloma

Xencor to Receive \$45 Million Upfront Payment and Up To \$1.7 Billion in Clinical, Regulatory and Sales Milestone Payments in Total for Six Programs

THOUSAND OAKS, Calif. and MONROVIA, Calif. (Sept. XX, 2015) – Amgen (NASDAQ:AMGN) and Xencor, Inc. (Xencor) (NASDAQ:XNCR) announced today that the two companies have entered into a research and license agreement to develop and commercialize novel therapeutics in the areas of cancer immunotherapy and inflammation. The research collaboration brings together Amgen's capabilities in target discovery and protein therapeutics with Xencor's XmAb® bispecific technology platform.

The collaboration includes molecular engineering by Xencor and the pre-clinical development of bispecific molecules for five programs proposed by Amgen, leveraging XmAb bispecific Fc domains to make half-life extended T cell engagers and dual targeting bispecific antibodies. The agreement also includes a preclinical bispecific T cell engager program directed at CD38 and CD3 for multiple myeloma.

Amgen will be fully responsible for pre-clinical and clinical development and commercialization worldwide. Under the terms of the agreement, Xencor will receive a \$45 million upfront payment and up to \$1.7 billion in clinical, regulatory and sales milestone payments in total for the six programs. Xencor is eligible to receive mid to high single-digit royalties for candidates directed against Amgen's targets, and high single to low double-digit royalties for Xencor's CD38 bispecific T cell engager.

"We are pleased to be joining forces with Xencor to expand our immuno-oncology and inflammation position by leveraging Amgen's antibodies and Xencor's bispecific antibody platform," said Sean E. Harper, M.D., executive vice president of Research and Development at Amgen. "We are especially excited about the T cell engaging bispecific antibody directed against CD38, which complements Amgen's BiTE® platform, while growing our hematology and oncology

portfolio that includes two bispecific T cell engager antibodies, BLINCYTO® (blinatumomab) and AMG 330, as well as Kyprolis® (carfilzomib) for relapsed multiple myeloma.”

Bispecific technologies seek to engineer monoclonal antibodies to bind two unique drug targets, as opposed to traditional antibodies designed to bind to a single antigen target. This approach represents a powerful opportunity in immuno-oncology to simultaneously engage immune cells and tumor cells to localize anti-tumor immune activity where it is needed most.

“Amgen, which has pioneered the use of bispecific antibodies, has chosen to access our XmAb bispecific technology for its robustness, long half-life, and the plug and play ease-of-development of our platform,” said Bassil Dahiyat, Ph.D., president and chief executive officer of Xencor. “This opportunity expands the reach of our technology with a partner that has proven experience in bispecifics and immuno-oncology. Xencor will continue to focus on its internal programs including its immuno-oncology XmAb bispecifics, XmAb14045 in acute myeloid leukemia and XmAb13676 in B-cell malignancies, which are expected to enter clinical development in 2016.”

About Xencor's XmAb® Bispecific Technology

As opposed to traditional monoclonal antibodies that target and bind to a single antigen, bispecific antibodies are designed to elicit multiple biological effects that require simultaneous binding to two different antigen targets. Xencor's XmAb bispecific Fc domain technology is designed to maintain full-length antibody properties in a bispecific antibody, potentially enabling favorable in vivo half-life and simplified manufacturing.

Efforts at bispecific antibody design are typically frustrated by poor molecular stability, difficulties in production and short in vivo half-life. Xencor has engineered a series of Fc domain variants that spontaneously form stable, heterodimeric bispecific antibodies and that can be made and purified with standard antibody production methods. These bispecific Fc domains are used to generate a broad array of novel drug candidates in a range of molecule formats.

Xencor's initial bispecific programs are tumor-targeted antibodies that contain both a tumor antigen binding domain and a cytotoxic T-cell binding domain (CD3 binding domain). These bispecific antibodies activate T cells at the site of the tumor for highly potent killing of malignant cells. The XmAb Fc domain format allows Xencor to tune the potency of the T-cell killing, potentially improving the tolerability of tumor immunotherapy. Xencor plans to begin clinical testing for two internal programs, XmAb14045 and XmAb13676, in 2016.

About Xencor Inc.

Xencor is a clinical-stage biopharmaceutical company developing engineered monoclonal antibodies for the treatment of asthma and allergic diseases, autoimmune diseases and cancer. Currently, eight candidates that have been engineered with Xencor's XmAb® technology are in clinical development internally and with partners. Xencor's internally-discovered programs include: XmAb5871, which completed a Phase 1b/2a clinical trial for the treatment of rheumatoid arthritis and is in preparation for a clinical trial in IgG4-related disease in 2015; XmAb7195 in Phase 1a development for the treatment of asthma; and XmAb5574/MOR208 which has been licensed to Morphosys AG and is in Phase 2 clinical trials for the treatment of acute lymphoblastic leukemia and non-Hodgkin's lymphoma. Xencor's XmAb antibody engineering technology enables small changes to the structure of monoclonal antibodies resulting in new mechanisms of therapeutic action. Xencor partners include Merck, Janssen R&D LLC, Alexion, Novo Nordisk and Boehringer Ingelheim. For more information, please visit www.xencor.com.

About Amgen's Immuno-Oncology Focused Partnerships

Amgen's recent immuno-oncology focused partnerships include:

- A collaboration with Merck on developing talimogene laherparepvec and KEYTRUDA® (pembrolizumab) in melanoma and small cell cancer of the head and neck.
- A strategic research collaboration and license agreement to develop and commercialize the next generation of novel Chimeric Antigen Receptor (CAR) T cell immunotherapies with Kite Pharma.
- A research collaborative agreement focusing on Amgen's bispecific T cell engager (BiTE®) antibody constructs with MD Anderson's Moon Shots Program.
- A collaboration with Roche on a cancer immunotherapy study with investigational medicines talimogene laherparepvec and atezolizumab.

About Kyprolis® (carfilzomib) for Injection

Kyprolis® (carfilzomib) for Injection is indicated in combination with lenalidomide and dexamethasone for the treatment of patients with multiple myeloma who have received one to three prior lines of therapy.

Kyprolis is also indicated under FDA accelerated approval as a single agent for the treatment of patients with multiple myeloma who have received at least two prior therapies including bortezomib and an immunomodulatory agent and have demonstrated disease progression on or within 60 days of completion of the last therapy. Approval is based on response rate. Clinical benefit, such as improvement in survival or symptoms, has not been verified.

Kyprolis is a product of Onyx Pharmaceuticals, Inc. Onyx Pharmaceuticals is a subsidiary of Amgen and holds development and commercialization rights to Kyprolis globally, excluding Japan. Kyprolis is also approved for use in Argentina, Israel, Mexico and Thailand. For more information about Kyprolis, visit www.kyprolis.com

Important Safety Information Regarding Kyprolis® (carfilzomib) for Injection

WARNINGS AND PRECAUTIONS

Cardiac Toxicities:

New onset or worsening of pre-existing cardiac failure (e.g., congestive heart failure, pulmonary edema, decreased ejection fraction), restrictive cardiomyopathy, myocardial ischemia, and myocardial infarction including fatalities have occurred following administration of Kyprolis. In clinical studies with Kyprolis, these events typically occurred early in the course of Kyprolis therapy (< 5 cycles). Death due to cardiac arrest has occurred within a day of Kyprolis administration. Withhold Kyprolis for Grade 3 or 4 cardiac adverse events until recovery, and consider whether to restart Kyprolis at 1 dose level reduction based on a benefit/risk assessment. While adequate hydration is required prior to each dose in Cycle 1, all patients should also be monitored for evidence of volume overload, especially patients at risk for cardiac failure. Adjust total fluid intake as clinically appropriate in patients with baseline cardiac failure or who are at risk for cardiac failure. In patients ≥ 75 years of age, the risk of cardiac failure is increased. Patients with New York Heart Association Class III and IV heart failure, recent myocardial infarction, and conduction abnormalities uncontrolled by medications were not eligible for the clinical trials. These patients may be at greater risk for cardiac complications.

Acute Renal Failure:

Cases of acute renal failure have occurred in patients receiving Kyprolis. Renal insufficiency adverse events (renal impairment, acute renal failure, renal failure) have occurred with an incidence of approximately 8% in a randomized controlled trial. Acute renal failure was reported more frequently in patients with advanced relapsed and refractory multiple myeloma who received Kyprolis monotherapy. This risk was greater in patients with a baseline reduced estimated creatinine clearance (calculated using Cockcroft and Gault equation). Monitor renal function with regular measurement of the serum creatinine and/or estimated creatinine clearance. Reduce or withhold dose as appropriate.

Tumor Lysis Syndrome:

Cases of tumor lysis syndrome (TLS), including fatal outcomes, have been reported in patients who received Kyprolis. Patients with multiple myeloma and a high tumor burden should be considered to be at greater risk for TLS. Ensure that patients are well hydrated before administration of Kyprolis in Cycle 1, and in subsequent cycles as needed. Consider uric acid lowering drugs in patients at risk for TLS. Monitor for evidence of TLS during treatment and manage promptly including interruption of Kyprolis until TLS is resolved.

Pulmonary Toxicity:

Acute Respiratory Distress Syndrome (ARDS), acute respiratory failure, and acute diffuse infiltrative pulmonary disease such as pneumonitis and interstitial lung disease have occurred in less than 1% of patients receiving Kyprolis. Some events have been fatal. In the event of drug-induced pulmonary toxicity, discontinue Kyprolis.

Pulmonary Hypertension:

Pulmonary arterial hypertension (PAH) was reported in approximately 1% of patients treated with Kyprolis and was Grade 3 or greater in less than 1% of patients. Evaluate with cardiac imaging and/or other tests as indicated. Withhold Kyprolis for pulmonary hypertension until resolved or returned to baseline and consider whether to restart Kyprolis based on a benefit/risk assessment.

Dyspnea:

Dyspnea was reported in 28% of patients treated with Kyprolis and was Grade 3 or greater in 4 % of patients. Evaluate dyspnea to exclude cardiopulmonary conditions including cardiac failure and pulmonary syndromes. Stop Kyprolis for Grade 3 or 4 dyspnea until resolved or returned to baseline. Consider whether to restart Kyprolis based on a benefit/risk assessment.

Hypertension:

Hypertension, including hypertensive crisis and hypertensive emergency, has been observed with Kyprolis. Some of these events have been fatal. Monitor blood pressure regularly in all patients. If hypertension cannot be adequately controlled, withhold Kyprolis and evaluate. Consider whether to restart Kyprolis based on a benefit/risk assessment.

Venous Thrombosis:

Venous thromboembolic events (including deep venous thrombosis and pulmonary embolism) have been observed with Kyprolis. In the combination study, the incidence of venous thromboembolic events in the first 12 cycles was 13% in the Kyprolis combination arm versus 6% in the control arm. With Kyprolis monotherapy, the incidence of venous thromboembolic events was 2%. Thromboprophylaxis is recommended and should be based on an assessment of the patient's underlying risks, treatment regimen, and clinical status.

Infusion Reactions:

Infusion reactions, including life-threatening reactions, have occurred in patients receiving Kyprolis. Symptoms include fever, chills, arthralgia, myalgia, facial flushing, facial edema, vomiting, weakness, shortness of breath, hypotension, syncope, chest tightness, or angina. These reactions can occur immediately following or up to 24 hours after administration of Kyprolis. Administer dexamethasone prior to Kyprolis to reduce the incidence and severity of infusion reactions. Inform patients of the risk and of symptoms and to contact a physician immediately if symptoms of an infusion reaction occur.

Thrombocytopenia:

Kyprolis causes thrombocytopenia with platelet nadirs observed between Day 8 and Day 15 of each 28-day cycle with recovery to baseline platelet count usually by the start of the next cycle. Thrombocytopenia was reported in approximately 40% of patients in clinical trials with Kyprolis. Monitor platelet counts frequently during treatment with Kyprolis. Reduce or withhold dose as appropriate.

Hepatic Toxicity and Hepatic Failure:

Cases of hepatic failure, including fatal cases, have been reported (< 1%) during treatment with Kyprolis. Kyprolis can cause increased serum transaminases. Monitor liver enzymes regularly. Reduce or withhold dose as appropriate.

Thrombotic Thrombocytopenic Purpura/Hemolytic Uremic Syndrome:

Cases of thrombotic thrombocytopenic purpura/hemolytic uremic syndrome (TTP/HUS) including fatal outcome have been reported in patients who received Kyprolis. Monitor for signs and symptoms of TTP/HUS. If the diagnosis is suspected, stop Kyprolis and evaluate. If the diagnosis of TTP/HUS is excluded, Kyprolis may be restarted. The safety of reinitiating Kyprolis therapy in patients previously experiencing TTP/HUS is not known.

Posterior Reversible Encephalopathy Syndrome (PRES):

Cases of PRES have been reported in patients receiving Kyprolis. Posterior reversible encephalopathy syndrome (PRES), formerly termed Reversible Posterior Leukoencephalopathy Syndrome (RPLS), is a neurological disorder which can present with seizure, headache, lethargy, confusion, blindness, altered consciousness, and other visual and neurological disturbances, along with hypertension, and the diagnosis is confirmed by neuro-radiological imaging (MRI). Discontinue Kyprolis if PRES is suspected and evaluate. The safety of reinitiating Kyprolis therapy in patients previously experiencing PRES is not known.

Embryo-fetal Toxicity:

Kyprolis can cause fetal harm when administered to a pregnant woman based on its mechanism of action and findings in animals. There are no adequate and well-controlled studies in pregnant women using Kyprolis. Kyprolis caused embryo-fetal toxicity in pregnant rabbits at doses that were lower than in patients receiving the recommended dose. Females of reproductive potential should be advised to avoid becoming pregnant while being treated with Kyprolis. If this drug is used during pregnancy, or if the patient becomes pregnant while taking this drug, the patient should be apprised of the potential hazard to the fetus.

ADVERSE REACTIONS

The most common adverse events occurring in at least 20% of patients treated with Kyprolis in monotherapy trials: anemia, fatigue, thrombocytopenia, nausea, pyrexia, decreased platelets, dyspnea, diarrhea, decreased lymphocyte, headache, decreased hemoglobin, cough, edema peripheral.

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The most common adverse events occurring in at least 20% of patients treated with Kyprolis in the combination therapy trial: decreased lymphocytes, decreased absolute neutrophil count, decreased phosphorus, anemia, neutropenia, decreased total white blood cell count, decreased platelets, diarrhea, fatigue, thrombocytopenia, pyrexia, muscle spasm, cough, upper respiratory tract infection, decreased hemoglobin, hypokalemia.

USE IN SPECIFIC POPULATIONS

Patients on dialysis: Administer Kyprolis after the dialysis procedure.

POST-MARKETING EXPERIENCE

The following adverse reactions were reported in the post-marketing experience: dehydration, thrombotic thrombocytopenic purpura/hemolytic uremic syndrome (TTP/HUS), tumor lysis syndrome including fatal outcomes, and posterior reversible encephalopathy syndrome (PRES). Because these reactions are reported voluntarily from a population of uncertain size, it is not always possible to reliably estimate their frequency or establish a causal relationship to drug exposure.

Full prescribing information is available at www.kyprolis.com.

About BLINCYTO® (blinatumomab)

BLINCYTO® (blinatumomab) is the first bispecific CD19-directed CD3 T cell engager (BiTE®) antibody construct product, and the first single-agent immunotherapy to be approved by the U.S. Food and Drug Administration (FDA) for the treatment of patients with Philadelphia chromosome-negative (Ph-) relapsed or refractory B-cell precursor ALL, a rare and rapidly progressing cancer of the blood and bone marrow.^{1, 2} Prior to approval, BLINCYTO was granted breakthrough therapy and priority review designations by the FDA. BLINCYTO has a **BOXED WARNING** in its product label regarding Cytokine Release Syndrome (CRS) and Neurological Toxicities. (Please see Important Safety Information below).

About BiTE® Technology

Bispecific T cell engager (BiTE®) antibody constructs are a type of immunotherapy being investigated for fighting cancer by helping the body's immune system to detect and target malignant cells. The modified antibodies are designed to engage two different targets simultaneously, thereby juxtaposing T cells (a type of white blood cell capable of killing other cells perceived as threats) to cancer cells. BiTE® antibody constructs help place the T cells within reach of the targeted cell, with the intent of allowing T cells to inject toxins and trigger the cancer cell to die (apoptosis). BiTE® antibody constructs are currently being investigated for their potential to treat a wide variety of cancers. For more information, visit www.biteantibodies.com.

Important U.S. Product Information

BLINCYTO® is indicated for the treatment of Philadelphia chromosome-negative relapsed or refractory B-cell precursor acute lymphoblastic leukemia (ALL).

This indication is approved under accelerated approval. Continued approval for this indication may be contingent upon verification of clinical benefit in subsequent trials.

IMPORTANT SAFETY INFORMATION

WARNING: CYTOKINE RELEASE SYNDROME and NEUROLOGICAL TOXICITIES

- Cytokine Release Syndrome (CRS), which may be life-threatening or fatal, occurred in patients receiving BLINCYTO®. Interrupt or discontinue BLINCYTO® as recommended.**
- Neurological toxicities, which may be severe, life-threatening or fatal, occurred in patients receiving BLINCYTO®. Interrupt or discontinue BLINCYTO® as recommended.**

Contraindications

BLINCYTO[®] is contraindicated in patients with a known hypersensitivity to blinatumomab or to any component of the product formulation.

Warnings and Precautions

- Cytokine Release Syndrome (CRS): Life-threatening or fatal CRS occurred in patients receiving BLINCYTO[®]. Infusion reactions have occurred and may be clinically indistinguishable from manifestations of CRS. Closely monitor patients for signs and symptoms of serious events such as pyrexia, headache, nausea, asthenia, hypotension, increased alanine aminotransferase (ALT), increased aspartate aminotransferase (AST), increased total bilirubin (TBILI), disseminated intravascular coagulation (DIC), capillary leak syndrome (CLS), and hemophagocytic lymphohistiocytosis/macrophage activation syndrome (HLH/MAS). Interrupt or discontinue BLINCYTO[®] as outlined in the Prescribing Information (PI).
- Neurological Toxicities: Approximately 50% of patients receiving BLINCYTO[®] in clinical trials experienced neurological toxicities. Severe, life-threatening, or fatal neurological toxicities occurred in approximately 15% of patients, including encephalopathy, convulsions, speech disorders, disturbances in consciousness, confusion and disorientation, and coordination and balance disorders. The median time to onset of any neurological toxicity was 7 days. Monitor patients for signs or symptoms and interrupt or discontinue BLINCYTO[®] as outlined in the PI.
- Infections: Approximately 25% of patients receiving BLINCYTO[®] experienced serious infections, some of which were life-threatening or fatal. Administer prophylactic antibiotics and employ surveillance testing as appropriate during treatment. Monitor patients for signs or symptoms of infection and treat appropriately, including interruption or discontinuation of BLINCYTO[®] as needed.
- Tumor Lysis Syndrome (TLS): Life-threatening or fatal TLS has been observed. Preventive measures, including pretreatment nontoxic cyoreduction and on treatment hydration, should be used during BLINCYTO[®] treatment. Monitor patients for signs and symptoms of TLS and interrupt or discontinue BLINCYTO[®] as needed to manage these events.
- Neutropenia and Febrile Neutropenia, including life-threatening cases, have been observed. Monitor appropriate laboratory parameters during BLINCYTO[®] infusion and interrupt BLINCYTO[®] if prolonged neutropenia occurs.
- Effects on Ability to Drive and Use Machines: Due to the possibility of neurological events, including seizures, patients receiving BLINCYTO[®] are at risk for loss of consciousness, and should be advised against driving and engaging in hazardous occupations or activities such as operating heavy or potentially dangerous machinery while BLINCYTO[®] is being administered.
- Elevated Liver Enzymes: Transient elevations in liver enzymes are associated with BLINCYTO[®] treatment. The majority of these events were observed in the setting of CRS. The median time to onset was 15 days. Grade 3 or greater elevations in liver enzymes occurred in 6% of patients outside the setting of CRS and resulted in treatment discontinuation in less than 1% of patients. Monitor ALT, AST, gamma-glutamyl transferase (GGT), and TBILI prior to the start of and during BLINCYTO[®] treatment. BLINCYTO[®] treatment should be interrupted if transaminases rise to > 5 times the upper limit of normal (ULN) or if TBILI rises to > 3 times ULN.
- Leukoencephalopathy: Although the clinical significance is unknown, cranial magnetic resonance imaging (MRI) changes showing leukoencephalopathy have been observed in patients receiving BLINCYTO[®], especially in patients previously treated with cranial irradiation and anti-leukemic chemotherapy.

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- Preparation and administration errors have occurred. Follow instructions for preparation (including admixing) and administration in the PI strictly to minimize medication errors (including underdose and overdose).

Adverse Events

- The most commonly reported adverse reactions ($\geq 20\%$) in clinical trials were pyrexia (62%), headache (36%), peripheral edema (26%), febrile neutropenia (26%), nausea (25%), hypokalemia (23%), rash (21%), tremor (20%) and constipation (20%).
- Serious adverse reactions were reported in 65% of patients. The most common serious adverse reactions ($\geq 2\%$) included febrile neutropenia, pyrexia, pneumonia, sepsis, neutropenia, device-related infection, tremor, encephalopathy, infection, overdose, confusion, *Staphylococcal* bacteremia, and headache.

Dosage and Administration Guidelines

- BLINCYTO[®] is administered as a continuous intravenous infusion at a constant flow rate using an infusion pump which should be programmable, lockable, non-elastomeric, and have an alarm.
- It is very important that the instructions for preparation (including admixing) and administration provided in the full Prescribing Information are strictly followed to minimize medication errors (including underdose and overdose).

Please see full Prescribing Information and medication guide for BLINCYTO[®] at www.BLINCYTO.com.

1.2.

1.3. About AMG 330

1.4. **AMG 330 is a novel CD33/CD3 BiTE antibody developed to recruit T-cells to recognize and kill CD33 expressing acute myeloid leukemia (AML) target cells.**

1.5.

1.6. About Amgen

Amgen is committed to unlocking the potential of biology for patients suffering from serious illnesses by discovering, developing, manufacturing and delivering innovative human therapeutics. This approach begins by using tools like advanced human genetics to unravel the complexities of disease and understand the fundamentals of human biology.

Amgen focuses on areas of high unmet medical need and leverages its biologics manufacturing expertise to strive for solutions that improve health outcomes and dramatically improve people's lives. A biotechnology pioneer since 1980, Amgen has grown to be one of the world's leading independent biotechnology companies, has reached millions of patients around the world and is developing a pipeline of medicines with breakaway potential.

For more information, visit www.amgen.com and follow us on www.twitter.com/amgen.

Amgen Forward-Looking Statements

This news release contains forward-looking statements that are based on the current expectations and beliefs of Amgen Inc. and its subsidiaries (Amgen) and are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those described. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including estimates of revenues, operating margins, capital expenditures, cash, other financial metrics, expected legal, arbitration, political, regulatory or clinical results or practices, customer and prescriber patterns or practices, reimbursement activities and outcomes and other such estimates and results. Forward-looking statements involve significant risks and uncertainties, including those discussed below and more fully described in the Securities and Exchange Commission (SEC) reports filed by Amgen Inc., including Amgen Inc.'s most recent annual report on Form 10-K and any subsequent periodic reports on Form 10-Q and Form 8-K. Please refer to Amgen Inc.'s most recent Forms 10-K, 10-Q and 8-K for additional information on the uncertainties and risk factors related to Amgen's business. Unless otherwise noted, Amgen is providing this information as of [Sept. XX, 2015], and expressly disclaims any duty to update information contained in this news release.

No forward-looking statement can be guaranteed and actual results may differ materially from those Amgen projects. Discovery or identification of new product candidates or development of new indications for existing products cannot be guaranteed and movement from concept to product is uncertain; consequently, there can be no guarantee that any particular product candidate or development of a new indication for an existing product will be successful and become a commercial product. Further, preclinical results do not guarantee safe and effective performance of product candidates in humans. The complexity of the human body cannot be perfectly, or sometimes, even adequately modeled by computer or cell culture systems or animal models. The length of time that it takes for Amgen and its partners to complete clinical trials and obtain regulatory approval for product marketing has in the past varied and Amgen expects similar variability in the future. Amgen develops product candidates internally and through licensing collaborations, partnerships and joint ventures. Product candidates that are derived from relationships may be subject to disputes between the parties or may prove to be not as effective or as safe as Amgen may have believed at the time of entering into such relationship. Also, Amgen or others could identify safety, side effects or manufacturing problems with Amgen's products after they are on the market. Amgen's business may be impacted by government investigations, litigation and product liability claims. If Amgen fails to meet the compliance obligations in the corporate integrity agreement between Amgen and the U.S. government, Amgen could become subject to significant sanctions. Amgen depends on third parties for a significant portion of its manufacturing capacity for the supply of certain of its current and future products and limits on supply may constrain sales of certain of its current products and product candidate development.

In addition, sales of Amgen's products are affected by the reimbursement policies imposed by third-party payers, including governments, private insurance plans and managed care providers and may be affected by regulatory, clinical and guideline developments and domestic and international trends toward managed care and healthcare cost containment as well as U.S. legislation affecting pharmaceutical pricing and reimbursement. Government and others' regulations and reimbursement policies may affect the development, usage and pricing of Amgen's products. In addition, Amgen competes with other companies with respect to some of its marketed products as well as for the discovery and development of new products. Amgen believes that some of its newer products, product candidates or new indications for existing products, may face competition when and as they are approved and marketed. Amgen's products may compete against products that have lower prices, established reimbursement, superior performance, are easier to administer, or that are otherwise competitive with its products. In

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addition, while Amgen and its partners routinely obtain patents for their products and technology, the protection of Amgen's products offered by patents and patent applications may be challenged, invalidated or circumvented by its competitors and there can be no guarantee of Amgen's or its partners' ability to obtain or maintain patent protection for Amgen's products or product candidates. Amgen cannot guarantee that it will be able to produce commercially successful products or maintain the commercial success of its existing products. Amgen's stock price may be affected by actual or perceived market opportunity, competitive position and success or failure of its products or product candidates. Further, the discovery of significant problems with a product similar to one of Amgen's products that implicate an entire class of products could have a material adverse effect on sales of the affected products and on Amgen's business and results of operations. Amgen's efforts to integrate the operations of companies it has acquired may not be successful. Amgen may experience difficulties, delays or unexpected costs and not achieve anticipated cost savings from its ongoing restructuring plan. Amgen's business performance could affect or limit the ability of Amgen's Board of Directors to declare a dividend or their ability to pay a dividend or repurchase Amgen common stock.

The scientific information discussed in this news release related to Amgen's product candidates is preliminary and investigative. Such product candidates are not approved by the U.S. Food and Drug Administration (FDA), and no conclusions can or should be drawn regarding the safety or effectiveness of the product candidates.

Xencor Forward-Looking Statements

Statements contained in this press release regarding matters that are not historical facts are forward-looking statements within the meaning of applicable securities laws, including the quotation from Xencor's officers and any expectations relating to its business, research and development programs, including the XmAb bispecific antibody technology, partnering efforts or its capital requirements. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements and the timing of events to be materially different from those implied by such statements, and therefore these statements should not be read as guarantees of future performance or results. Such risks include, without limitation, the risks associated with the process of discovering, developing, manufacturing and commercializing drugs that are safe and effective for use as human therapeutics and other risks described in Xencor's public securities filings. All forward-looking

statements are based on Xencor's current information and belief as well as assumptions made by Xencor. Readers are cautioned not to place undue reliance on such statements and Xencor disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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CONTACT: Xencor, Monrovia
John Kuch, 626-737-8013 (investors)
Jason I. Spark, 619-849-6005 Canale Communications for Xencor (media)

References

¹ Mayo Clinic. "Acute lymphocytic leukemia." Available at: <http://www.mayoclinic.org/diseases-conditions/acute-lymphocytic-leukemia/basics/definition/con-20042915> Accessed on July 15, 2015.

² BLINCYTO® US Prescribing Information.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Bassil I. Dahiyat, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xencor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in exchange act rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ BASSIL I. DAHIYAT

Bassil I. Dahiyat, Ph.D.

President & Chief Executive Officer

Date: November 3, 2015

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, John J. Kuch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xencor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in exchange act rules 13a-15(f) and 15d-15(F) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ JOHN J. KUCH

John J. Kuch

Vice President, Finance (Principal Financial Officer)

Date: November 3, 2015

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Bassil I. Dahiyat, Chief Executive Officer of Xencor, Inc. (the "Company"), and John J. Kuch, Vice President, Finance of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2015, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2015

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 3rd day of November, 2015.

/s/ BASSIL I. DAHIYAT
Bassil I. Dahiyat
Chief Executive Officer

/s/ JOHN J. KUCH
John J. Kuch
Vice President, Finance

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Xencor, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.
