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As filed with the Securities and Exchange Commission on , 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Xencor, Inc.

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

Copies to:

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

Common Stock, $0.01 par value per share	$	$

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

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

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 11, 2013

PRELIMINARY PROSPECTUS

Shares

Common Stock

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

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

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

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

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

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

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

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

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

Credit Suisse **Leerink Swann**

Wedbush PacGrow Life Sciences

The date of this prospectus is , 2013

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

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

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

PROSPECTUS SUMMARY

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

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

Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. We use our proprietary XmAb technology platform to create next-generation antibody product candidates designed to treat autoimmune and allergic diseases, cancer and other conditions. In contrast to conventional approaches to antibody design, which focus on the portion of antibodies th 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 typically maintaining over 99.5% identity in structure and sequence to natural antibodies. By improving over natural antibody function, we believe that our XmAb-engineered antibodies offer innovative approaches to treating disease and potential clinical advantages over other treatments.

Our business strategy is based on the plug-and-play nature of the XmAb technology platform to modify features of natural antibodies and create numerous differentiated antibody product candidates. We have internally generated a pipeline that has allowed us to selectively partner certain development programs while maintaining full ownership of other programs. We also have a number of technology licenses under which we have licensed the XmAb technology platform to pharmaceutical and biotechnology companies for use in a limited number of programs, providing multiple revenue streams that require no further resources from Xencor. There are currently five antibody product candidates in clinical trials that have been engineered with XmAb technology, including four candidates being advanced by licensees and development partners. As of June 30, 2013, our XmAb technology platform is protected by 20 issued U.S. patents and 44 U.S. patent applications, in addition to foreign counterparts.

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

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

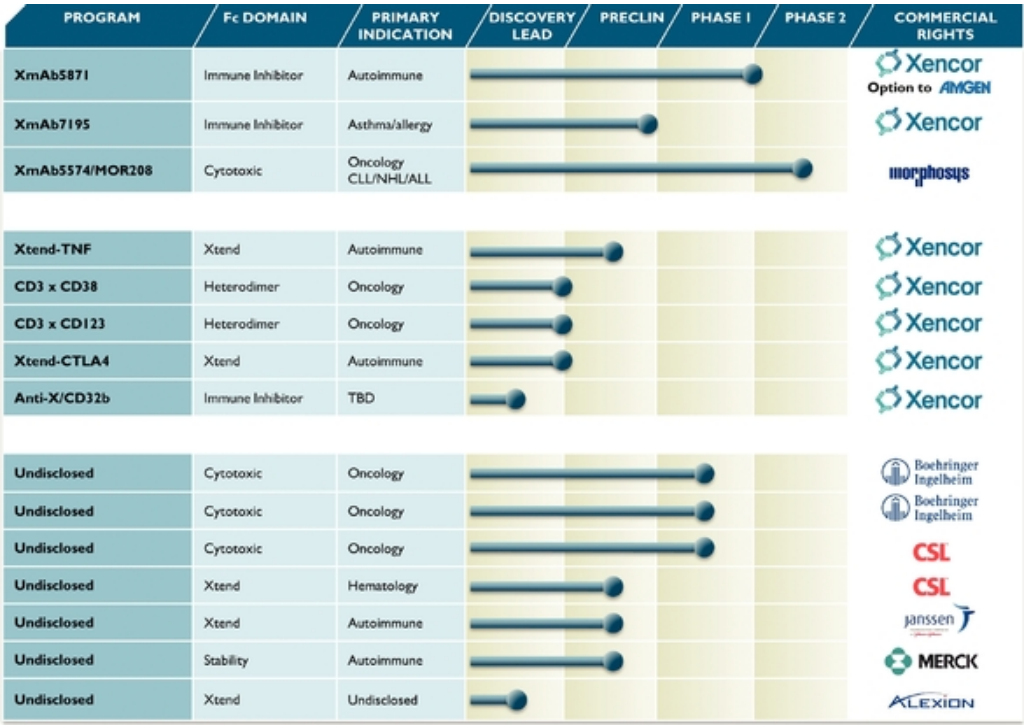
of Rheumatology, rheumatoid arthritis and lupus affect approximately 1.3 million and 160,000 adults in the United States, respectively. Humira, the leading antibody therapy for autoimmune diseases, generated sales of approximately $9.3 billion worldwide in 2012.

- ***XmAb7195*** is being developed for the treatment of severe asthma and allergic diseases. It uses our Immune Inhibitor Fc Domain and is designed to reduce blood plasma levels of IgE, which mediates allergic responses and allergic disease. Its three specific mechanisms of action give it potential advantages over current therapies: (i) increased IgE binding, (ii) inhibition of IgE production and (iii) rapid clearance of IgE from circulation. We anticipate filing an investigational new drug application (IND) with the United States Food and Drug Administration (FDA) and initiating a Phase 1a clinical trial in late 2013 or early 2014. We plan to report data from this trial in the second half of 2014. According to the U.S. Centers for Disease Control and Prevention (CDC), one in 12 Americans has asthma, and there were 1.8 million emergency room visits caused by asthma in 2010. Xolair, the leading antibody therapy for the treatment of severe refractory asthma, generated approximately $1.3 billion in worldwide sales in 2012.

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

Product Pipeline and Platform

A summary of our proprietary and partnered product development and technology license programs is shown below:



Antibody Structure and Fc Domain Function

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

Our Fc Domain Focused Approach

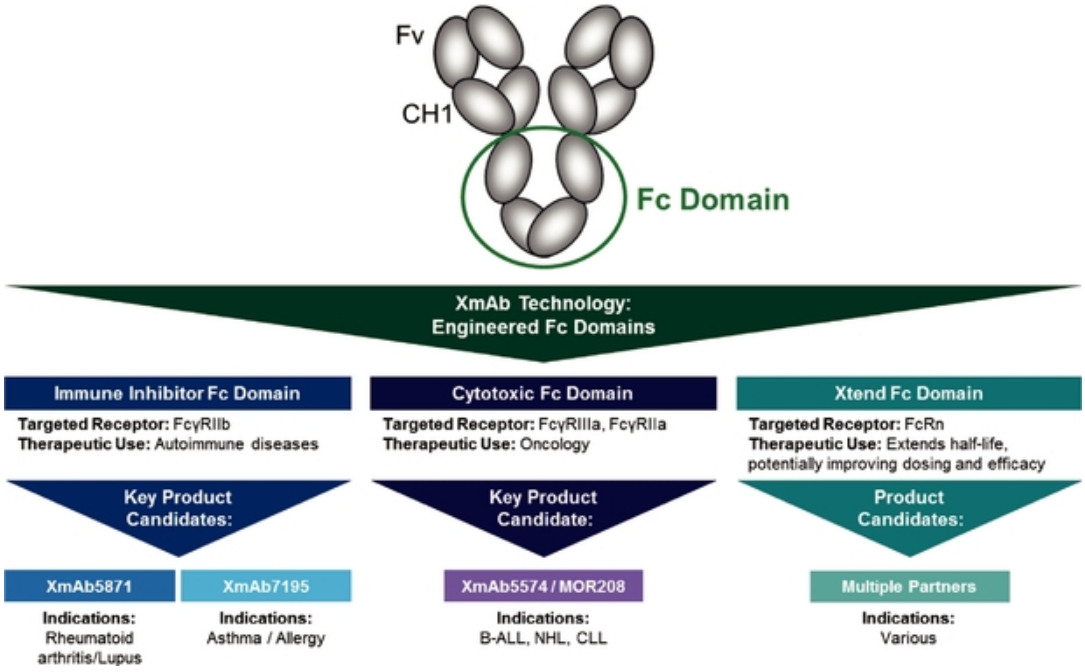
The global market for antibody therapeutics was estimated to be approximately $45.0 billion in 2011, of which the U.S. market was estimated to be $20.0 billion Intense competition drives companies to develop differentiated antibody drugs, often because of the common pursuit of the same antigen Fv targets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

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

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

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

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



Our Strategy

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

- ***Advance the clinical development of our lead Immune Inhibitor Fc Domain product candidates.*** We are developing XmAb5871, in collaboration with Amgen, for the treatment of autoimmune diseases and are developing XmAb7195 independently for the treatment of asthma and allergic diseases
- ***Continue to monetize and expand the use of our XmAb technology platform.*** We are seeking additional licensing and partnering opportunities, similar to our collaborations with Amgen and with MorphoSys for XmAb5574/MOR208, with leading pharmaceutical and biotechnology companies.
- ***Build a large and diversified portfolio of product candidates.*** We aim to create new XmAb-engineered antibody product candidates that exploit the novel properties of our XmAb technology platform.
- ***Broaden the functionality of our XmAb technology platform.*** We are conducting further research into the function and application of antibody Fc domains in order to expand the scope of our XmAb technology platform.
- ***Continue to expand our patent portfolio protecting our XmAb technology platform.*** We seek to expand and protect our development programs and product candidates by filing and prosecuting patent applications in the United States and other countries.

Risks Associated with Our Business

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

- We have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. Our accumulated deficit was $222.0 million as of June 30, 2013, representing our cumulative losses since our inception in 1997.
- Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. We have never generated any revenue from product sales and may never be profitable.
- We will require additional financing and may be unable to raise sufficient capital, which could lead us to delay, reduce or abandon research and development programs or commercialization.
- If we are unable to obtain, maintain and enforce intellectual property protection covering our products, others may be able to make, use or sell product substantially the same as ours, which could adversely affect our ability to compete in the market.
- The development and commercialization of biologic products is subject to extensive regulation, and we may not obtain regulatory approvals for any of our product candidates.
- Even if we receive regulatory approval for any of our product candidates, we will be subject to ongoing regulatory obligations and continued regulator 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.
- We may not be successful in our efforts to use and expand our XmAb technology platform to build a pipeline of product candidates and develop marketable products.
- Our existing collaborations are important to our business, and future collaborations may also be important to us. If we are unable to maintain any of these collaborations, or if these collaborations are not successful, our business could be adversely affected.
- We face significant competition from other biotechnology and pharmaceutical companies and our operating results will suffer if we fail to compete effectively.

Corporate and Other Information

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

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

Implications of Being an Emerging Growth Company

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

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

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

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

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

The Offering

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Option to purchase additional shares	The underwriters have a 30-day option to purchase a maximum of additional shares of common stock.
Use of proceeds	We intend to use the net proceeds from this offering to fund the clinical development of XmAb587 and XmAb7195, research and development, working capital and other general corporate purposes, including the costs associated with being a public company. See "Use of Proceeds."
Risk factors	See "Risk Factors" beginning on page 11 and the other information included in this prospectus for discussion of factors to consider carefully before deciding to purchase any shares of our common stock.
Proposed NASDAQ Global Market symbol	"XNCR"

The number of shares of our common stock to be outstanding after this offering is based on 49,981,095 shares of common stock outstanding as of June 30, 2013, after giving effect to the conversion of our outstanding convertible preferred stock into 49,756,776 shares of common stock, and excludes:

- 4,045,324 shares of common stock issuable upon the exercise of outstanding stock options as of June 30, 2013, at a weighted-average exercise price of $0.19 per share;
- shares of common stock reserved for future issuance under our 2013 equity incentive plan (the 2013 plan), which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part (including 4,276,646 shares of common stock reserved for issuance under our 2010 equity incentive plan (the 2010 pre-IPO plan), which shares will be added to the shares reserved under the 2013 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under our 2013 employee stock purchase plan (the 2013 purchase plan) which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part.

Unless otherwise indicated, all information contained in this prospectus assumes:

- the conversion of all our outstanding convertible preferred stock into an aggregate of 49,756,776 shares of common stock in connection with the closing of this offering;
- no exercise by the underwriters of their over-allotment option to purchase up to an additional shares of our common stock;
- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the closing of this offering; and
- a one-for- reverse stock split of our common stock to be effected prior to the closing of this offering.

Summary Financial Data

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

	Year Ended December 31,		Six Months Ended June 30,	
	2011	2012	2012	2013
	(in thousands, except share and per share data)			
	(Restated)		(unaudited)	
Statement of Operations Data:				
Revenues	$ 6,849	$ 9,524	$ 5,523	$ 5,266
Operating expenses:				
Research and development	12,663	12,668	5,679	8,694
General and administrative	3,638	3,086	1,553	1,539
Total operating expenses	16,301	15,754	7,232	10,233
Loss from operations	(9,452)	(6,230)	(1,709)	(4,967)
Other income (expenses)				
Interest income	34	11	7	3
Interest expense	(1,850)	(2,461)	(1,184)	(1,213)
Other income (expense)	65	86	(8)	12
Loss on settlement of notes(1)	—	—	—	(48,556)
Total other income (expenses)	(1,751)	(2,364)	(1,185)	(49,754)
Net loss	(11,203)	(8,594)	(2,894)	(54,721)
Deemed contribution on exchange of preferred stock(2)	—	—	—	147,114
Net income (loss) attributable to common stockholders	$ (11,203)	$ (8,594)	$ (2,894)	$ 92,393
Net income (loss) per share attributable to common stockholders(3):				
Basic	$ (49.94)	$ (38.31)	$ (12.90)	$ 411.88
Diluted	$ (49.94)	$ (38.31)	$ (12.90)	$ (1.40)
Weighted average shares of common stock used in computing net income (loss) per share attributable to common stockholders:				
Basic	224,319	224,319	224,319	224,319
Diluted	224,319	224,319	224,319	39,140,218
Pro forma net loss per share of common stock, basic and diluted (unaudited)(4)		$ (0.17)		$ (0.12)
Weighted-average shares used in computing pro forma net loss per share of common stock, basic and diluted (unaudited)(4)		49,981,095		49,981,095

(1) See Notes 1 and 2 within the notes to our financial statements appearing elsewhere in this prospectus for a description of the Adjustment to net loss resulting from exchange of convertible notes for preferred stock.

(2) See Note 8 within the notes to our financial statements appearing elsewhere in this prospectus for a description of the deemed contribution on exchange of preferred stock.

(3) See Note 1 within the notes to our financial statements appearing elsewhere in this prospectus for a description of the method used to calculate basic and diluted loss per common.

(4) Pro forma net loss per share attributable to common stockholders excludes the impact of non-recurring items recognized in income attributable to common stockholders for the periods presented. We calculated pro forma weighted average shares outstanding for the six months ended June 30, 2013 to give effect to the automatic conversion into shares of common stock, on a 1:1 basis, of all shares of convertible preferred stock outstanding at June 30, 2013. We calculated pro forma weighted average shares outstanding for the year ended December 31, 2012 to give effect to the automatic conversion into shares of common stock, on a 1:1 basis, of all shares of convertible preferred stock outstanding at June 30, 2013, which includes 42,366,590 shares of common stock issuable upon conversion of the shares of preferred stock issued in exchange for our outstanding promissory notes on June 13, 2013. We believe that calculation of pro forma shares described above is the most meaningful to investors, as such calculation represents the actual number of shares of common stock our notes became convertible into, and prior to the exchange of our convertible notes in June 2013, such notes were not convertible at the option of the holders, and the number of shares of common stock such notes were automatically convertible into upon an initial public offering was contingent on the public offering price, which was not known at the time of the conversion of the notes or applicable to the actual number of shares of common stock issued upon conversion of the notes.

Pro forma net loss attributable to common stockholders

	Year Ended December 31, 2012	Six Months Ended June 30, 2013
Net loss attributable to common stockholders	(8,594)	92,393
Loss on settlement of notes	—	48,556
Deemed contribution on exchange of preferred stock	—	(147,114)
Pro forma net loss attributable to common stockholders	(8,594)	(6,165)

Pro forma weighted average shares outstanding, basic and diluted

	Year Ended December 31, 2012	Six Months Ended June 30, 2013
Common stock	224,319	224,319
Preferred Stock	49,756,776	49,756,776
Pro forma weighted average shares outstanding, basic and diluted	49,981,095	49,981,095
Pro forma net loss per share of common stock, basic and diluted (unaudited):	$ (0.17)	$ (0.12)

	As of June 30, 2013		
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)(3)
		(in thousands) (unaudited)	
Balance Sheet Data:			
Cash and cash equivalents	$ 11,748	$ 11,748	$
Working capital	4,859	4,859	
Patents, licenses, and other intangible assets, net	8,897	8,897	8,897
Total assets	21,330	21,330	
Deferred revenue, less current portion	10,200	10,200	10,200
Convertible preferred stock	74,849	—	—
Total stockholders' equity (deficit)	(70,855)	3,994	

(1) Pro forma amounts reflect the conversion of all our outstanding shares of convertible preferred stock as of June 30, 2013 into an aggregate of 49,756,776 shares of our common stock.

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

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

RISK FACTORS

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

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

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

We are a clinical-stage biopharmaceutical company. To date, we have financed our operations primarily through private placements of convertible debt and preferred stock and our research and licensing agreements and have incurred significant operating losses since our inception in 1997. Our net loss for the six months ended June 30, 2013 was $54.7 million (including a $48.6 million loss on settlement of convertible notes) and for the years ended December 31, 2011 and 2012 it was $11.2 million and $8.6 million, respectively. As of June 30, 2013, we had an accumulated deficit of $222.0 million. Such losses are expected to increase in the future as we execute our plan to continue our discovery, research and development activities, including the ongoing and planned clinical development of our antibody product candidates, and incur the additional costs of operating as a public company. We are unable to predict the extent of any future losses or when we will become profitable, if ever. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis which would adversely affect our business, prospects, financial condition and results of operations.

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

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

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

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

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

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

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

Our operations have used substantial amounts of cash since inception. Our net research and development expenses were $8.7 million for the six months ended June 30, 2013, and $12.7 million for each of the years ended December 31, 2011 and 2012, respectively. We expect our expenses to increase in connection with our ongoing development activities, including the continuation of our ongoing Phase 1b/2a clinical trial of XmAb5871 in patients with rheumatoid arthritis, the initiation of additional clinical trials of XmAb5871 and the submission of an investigational new drug application (IND) to the FDA for XmAb7195 to be followed by our first clinical trial of XmAb7195. Identifying potential product candidates and conducting preclinical testing and clinical trials are time-consuming, expensive and uncertain processes that takes years to complete, and we or our partners may never generate the necessary data or results required to obtain regulatory approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Patient enrollment is affected by other factors including:

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

Our inability to enroll a sufficient number of patients for our clinical trials would 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.

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

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

In our Phase 1a clinical trial of XmAb5871, for example, some subjects reported mild to severe gastrointestinal symptoms including nausea, vomiting, abdominal pain, abdominal discomfort, epigastric discomfort (upper stomach pain) and diarrhea. As of August 15, 2013, one patient in our on-going Phase 1b clinical trial of XmAb5871 experienced an infusion related reaction with hypotension and other adverse events that have been reported by investigators include nausea, vomiting, fever-increased temperature and headache. If these or other side effects cause excessive discomfort, safety risks or reduction in acceptable dosage, then the development and commercialization of XmAb5871 could suffer significant negative consequences. We cannot predict if additional types of adverse events or more serious adverse events will be observed in future clinical trials of XmAb5871, XmAb7195 or any future product candidate.

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

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

We are using our proprietary XmAb technology platform to develop engineered antibodies, with an initial focus on three properties: immune inhibition, cytotoxicity and extended half-life. This platform has led to our three lead product candidates, XmAb5871, XmAb7195 and XmAb5574/MOR208 as well as the other programs that utilize our technology and that are being developed by our partners and licensees. While we believe our preclinical and clinical data to date, together with our established collaborations, 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 collaboration revenues in future periods, which would adversely affect our business, prospects, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

Risks Relating to Our Dependence on Third Parties

Our existing collaborations are important to our business, and future collaborations may also be important to us. If we are unable to maintain any of these collaborations, or if these collaborations 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 collaborations, and may seek to enter into additional collaborations, with companies that have more resources and experience than us, and we may become dependent upon the establishment and successful implementation of collaboration agreements.

Our collaboration and license agreements include those we have announced with Amgen, MorphoSys, Boehringer Ingelheim and others. These collaborations also have provided us with important funding for our development programs, and we expect to receive additional funding under these collaborations in the future. Our existing collaborations, and any future collaborations 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 collaborations;
- 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 collaborations and potentially others; and

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

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

Our collaboration agreements generally grant our collaborators exclusive rights under certain of our intellectual property, and may therefore preclude us from entering into collaborations with others relating to the same or similar compounds, indications or diseases. In addition, collaboration 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 collaborative or license 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 collaboration agreement for convenience. If a collaboration 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 collaboration. 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 collaborate 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 collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration 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 collaborations 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 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 and we intend to rely on third parties to manufacture commercial supplies of such candidates, if and when any are approved. The development and commercialization 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 or product candidates on a clinical or commercial scale. Instead, we rely on our third-party manufacturing partners, Catalent Pharma Solutions LLC (Catalent) and Cook Pharmica, LLC (Cook) for the production of XmAb5871 and XmAb7195, respectively, and Cook and third parties for fill and testing services, pursuant to agreements with each.

The facilities used by our third-party manufacturers to manufacture XmAb5871 and XmAb7195 and any other potential product candidates that we may develop in the future must be approved by the applicable regulatory authorities, including the FDA, pursuant to inspections that will be conducted after we submit our BLA to the FDA. We do not control the manufacturing processes of either Catalent or Cook and are currently completely dependent on each of Catalent and Cook for the production of XmAb5871 and XmAb7195 in accordance with cGMP, which include, among other things, quality control, quality assurance and the maintenance of records and documentation. While there are other potential suppliers of clinical supplies of our biologics, the long transition periods necessary to switch manufacturers for either XmAb5871 and XmAb7195 would significantly delay our clinical trials and the commercialization of such products, if approved.

Although we have entered into agreements for the manufacture of clinical supplies of XmAb5871 and XmAb7195, either Catalent or Cook may not perform as agreed, may be unable to comply with cGMP requirements and with FDA, state and foreign regulatory requirements or may terminate its agreement with us. We have not entered into a commercial supply agreement with either Catalent or Cook and neither has demonstrated that it will be capable of manufacturing XmAb5871 and XmAb7195 on a large commercial scale. Moreover, our existing license with Catalent to use certain technology and know-how in the production of our XmAb5871 product candidate only applies for so long as manufacturing services are provided by Catalent. We expect to move manufacturing services to another contract manufacturing organization, or to Amgen if they exercise their option for XmAb5871, to support late-stage clinical trials for XmAb5871 which would require negotiation of a license from Catalent. We expect to be able to finalize such a commercial license agreement with Catalent for XmAb5871 in due course. However, we can provide no assurances as to when such a license agreement will be executed or if it will be executed at all. If we, or our collaborator Amgen, are not able to secure a commercial license from Catalent, or not able to obtain a commercial license on acceptable terms, we may be required to change the manufacturing process for XmAb5871. A change to the manufacturing process for XmAb5871 would cause us to incur significant costs and to devote significant efforts to implement such a change. Additionally, the development and commercialization of XmAb5871 by us or our collaborators may be delayed as a result, which would materially and adversely affect our business.

If our third-party manufacturers cannot successfully manufacture material that conforms to our specifications and the applicable regulatory authorities' strict regulatory requirements, or pass regulatory inspection, they will not be able to secure or maintain regulatory approval for the manufacturing facilities. In addition, we have no control over the ability of any third-party manufacturer to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or any other applicable regulatory authorities do not approve these facilities for the manufacture of our products or if they withdraw any such approval in the future, or if our suppliers or third-party manufacturer decide they no longer want to supply our biologics or manufacture our products, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our products. We might be unable to identify manufacturers for long-term commercial supply on acceptable terms or at all. Manufacturers are subject to ongoing periodic unannounced inspection by the FDA and other governmental authorities to ensure strict compliance with government regulations. If we were to experience an unexpected loss of supply, we could experience delays in our planned clinical trials, as Catalent or Cook would need to manufacture additional clinical drug supply and would need sufficient lead time to schedule a manufacturing slot.

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.

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. We cannot assure you that any stability or other issues relating to the manufacture of any of our 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 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 products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay or impede the development and commercialization of any of our product candidates and could have a material adverse effect on our business, prospects, financial condition and results of operations.

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 June 30, 2013, we held 20 issued U.S. patents and 44 pending U.S. patent applications related to our XmAb technology platform. We have also filed and are actively pursuing additional patent applications in the United States, Canada, Japan, Europe and other major markets either directly or via the Patent Cooperation Treaty. Our ability to stop third parties from making, using, selling, offering to sell or importing our product candidates is dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities. However, the patent positions of biopharmaceutical companies, including ours, can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in patents in these fields has emerged to date in the United States. The U.S. patent laws have recently changed, there have been changes regarding how patent laws are interpreted, and the U.S. Patent and Trademark Office (the PTO) has also implemented changes to the patent system. Some of these changes are currently being litigated, and we can not accurately determine the outcome of any such proceedings or predict future changes in the interpretation of patent laws or changes to patent laws which might be enacted into law. Those changes may materially affect our patents, our ability to obtain patents or the patents and applications of our collaborators and licensors. The patent situation in the biopharmaceutical industry outside the United States is even more uncertain. Therefore, there is no assurance that our pending patent applications will result in the issuance of patents or that we will develop additional proprietary products which are patentable. Moreover, patents issued or to be issued to us may not provide us with any competitive advantage. Our patent position is subject to numerous additional risks, including the following:

- we may fail to seek patent protection for inventions that are important to our success;
- our pending patent applications may not result in issued patents;
- we cannot be certain that we are the first to invent the inventions covered by pending patent applications or that we were the first to file such applications and, if we are not, we may be subject to priority disputes;
- we may be required to disclaim part or all of the term of certain patents or all of the term of certain patent applications;
- we may file patent applications but have claims restricted or we may not be able to supply sufficient data to support our claims and, as a result, may not obtain the original claims desired or we may receive restricted claims. Alternatively, it is possible that we may not receive any patent protection from an application;
- we could inadvertently abandon a patent or patent application, resulting in the loss of protection of certain intellectual property rights in a certain country. We, our collaborators or our patent counsel may take action resulting in a patent or patent application becoming abandoned which may not be able to be reinstated or if reinstated, may suffer patent term adjustments;

- the claims of our issued patents or patent applications when issued may not cover our product candidates;
- no assurance can be given that our patents would be declared by a court to be valid or enforceable or that a competitor's technology or product would be found by a court to infringe our patents. Our patents or patent applications may be challenged by third parties in patent litigation or in proceedings before the PTO or its foreign counterparts, and may ultimately be declared invalid or unenforceable, or narrowed in scope;
- there may be prior art of which we are not aware that may affect the validity or enforceability of a patent claim. There also may be prior art of which we are aware, but which we do not believe affects the validity or enforceability of a claim, which may, nonetheless, ultimately be found to affect the validity or enforceability of a claim;
- third parties may develop products which have the same or similar effect as our products without infringing our patents. Such third parties may also intentionally circumvent our patents by means of alternate designs or processes or file applications or be granted patents that would block or hurt our efforts;
- there may be dominating patents relevant to our product candidates of which we are not aware;
- our patent counsel, lawyers or advisors may have given us, or may in the future give us incorrect advice or counsel. Opinions from such patent counsel or lawyers may not be correct or may be based on incomplete facts;
- obtaining regulatory approval for biopharmaceutical products is a lengthy and complex process, and as a result, any patents covering our product candidates may expire before, or shortly after such product candidates are approved and commercialized;
- the patent and patent enforcement laws of some foreign jurisdictions do not protect intellectual property rights to the same extent as laws in the United States, and many companies have encountered significant difficulties in protecting and defending such rights in foreign jurisdictions. If we encounter such difficulties or we are otherwise precluded from effectively protecting our intellectual property rights in foreign jurisdictions, our business prospects could be substantially harmed; and
- we may not develop additional proprietary technologies that are patentable.

Any of these factors could hurt our ability to gain full patent protection for our products. Registered trademarks and trademark applications in the United States and other countries are subject to similar risks as described above for patents and patent applications, in addition to the risks described below.

Many of our collaboration 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 collaboration. We also cannot be certain that a collaborator will not challenge the validity or enforceability of the patents we license.

We cannot be certain that any country's patent and/or trademark office will not implement new rules which could seriously affect how we draft, file, prosecute and/or maintain patents, trademarks and

patent and trademark applications. We cannot be certain that increasing costs for drafting, filing, prosecuting and maintaining patents, trademarks and patent and trademark applications will not restrict our ability to file for patent protection. For example, we may elect not to seek patent protection in certain jurisdictions or for certain inventions in order to save costs. We may be forced to abandon or return the rights to specific patents due to a lack of financial resources.

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

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

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

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

We rely on trade secret protection to protect our interests in proprietary know-how and in processes for which patents are difficult to obtain or enforce. We may not be able to protect our trade secrets adequately. We have a policy of requiring our consultants, advisors and collaborators to enter into confidentiality agreements and our employees to enter into invention, non-disclosure and non-compete agreements. However, no assurance can be given that we have entered into appropriate agreements with all parties that have had access to our trade secrets, know-how or other proprietary information. There is also no assurance that such agreements will provide for a meaningful protection of our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of information. Furthermore, we cannot provide assurance that any of our employees,

consultants, contract personnel, or collaborators, either accidentally or through willful misconduct, will not cause serious damage to our programs and/or our strategy, for example by disclosing important trade secrets, know-how or proprietary information to our competitors. It is also possible that our trade secrets, know-how or other proprietary information could be obtained by third parties as a result of breaches of our physical or electronic security systems. Any disclosure of confidential data into the public domain or to third parties could allow our competitors to learn our trade secrets and use the information in competition against us. In addition, others may independently discover our trade secrets and proprietary information. Any action to enforce our rights is likely to be time consuming and expensive, and may ultimately be unsuccessful, or may result in a remedy that is not commercially valuable. These risks are accentuated in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in the United States or Europe. Any unauthorized disclosure of our trade secrets or proprietary information could harm our competitive position.

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

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

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

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

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

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with manufacturing standards we have established, to comply with federal and state healthcare fraud and abuse laws and regulations, or to report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a Code of Business Conduct and Ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions, and our reputation.

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

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

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

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

Risks Related to this Offering and Ownership of Our Common Stock

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

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

- adverse results or delays in clinical trials;
- inability to obtain additional funding;
- any delay in filing a BLA for any of our product candidates and any adverse development or perceived adverse development with respect to the FDA's review of that BLA;
- failure to successfully develop and commercialize our product candidates;
- changes in laws or regulations applicable to our products;
- inability to obtain adequate product supply for our product candidates, or the inability to do so at acceptable prices;
- adverse regulatory decisions;
- introduction of new products or technologies by our competitors;

- failure to meet or exceed product development or financial projections we provide to the public;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- additions or departures of key scientific or management personnel;
- significant lawsuits, including patent or stockholder litigation;
- changes in the market valuations of similar companies;
- sales of our common stock by us or our stockholders in the future; and
- trading volume of our common stock.

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

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

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

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

Our executive officers, directors, 5% stockholders and their affiliates beneficially own, as a group, approximately 82.4% of our voting stock. Based upon the assumed number of shares to be sold in this offering as set forth on the cover page of this prospectus, upon the closing of this offering, that same group will beneficially own approximately % of our outstanding voting stock, which does not include any effect of these stockholders purchasing additional shares in this offering. Further, John Stafford III, one of our directors, beneficially owns approximately 45.2% of our voting stock and his family members beneficially own approximately an additional 16.5% of our voting stock. Following the offering, and not including any shares of our common stock that Mr. Stafford or his family members or their affiliates may purchase in this offering, Mr. Stafford and his family members will beneficially own approximately % of our voting stock.

Therefore, even after this offering our officers, directors and 5% stockholders and their affiliates, including Mr. Stafford, will have the ability to influence us through this ownership position and so long as they continue to beneficially own a significant amout of our outstanding voting stock. These stockholders, and Mr. Stafford, in particular, may be able to determine all matters requiring stockholder approval and this concentration of ownership may deprive other stockholders from realizing the true value of our common stock. For example, these stockholders, acting together, may be able to control elections of directors, amendments of our organizational documents, or approval of any merger,

sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals, offers for our common stock or other transactions or arrangements that you may believe are in your best interest as one of our stockholders.

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

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

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

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

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

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

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) as well as rules subsequently implemented by the Securities and Exchange Commission (SEC) and the NASDAQ Global Market have imposed various requirements on public companies. Public companies are subject to the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires management to establish and maintain a system of internal control over financial reporting and annual reports on Form 10-K filed under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act) to contain a report from management assessing the effectiveness of a company's internal control over financial reporting. We will be required to comply with Section 404 of the Sarbanes-Oxley Act, although as an emerging growth company, we are not required to comply with Section 404(b) which

requires attestation from our external auditors on our internal control over financial reporting. We will, however, be subject to Section 404(a) which requires management to provide a report regarding the effectiveness of internal controls. We will be reviewing all of our control processes to align them to the Section 404 requirements. Failure to provide assurance that our financial controls are effective could lead to lack of confidence by investors which could lead to a lower share price. When and if we are no longer an "emerging growth company," our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. To comply with the requirements of being a reporting company under the Exchange Act, we may need to upgrade our systems including information technology, implement additional financial and management controls, reporting systems, and procedures, and hire additional accounting and finance staff.

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

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

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

To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of those securities could result in substantial dilution for our current stockholders and the terms may include liquidation or other preferences that adversely affect the rights of our current stockholders. Existing stockholders may not agree with our financing plans or the terms of such financings. Moreover, the incurrence of debt financing could result in a substantial portion of our operating cash flow being dedicated to the payment of principal and interest on such indebtedness and could impose restrictions on our operations. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. In addition, if we raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish potentially valuable rights to our products or proprietary technologies, or grant licenses on terms that are not favorable to us. If we are unable to obtain additional funding on required timelines, we may be required to (1) seek collaborators for one or more of our product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available; (2) relinquish or license on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves; or (3) significantly curtail one or more of our research or development programs or cease operations altogether. Additional funding may not be available to us on acceptable terms, or at all.

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

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

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

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

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

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

The material weaknesses our independent registered public accounting firm identified related to (1) a lack of sufficient staff with appropriate training in GAAP and the various rules and regulations with respect to financial reporting and (2) revenue recognition as it relates to properly recording negotiated terms and conditions in our collaboration and license agreements and the misapplication of GAAP with respect to the timing of the recognition of revenue for such agreements. The material weakness in our revenue recognition led to the restatement of our financial statements as of and for the year ended December 31, 2011. The significant deficiency related to adjustments to stock-based compensation and additional paid-in capital, although the amounts were individually and in the aggregate not material.

In attempt to remediate our resource weakness and the significant deficiency, we intend to hire additional finance and accounting personnel, including a corporate controller, to augment our accounting staff and to provide more resources for complex GAAP accounting matters. In attempt to remediate our revenue recognition weakness, we intend to review our revenue recognition policies and

procedures, enhance training of our personnel with respect to such policies and procedures and devote additional resources to our revenue recognition, including by adding additional accounting staff with technical experience in revenue recognition arrangements similar to our collaboration and license agreements. However, we cannot assure you that these efforts will remediate our material weaknesses or significant deficiency in a timely manner, or at all, or prevent restatements of our financial statements in the future. If we are unable to successfully remediate our material weaknesses and our significant deficiency, or identify any future significant deficiencies or material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports, and our stock price may decline as a result.

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

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

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

This dilution is due to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price offered to the public in this offering. In addition, as of June 30, 2013, options to purchase 4,045,324 shares of our common stock at a weighted-average exercise price of $0.19 per share were outstanding. The exercise of any of these options would result in additional dilution. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation.

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

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

Substantially all of our existing stockholders are subject to lock-up agreements with the underwriters of this offering that restrict the stockholders' ability to transfer shares of our common stock for 180 days from the date of this prospectus. The lock-up agreements limit the number of shares of common stock that may be sold immediately following the public offering. Subject to certain

limitations, including sales volume limitations with respect to shares held by our affiliates, substantially all of our outstanding shares prior to this offering will become eligible for sale upon expiration of the lock-up period, as calculated and described in more detail in the section entitled "Shares Eligible for Future Sale." In addition, shares issued or issuable upon exercise of options and warrants vested as of the expiration of the lock-up period will be eligible for sale at that time. Sales of stock by these stockholders could have a material adverse effect on the trading price of our common stock.

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

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

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

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

We are at risk of securities class action litigation.

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

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

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

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

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

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

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

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

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

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

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

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our Board of Directors. This provision

could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders. Further, other provisions of Delaware law may also discourage, delay or prevent someone from acquiring us or merging with us.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

USE OF PROCEEDS

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

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

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

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

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

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

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

DIVIDEND POLICY

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

CAPITALIZATION

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

- on an actual basis;
- on a pro forma basis, giving effect to the conversion of all our outstanding convertible preferred stock into an aggregate of 49,756,776 shares of our common stock upon the effectiveness of the registration statement of which this prospectus is a part; and
- on a pro forma as adjusted basis, reflecting the pro forma adjustments discussed above and giving further effect to the sale by us of shares of our common stock at an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus), and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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

	As of June 30, 2013		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
		(unaudited)	
	(in thousands, except share and per share amounts)		
Cash and cash equivalents	$ 11,748	$ 11,748	$
Mezzanine equity:			
Convertible preferred stock; $0.01 par value:			
69,219,264 shares authorized, 49,756,776 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	$ 74,849	$ —	$ —
Stockholders' equity (deficit):			
Preferred stock; $0.01 par value:			
No shares authorized, issued or outstanding, actual; shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock and additional paid-in capital; $0.01 par value:			
77,765,553 shares authorized, 224,319 shares issued and outstanding, actual; 200,000,000 shares authorized, 49,981,095 shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted	2	500	
Additional paid-in capital	151,176	225,527	
Accumulated deficit	(222,033)	(222,033)	(222,033)
Total stockholders' equity (deficit)	(70,855)	3,994	
Total capitalization	$ 3,994	$ 3,994	$

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, respectively, the amount of cash and cash equivalents, additional paid-in capital and

total capitalization by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering costs payable by us.

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

- 4,045,324 shares of common stock issuable upon the exercise of outstanding options as of June 30, 2013, at a weighted-average exercise price of $0.19 per share;
- shares of common stock reserved for future issuance under the 2013 plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part (including 4,276,646 shares of common stock reserved for issuance under our 2010 pre-IPO plan, which shares will be added to the shares reserved under the 2013 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under the 2013 purchase plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part.

DILUTION

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

Our historical net tangible book value (deficit) as of June 30, 2013 was approximately $(79.8) million, or $(355.53) per share of common stock. Our historical net tangible book value (deficit) is the amount of our total tangible assets less our liabilities and convertible preferred stock which is not included within equity. Net historical tangible book value (deficit) per share is our historical net tangible book value (deficit) divided by the number of shares of common stock outstanding as of June 30, 2013. Our pro forma net tangible book value (deficit) as of June 30, 2013 was $(4.9) million, or $(0.10) per share of common stock. Pro forma net tangible book value (deficit) gives effect to the conversion of all of our outstanding convertible preferred stock into an aggregate of 49,756,776 shares of our common stock.

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

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

Assumed initial public offering price per share		$
Historical net tangible book value (deficit) per share as of June 30, 2013	$ (355.53)	
Pro forma increase in net tangible book value per share as of June 30, 2013 attributable to the conversion of convertible preferred stock	355.43	
Pro forma net tangible book value per share as of June 30, 2013, before giving effect to this offering	(0.10)	
Increase in pro forma net tangible book value per share attributable to new investors participating in this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors participating in this offering		$

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

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

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

- 4,045,324 shares of common stock issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $0.19 per share;
- shares of common stock reserved for future issuance under the 2013 plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part (including 4,276,646 shares of common stock reserved for issuance under our 2010 pre-IPO plan, which shares will be added to the shares reserved under the 2013 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under our 2013 purchase plan, which will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part.

Effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part, an aggregate of shares of our common stock will be reserved for issuance under the 2013 plan (including 4,276,646 shares of common stock reserved for issuance under our 2010 pre-IPO plan, which shares will be added to the shares reserved under the 2013 plan upon its effectiveness) and the 2013 purchase plan, and these share reserves will also be subject to automatic annual increases in accordance with the terms of the plans. Furthermore, we may choose to raise additional capital through the sale of equity or convertible debt securities due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that any of these options are exercised, new options are issued under our equity incentive plans or we issue additional shares of common stock or other equity or convertible debt securities in the future, there will be further dilution to investors participating in this offering.

SELECTED FINANCIAL DATA

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

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

	Year Ended December 31,		Six Months Ended June 30,	
	2011	2012	2012	2013
	(in thousands, except share and per share data)			
	(Restated)		(unaudited)	
Statement of Operations Data:				
Revenues	$ 6,849	$ 9,524	$ 5,523	$ 5,266
Operating expenses:				
Research and development	12,663	12,668	5,679	8,694
General and administrative	3,638	3,086	1,553	1,539
Total operating expenses	16,301	15,754	7,232	10,233
Loss from operations	(9,452)	(6,230)	(1,709)	(4,967)
Other income (expenses)				
Interest income	34	11	7	3
Interest expense	(1,850)	(2,461)	(1,184)	(1,213)
Other income (expense)	65	86	(8)	12
Loss on settlement of notes(1)	—	—	—	(48,556)
Total other income (expenses)	(1,751)	(2,364)	(1,185)	(49,754)
Net loss	(11,203)	(8,594)	(2,894)	(54,721)
Deemed contribution on exchange of preferred stock(2)	—	—	—	147,114
Net income (loss) attributable to common stockholders	$ (11,203)	$ (8,594)	$ (2,894)	$ 92,393
Net income (loss) per share attributable to common stockholders(3):				
Basic	$ (49.94)	$ (38.31)	$ (12.90)	$ 411.88
Diluted	$ (49.94)	$ (38.31)	$ (12.90)	$ (1.40)
Weighted average shares of common stock used in computing net income (loss) per share attributable to common stockholders:				
Basic	224,319	224,319	224,319	224,319
Diluted	224,319	224,319	224,319	39,140,218
Pro forma net loss per share of common stock, basic and dilulted (unaudited)(4)		$ (0.17)		$ (0.12)
Weighted-average shares used in computing pro forma net loss per share of common stock, basic and dilulted (unaudited)(4)		49,981,095		49,981,095

(1) See Notes 1 and 2 within the notes to our financial statements appearing elsewhere in this prospectus for a description of the Adjustment to net loss resulting from exchange of convertible notes for preferred stock.

(2) See Note 8 within the notes to our financial statements appearing elsewhere in this prospectus for a description of the deemed contribution on exchange of preferred stock.

(3) See Note 1 within the notes to our financial statements appearing elsewhere in this prospectus for a description of the method used to calculate basic and diluted loss per common share.

(4) Pro forma net loss per share attributable to common stockholders excludes the impact of non-recurring items recognized in income attributable to common stockholders for the periods presented. We calculated pro forma weighted average shares outstanding for the six months ended June 30, 2013 to give effect to the automatic conversion into shares of common stock, on a 1:1 basis, of all shares of convertible preferred stock outstanding at June 30, 2013. We calculated pro forma weighted average shares outstanding for the year ended December 31, 2012 to give effect to the automatic conversion into shares of common stock, on a 1:1 basis, of all shares of convertible preferred stock outstanding at June 30, 2013, which includes 42,366,590 shares of common stock issuable upon conversion of the shares of preferred stock issued in exchange for our outstanding convertible promissory notes on June 13, 2013. We believe that calculation of pro forma shares described above is the most meaningful to investors, as such calculation represents the actual number of shares of common stock our notes became convertible into, and prior to the exchange of our convertible notes in June 2013, such notes were not convertible at the option of the holders, and the number of shares of common stock such notes were automatically convertible into upon an initial public offering was contingent on the public offering price, which was not known at the time of the conversion of the notes or applicable to the actual number of shares of common stock issued upon conversion of the notes.

Pro forma net loss attributable to common stockholders

	Year Ended December 31, 2012	Six Months Ended June 30, 2013
Net loss attributable to common stockholders	(8,594)	92,393
Loss on settlement of notes	—	48,556
Deemed contribution on exchange of preferred stock	—	(147,114)
Pro forma net loss attributable to common stockholders	(8,594)	(6,165)

Pro forma weighted average shares outstanding, basic and diluted

	Year Ended December 31, 2012	Six Months Ended June 30, 2013
Common stock	224,319	224,319
Preferred Stock	49,756,776	49,756,776
Pro forma weighted average shares outstanding, basic and diluted	49,981,095	49,981,095
Pro forma net loss per share of common stock, basic and diluted (unaudited):	$ (0.17)	$ (0.12)

	As of December 31, 2011 (restated)	As of December 31, 2012 (in thousands)	As of June 30, 2013 (unaudited)
Balance Sheet Data:			
Cash and cash equivalents	$ 14,537	$ 2,312	$ 11,748
Working capital (deficit)	(11,550)	(22,640)	4,859
Patents, licenses, and other intangible assets, net	7,250	8,460	8,897
Total assets	22,374	11,659	21,330
Deferred revenue, less current portion	7,114	5,672	10,200
Convertible preferred stock	146,766	146,766	74,849
Total stockholders' deficit	(157,703)	(166,268)	(70,855)

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

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

Overview

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

Our business strategy is based on the plug-and-play nature of the XmAb technology platform to modify features of natural antibodies and create numerous differentiated antibody product candidates. We have internally generated a pipeline that has allowed us to selectively partner certain development programs while maintaining full ownership of other programs. We also have a number of technology licenses under which we have licensed the XmAb technology platform to pharmaceutical and biotechnology companies for use in a limited number of programs, providing multiple revenue streams that require no further resources from Xencor. There are currently five antibody product candidates in clinical trials that have been engineered with XmAb technology, including four candidates being advanced by licensees and development partners. At present, our XmAb technology platform is protected by 20 issued U.S. patents and 44 U.S. patent applications, in addition to foreign counterparts.

We were founded in 1997 based on protein engineering technology developed by our co-founders Bassil Dahiyat, Ph.D. and Stephen Mayo, Ph.D. at the California Institute of Technology. We began our first therapeutic monoclonal antibody engineering and discovery programs in 2002 and entered into our first XmAb technology license in 2004. Our development partnerships have provided us with approximately $60 million in cash during the last five years, and we have the potential to receive an aggregate of approximately $1.4 billion in milestone payments, in addition to royalties on sales, upon successful development and commercialization of the programs contemplated by our agreements. These potential milestone payments include over $300 million relating to the achievement of clinical development milestones.

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

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

We have incurred losses in each year since our inception. Our net losses were $54.7 million for the six months ended June 30, 2013 and $11.2 million and $8.6 million for years ended December 31, 2011 and 2012, respectively. As of June 30, 2013, we had an accumulated deficit of $222.0 million. Substantially all of our operating losses resulted from expenses incurred in connection with our product candidate development programs, our research activities and general and administrative costs associated with our operations.

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

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

Key Company Milestones

XmAb5871. In December 2010, we entered into a Collaboration and Option Agreement with Amgen for an option for the acquisition by Amgen of exclusive rights to our XmAb5871 product candidate and received an $11.0 million upfront payment. For more information on our agreement with Amgen, see the section entitled "Business—Strategic Alliances and Commercial Agreements" on page 96 of this prospectus. In January 2013, we initiated a Phase 1b/2a clinical trial for XmAb5871 and received a $2.0 million milestone payment. We expect to have results from the Phase 1b/2a trial treating patients with moderate-to-severe rheumatoid arthritis in the second half of 2014. We expect to initiate the Phase 2b proof-of-concept trial in late 2014 and complete the trial and deliver the clinical trial package to Amgen in 2017, following which Amgen will have 90 days to review the data and exercise its option.

XmAb7195. We expect to file an investigational new drug application (IND) with the FDA for our XmAb7195 program in the fourth quarter of 2013 and to begin dosing subjects in a Phase 1a clinical trial in late 2013 or early 2014. We expect to complete the initial Phase 1a clinical trial in the second half of 2014 and have results from that trial available by the end of 2014. Further, we plan on initiating a Phase 1b clinical trial of XmAb7195 in patients with mild-to-moderate asthma in late 2014.

XmAb5574/MOR208. In June 2010, we entered into a Collaboration and License Agreement with MorphoSys AG (MorphoSys) for the worldwide rights to our XmAb5574/MOR208 product candidate, for which we received an upfront payment of $13.0 million in July 2010. MorphoSys initiated a Phase 2 clinical trial with XmAb5574/MOR208 in May 2013, treating patients with non-Hodgkin lymphoma (NHL) and a second Phase 2 clinical trial in April 2013 to treat patients with acute lymphoblastic leukemia (ALL). In conjunction with the initiation of these trials, we received two milestone payments totaling $3.0 million. For more information on our agreement with MorphoSys, see the section entitled "Business—Strategic Alliances and Commercial Agreements" on page 96 of this prospectus.

Preferred Stock Financing and Note Conversion Agreement

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

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

- an exchange of the outstanding principal due on the Notes for shares of Series A-1 convertible preferred stock and cancellation of the accrued and unpaid interest thereon, pursuant to a Note Conversion Agreement;
- an exchange of the current outstanding shares of Preferred Series A - E for Series A-1 convertible preferred stock pursuant to the operation of provisions in our amended and restated certificate of incorporation;
- the sale of an additional $10.0 million in Series A-1 convertible preferred stock to existing stockholders; and
- the conversion of certain shares of Series A-1 convertible preferred stock into shares of Series A-2 convertible preferred stock at a conversion rate of 1 for 3, pursuant to a mandatory conversion provision (i.e. a "pay-to-play" provision) in our amended and restated certificate of incorporation.

Under the terms of the Note Conversion Agreement, the total outstanding principal due on the Notes as of June 13, 2013 was exchanged for 45,902,321 shares of Series A-1 convertible preferred stock, 5,303,597 of which were subsequently converted into 1,767,866 shares of Series A-2 convertible preferred stock. We determined that the per share fair value of the shares of Series A-1 convertible preferred stock issued under the Note Conversion Agreement was $1.54 and the total fair value of the shares of Series A-1 convertible preferred stock was $70.7 million and we recognized a loss on the exchange of $48.6 million for the difference in the fair value of the shares of Series A-1 convertible preferred stock and the carrying value of the Notes as of June 13, 2013. The $48.6 million loss is reported on our Statement of Operations as a Loss on Settlement of Notes as an Other Expense for the six months ended June 30, 2013. Associated transaction costs of $41,000 related to the exchange were expensed.

After the exchange of the Notes, the outstanding shares of Preferred Series A - E were exchanged for 1,977,137 shares of Series A-1 convertible preferred stock, 257,409 of which were subsequently

converted into 85,803 shares of Series A-2 convertible preferred stock. We determined the fair value of the shares of Series A-1 convertible preferred stock issued to be $3.0 million and we recorded a deemed contribution to equity of $140.6 million (net of original issuance costs of $3.0 million) equal to the difference in the fair value of the shares issued and the carrying value of the existing shares of Preferred Series A - E.

On June 26, 2013 we sold 5,586,510 additional shares of Series A-1 convertible preferred stock to existing stockholders for gross proceeds of $7.6 million at a purchase price of $1.36 per share. We expect to issue up to an additional $2.4 million in additional shares of Series A-1 convertible preferred stock to existing stockholders at an additional closing in the third quarter of 2013. We determined that the fair value of the shares sold to be $8.6 million and we recorded a deemed dividend of $1.0 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. The $41,000 of transaction costs related to the sale was recorded against Additional Paid-in Capital and the shares of Series A-1 convertible preferred stock issued were recorded at their fair value on our balance sheet as of June 30, 2013.

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

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

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

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

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

Financial Operations Overview

Revenues

To date, we have not generated any revenues from product sales and do not expect to do so for the foreseeable future. Revenues to date have been generated primarily from our research and development collaborations and licensing agreements. Since our inception through June 30, 2013, we have generated $66.2 million in revenues under our various collaboration and license arrangements. Several of our collaboration and license agreements provide us the opportunity to earn future

milestone payments, royalties on product sales and, in the case of Amgen, an option exercise payment. However, receipt of future milestone payments and royalties from our collaborators and receipt of the Amgen option payment are not wholly within our control, and the parties to our license and collaboration agreements have the right to cancel their programs without any future payments to us. Even if we receive future milestones, royalties and option payments, these payments will not be sufficient to fund our operations in the near term and there is no assurance that we will generate any future revenues from our existing licenses and collaborations. We may also not generate any product revenue from our existing clinical development programs or any of our preclinical development programs, as we may never succeed in obtaining regulatory approval or commercializing any of these programs.

Summary of Collaboration and Licensing Revenue by Partner

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

	Years Ended December 31,		Six Months Ended June 30,	
	2011	2012	2012	2013
Amgen	$ 2.0	$ 1.8	$ 1.0	$ 1.0
MorphoSys	2.2	2.0	1.0	3.0
CSL	1.3	1.8	1.6	0.6
Janssen	1.0	1.4	—	—
BI	—	1.2	1.2	—
Other	0.3	1.3	0.7	0.7
TOTAL	$ 6.8	$ 9.5	$ 5.5	$ 5.3

Research and Development Expenses

Research and development expenses consist primarily of salaries, benefits, stock-based compensation and related personnel costs, supplies, facility costs and preclinical testing costs and fees paid to external service providers. External service providers include contract research organizations (CRO) and contract manufacturing organizations (CMO) to conduct clinical trials, manufacturing and process development, IND-enabling toxicology testing and formulation of clinical drug supplies. We expense research and development expenses as incurred. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expense when the service has been performed or when the goods have been received. We estimate preclinical study and clinical trial expenses based on the services performed pursuant to the contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on our behalf based on the actual time and expenses incurred by them. Further, we accrue expenses related to clinical trials based on the level of patient enrollment and activity according to the related agreement. We monitor patient enrollment levels and related activity to the extent reasonably possible and adjust estimates accordingly. We have incurred a total of $184.0 million in research and development expenses from inception through June 30, 2013.

At this time, due to the risks inherent in the clinical development process and the early stage of our development programs, we are unable to estimate with any certainty the costs we will incur in the continued development of XmAb5871, XmAb7195 or any of our preclinical development programs. We expect that our research and development expenses may increase over spending levels in recent years if we are successful in advancing XmAb5871, XmAb7195 or any of our preclinical programs into advanced stages of clinical development. The process of conducting preclinical studies and clinical trials

necessary to obtain regulatory approval is costly and time-consuming. We or our partners may never succeed in achieving marketing approval for any of our product candidates. Numerous factors may affect the probability of success for each product candidate, including preclinical data, clinical data, competition, manufacturing capability, approval by regulatory authorities and commercial viability.

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

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

	Years Ended December 31,		Six Months Ended June 30,	
	2011	2012	2012	2013
Product programs:				
XmAb5574/MOR208	$ 2.2	$ 1.5	$ 0.9	$ 0.3
XmAb5871	4.3	5.1	2.1	4.0
XmAb7195	1.8	2.6	1.1	2.6
Preclinical, early research & discovery	4.3	3.5	1.6	1.8
Total research and development expenses	$ 12.7	$ 12.7	$ 5.7	$ 8.7

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

General and Administrative Expenses

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

public reporting company. We anticipate incurring one-time costs in 2013 associated with our initial public offering, consisting primarily of legal and accounting fees.

Other Income (Expense), Net

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

Critical Accounting Policies and Significant Judgments and Estimates

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

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

Revenue Recognition

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

Multiple-Element Revenue Arrangements

Certain of our collaboration and license agreements represent multiple-element revenue arrangements. To account for such transactions, we determine the elements, or deliverables, included in the arrangement and determine which deliverables are separate units for accounting purposes. We consider delivered items to be separate units of accounting if the delivered items have stand-alone value to the customer. If the delivered items are separate units we allocate the consideration received or due under the arrangement to the various elements based on each element's relative selling price. The identification of individual elements in a multiple-element arrangement and the estimation of the

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

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

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

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

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

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

Capitalized Intellectual Property Costs

We capitalize and amortize third-party intellectual property costs such as amounts paid to outside patent counsel for filing, prosecuting and obtaining patents for our internally developed technologies and product candidates, to the extent such patents are deemed to have probable future economic benefit. We also capitalize amounts paid to third parties for licenses that we acquire for intellectual property or for research and development purposes. The total capitalized patents, licenses and other intangible assets as of December 31, 2011 and 2012 was $7.3 and $8.5 million, respectively. The total capitalized patents, licenses and other intangible assets as of June 30, 2013 was $8.9 million. We believe that these costs should be capitalized as the intellectual property portfolio is the underlying property right to our technologies and product candidates and supports the upfront payments, licensing fees, and milestone payments made by our collaboration partners for licensing our technologies and product candidates.

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

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

changes to the useful life or estimated amortization period over which the costs are being amortized. We recorded a charge for previously abandoned intangible assets of $1.2 million and $0.4 million for the years ended December 31, 2011 and 2012, respectively, and recorded a charge for previously abandoned intangible assets of $0.2 million for the six months ended June 30, 2013. Such charges are reflected in the General and Administrative section of our Statement of Operations.

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

Preferred Stock Financing and Note Conversion Agreement

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

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

Both the loss on the exchange of the Notes and the deemed contribution from the exchange of Preferred Series A - E were based on our estimate of the per share fair value of the shares of Series A-1 convertible preferred stock of $1.54. This estimate was determined in accordance with the guidelines under FASB ASC 718 and ASC820. We used the valuation in determining our enterprise value for us and the probability weighted expected exit scenarios of the Company as of the date of the exchange. The assumptions for the valuation are based on our judgment and understanding of our business and our probability to have a successful exit in an initial public offering or through a sale of the Company.

Cross License with Related Party

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

We could not determine a fair value of the MedImmune patent rights received by us with reasonable certainty and established a fair value for the transaction by estimating the fair value of the

license and options provided by us to MedImmune. We estimated the fair value of the license and options transferred to be approximately $0.8 million. This amount was recognized as licensing revenue for the year ended December 31, 2012 and was capitalized and will be amortized over the remaining life of the MedImmune patent rights. Our estimate was based on a risk adjusted discounted cash flow analysis that is associated with the rights and options transferred to MedImmune. In determining this estimate, we compared the license and options rights transferred to MedImmune with comparable arms-length licensing and option transactions we have entered into with third parties in recent years. The calculation of the fair value is based on our experience and judgment with similar transactions. However, as each license and option is unique to the licensee and depends on the target, the potential market and the ability of the licensee to successfully advance a compound into clinical development, the actual value of the licenses and options could differ from the amount we estimated to be the fair value.

Accrued Research and Development Expenses

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

Stock-Based Compensation

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

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

	Year Ended December 31,		Six Months Ended June 30,	
	2011	2012	2012	2013
Research and development	$ (33,600)	$ 10,000	$ 4,000	$ 4,200
General and administrative	(23,500)	19,000	6,000	6,000
Total stock-based compensation	$ (57,100)	$ 29,000	$ 10,000	$ 10,200

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

Key Assumptions

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

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

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

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

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

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

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

Valuation of Stock-Based Compensation

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

We calculate the fair value of stock-based compensation awards using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the use of subjective assumptions, including volatility of our common stock, the expected term of our stock options, the risk free interest rate for a period that approximates the expected term of our stock options and the fair value of the underlying common stock on the date of grant. In applying these assumptions, we considered the following factors:

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

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

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

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

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

Common Stock Fair Value

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

- external market conditions affecting the biotechnology industry;

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

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

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

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

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

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

- our results of operations, financial position, status of our research and development efforts, stage of development and business strategy;

- the lack of liquidity of our common stock as a private company; and

- the likelihood of achieving a liquidity event in light of prevailing market conditions, such as an initial public offering or sale of the Company.

Common Stock Valuation Methodologies

We prepared the December 18, 2009, December 31, 2012, June 26, 2013 and August 15, 2013 valuations in accordance with the guidelines in the American Institute of Certified Public Accountants,

or AICPA, Audit and Accounting Practice Aid Series: Valuation of Privately Held Company Equity Securities Issued as Compensation, or AICPA Practice Guide (the Practice Aid) which prescribes several valuation methodologies for setting the value of an enterprise, such as the cost, market and income approaches, and various methodologies for allocating the value of an enterprise to its common stock. As more fully discussed below, we have used a variety of methodologies to estimate our enterprise value, including market multiple, initial public offering value, sales value and income approaches.

Methods Used to Allocate Our Enterprise Value to Classes of Securities

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

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

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

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

December 18, 2009 Valuation

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

Our Board of Directors granted stock options on the dates set forth in the table below in reliance on the valuation analysis as of December 18, 2009, and the other objective and subjective factors described above:

Grant Date	Number of Common Shares Underlying Options Granted	Option Exercise Price Per Common Share
January 2010 - February 2010*	3,406,223	$ 0.19
August 2010 - November 2010	639,700	$ 0.19
February 2011 - April 2012	12,400	$ 0.19
September 2012	180,000	$ 0.19

* Our Board of Directors approved an exchange of all then-outstanding options for new options priced at $0.19 per share on February 18, 2010. Prior to this exchange, options had been granted at strike prices ranging from $0.75 per share to $29.62 per share; the total number of options issued in the exchange was 2,835,392.

December 31, 2012 Valuation

We estimated that a share of our common stock had a value of $0.11 per share at December 31, 2012, a decrease of $0.08 per share from the December 18, 2009 valuation. In 2012, we changed our methodology from the OPM to the PWERM to account for different potential exit strategies for the Company. As of December 31, 2012 we estimated the probability of a successful initial public offering to be 10% and alternative exit strategies to be 90%. At that time, our board had not made a decision to explore accessing the public markets and our existing capital structure, including the seniority and liquidation preferences of the 2009 and 2010 convertible promissory notes, restricted our ability to consider alternative financing options. The issuance of $7.5 million in Notes in December 2010 is the primary difference accounting for the decrease in the per share value of our common stock from December 2009 to December 31, 2012. We estimated fair value of the common stock under the PWERM assumptions at December 31, 2012 to be $0.15 per share. This value was reduced by 30% to account for a lack of marketability for our common stock resulting in the $0.11 value per share for the common stock.

June 26, 2013 Valuation

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

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

August 15, 2013 Valuation

We estimated that a share of our common stock had a value of $1.37 per share at August 15, 2013, an increase of $1.15 per share from the June 26, 2013 valuation. The increase in the value of our common stock as of such date from our last valuation date related primarily to our reassessment of potential exit strategies available to us in accordance with PWERM. Following June 26, 2013 and prior to August 15, 2013, we had extensive discussions with several investment bankers who advised us that we would be a potential candidate for an initial public offering. Following those discussions, we selected an underwriting syndicate and conducted an organizational meeting in early August 2013. Based primarily on those facts, as well as the overall market environment, we reassessed the assignment of weights for the PWERM to reflect the probability of a successful initial public offering to be 50% and alternative exit strategies to be 50% as of August 15, 2013.

On September 4, 2013, our Board of Directors authorized the issuance of 1,356,440 incentive stock options to employees at an exercise price of $1.37 per share.

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

Net Operating Loss Carryforwards and Investment Tax Credits

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

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

Results of Operations

Comparison of the Six Months Ended June 30, 2012 and 2013

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

	Six Months Ended June 30,		
	2012	2013	Change
Revenue:			
Research collaborations revenues	$ 2.0	$ 1.1	$ (0.9)
Licensing revenues	0.7	0.7	—
Milestone revenue	2.8	3.5	0.7
Total revenue	5.5	5.3	(0.2)
Operating Expenses:			
Research and development expenses	5.7	8.7	3.0
General and administrative expenses	1.5	1.5	—
Total operating expenses	7.2	10.2	3.0
Other income (expense), net	(1.2)	(49.8)	(48.6)
Net loss	$ (2.9)	$ (54.7)	$ (51.8)

Research Collaboration Revenues

Research collaboration revenues decreased by $0.9 million for the six months ended June 30, 2013 compared to the same period in 2012. The decrease is primarily due to revenue earned from the research services we provided in connection with our collaboration with MorphoSys which was $1.1 million for the six months ended June 30, 2012 and $0.0 for the same period in 2013. A majority of the services for the clinical trial we were conducting were completed at the end of 2012.

Licensing Revenues

Licensing revenues of $0.7 million for the six months ended June 30, 2013 was comparable to the same period in 2012.

Milestone Revenues

Milestone and contingent payments received from partners for the six months ended June 30, 2013 were $3.5 million compared to $2.8 million for the same period in 2012, an increase of $0.7 million, which reflects the receipt of additional milestone payments from our collaborators and licensees, including a $3.0 million payment from MorphoSys in January 2013 for the initiation of Phase 2 clinical trials in NHL and ALL.

Research and Development Expenses

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

	Six Months Ended June 30,	
	2012	2013
Product Programs:		
XmAb5871	$ 2.0	$ 4.0
XmAb7195	1.1	2.6
XmAb5574/MOR208	0.9	0.3
Other	1.7	1.8
Total research and development expense	$ 5.7	$ 8.7

Research and development expenses were $8.7 million for the six months ended June 30, 2013 compared to $5.7 million for the same period in 2012, an increase of $3.0 million. The increase is primarily due to $2.0 million of costs associated with the XmAb5871 program, including clinical trial costs for CROs and site costs and manufacturing of drug product, which reflects the advancing stage of development of the program from Phase 1a to initiation of the Phase 1b clinical trial in 2013. Approximately $1.5 million of the increased costs is associated with the XmAb7195 program, including manufacturing drug product and IND-enabling toxicology studies, resulting from the advancement of the program as we plan to file an IND in the fourth quarter of 2013 and begin clinical trials before the end of 2013. The costs for the Xmab5574/MOR208 program, which is conducted under our MorphoSys collaboration, declined by $0.6 million as we neared completion of the Phase 1 clinical trial at the end of 2012, which completed our development obligations under the MorphoSys agreement.

General and Administrative Expenses

General and administrative expenses were $1.6 million and $1.5 million for the six months ended June 30, 2012 and 2013, respectively.

Other Income (Expense), Net

Other income (expense), net was $49.8 million for the six months ended June 30, 2013 compared to $1.2 million for the same period in 2012, an increase of $48.6 million. The increase reflects a loss of $48.6 million reported on the exchange of our convertible promissory notes for preferred stock in June 2013.

Comparison of the Years Ended December 31, 2011 and 2012

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

	Years Ended December 31,		
	2011	2012	Change
Research collaborations revenues	$ 4.3	$ 3.8	$ (0.5)
Licensing revenues	1.5	2.1	0.6
Milestone revenue	1.0	3.6	2.6
Total revenue	6.8	9.5	2.7
Research and development expenses	12.6	12.7	0.1
General and administrative expenses	3.7	3.1	(0.6)
Total operating expenses	16.3	15.8	(0.5)
Other expense, net	(1.8)	(2.4)	(0.6)
Net loss	$ (11.2)	$ (8.6)	$ 2.6

Research Collaboration Revenues

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

Licensing Revenues

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

Milestone and Contingent Payments

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

Research and Development Expenses

Net research and development expenses were $12.6 million in 2011 and $12.7 million in 2012, a net increase of $0.1 million. There were changes within the program spending but overall spending was consistent between the two years. Total research spending in 2012 on the XmAb5871 program and the XmAb7195 program increased by $0.8 million and $0.7 million respectively from the year ended 2011 due to advancement of both programs into later stages of development including larger clinical trials and additional toxicology studies. This increase in spending was offset by decreased spending on XmAb5574 program and other programs of $1.4 million as we began winding down the XmAb5574 Phase 1 clinical trial in 2012.

General and Administrative Expenses

General and administrative expenses were $3.7 million in 2011 compared to $3.1 million in 2012. The decrease of $0.6 million primarily reflects increased abandonment of intangible costs of $0.8 million in 2011 and lower marketing and business development expenses in 2011 of $0.2 million.

Other Income (Expense), Net

Other income (expense), net, was $(1.8) million in 2011 compared to $(2.4) million in 2012. The increase of $0.6 million primarily reflects additional accrued interest expense on our convertible promissory notes. In connection with amendment of the 2009 and 2010 Notes in August 2011 and December 2011, the interest rate on the notes was increased from 10.0% to 12.5% per annum.

Liquidity and Capital Resources

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

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

At June 30, 2013, we had $11.7 million of cash and cash equivalents compared to $2.3 million at December 31, 2012. While we believe that our current cash and cash equivalents are sufficient to carry out our currently planned clinical development and operating plans into the second quarter of 2014, there remains uncertainty.

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

Plan of Operations and Future Funding Requirements

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

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

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

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

Cash Flows for the Six Months Ended June 30, 2013 and 2012 and the Years Ended December 31, 2012 and 2011

Operating Activities

Cash provided by operating activities for the six months ended June 30, 2013 was $2.8 million compared to cash used in operations of $4.5 million for the six months ended June 30, 2012, a net increase in cash provided of $7.3 million. The increase in cash provided is primarily due to a net increase in the deferred revenue accounts for the period ended June 30, 2013. During the six months ended June 30, 2013, we received upfront payments on certain licensing agreements in which the revenue will be earned over the expected term of the licensing contract. Accordingly, a significant portion of the upfront payments were recorded into the deferred revenue accounts. The increased operating costs in the six months ended June 30, 2013 versus the six months ended June 30, 2012 are discussed above.

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

Investing Activities

Investing activities consist primarily of purchases of intangible assets, capitalization of patent and licensing costs, purchases of property and equipment and proceeds on the sales of used equipment. Investing activities used cash of $0.9 million for the six months ended June 30, 2013 and used cash of $0.5 million for the six months ended June 30, 2012. We acquired $0.9 million of intangible assets in the six months ended June 30, 2013 compared to $0.5 million in the six months ended June 30, 2012. This increase reflects higher expenditures for our patent portfolio due to changes in U.S. patent filing procedures which became effective in the first half of 2013. We acquired $36,000 of capital equipment for the period ended June 30, 2013 compared to $11,000 for the same period in 2012. This increase is related to additional capital spending on laboratory equipment.

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

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

Financing Activities

Financing activities consist primarily of net proceeds from the sale of convertible preferred stock and payments on capital lease obligations. We received proceeds of $7.6 million from the proceeds on the sale of convertible preferred stock in June 2013. There was no comparable sale of stock for the period ended June 30, 2012. We made payments on capital lease obligations of $4,000 for the six months ended June 30, 2013 compared to capital lease obligation payments of $6,000 for the six months ended June 30, 2012.

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

Contractual Obligations and Commitments

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

	Payments due by period				
	Total	Less than 1 year	1 - 3 Years	3 - 5 Years	More than 5 years
Operating lease obligation relating to facility(1)	$ 1,382	$ 550	$ 832	$ —	$ —
Capital lease obligations	17	8	9	—	—
Purchase obligations	6,450	2,700	1,000	—	2,750
Convertible promissory notes(2)	20,923	20,923	—	—	—
Total	$ 28,772	$ 24,181	$ 1,841	$ —	$ 2,750

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

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

Off-Balance Sheet Arrangements

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

Related Party Transactions

For a description of our related party transactions, see "Certain Relationships and Related Party Transactions" beginning on page 144.

JOBS Act

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period, and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

Quantitative and Qualitative Disclosure About Market Risk

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

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

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

BUSINESS

OVERVIEW

Our Business

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

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

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

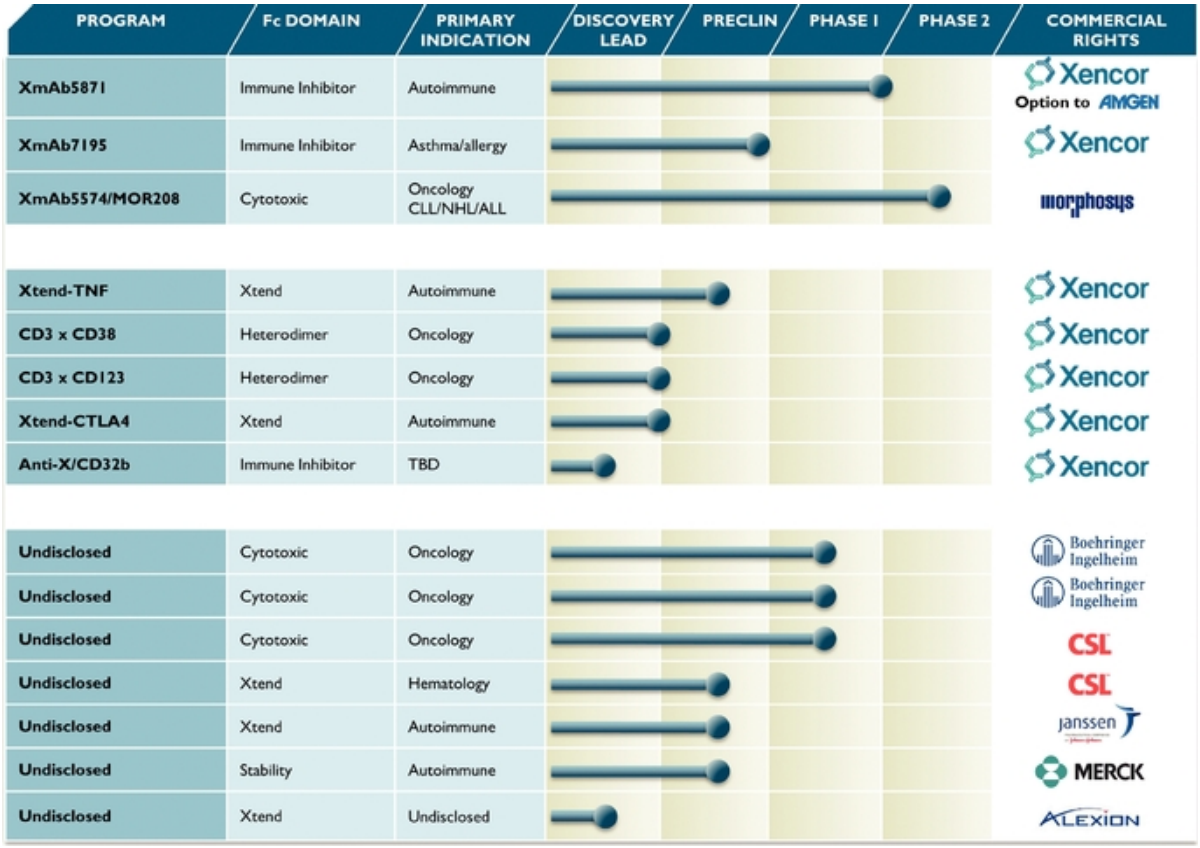
- ***XmAb5871*** is being developed for the treatment of autoimmune diseases, including rheumatoid arthritis and lupus. It uses our Immune Inhibitor Fc Domain and targets B cells, an important component of the immune system. We believe XmAb5871 has the potential to address a key unmet need in autoimmune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

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

Administration (FDA) and initiating a Phase 1a clinical trial in late 2013 or early 2014. We plan to report data from this trial in the second half of 2014. According to the U.S. Centers for Disease Control and Prevention (CDC), one in 12 Americans has asthma, and there were 1.8 million emergency room visits caused by asthma in 2010. Xolair, the leading antibody therapy for the treatment of severe refractory asthma, generated approximately $1.3 billion in worldwide sales in 2012.

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

A summary of our proprietary and partnered product development and technology license programs is shown below:

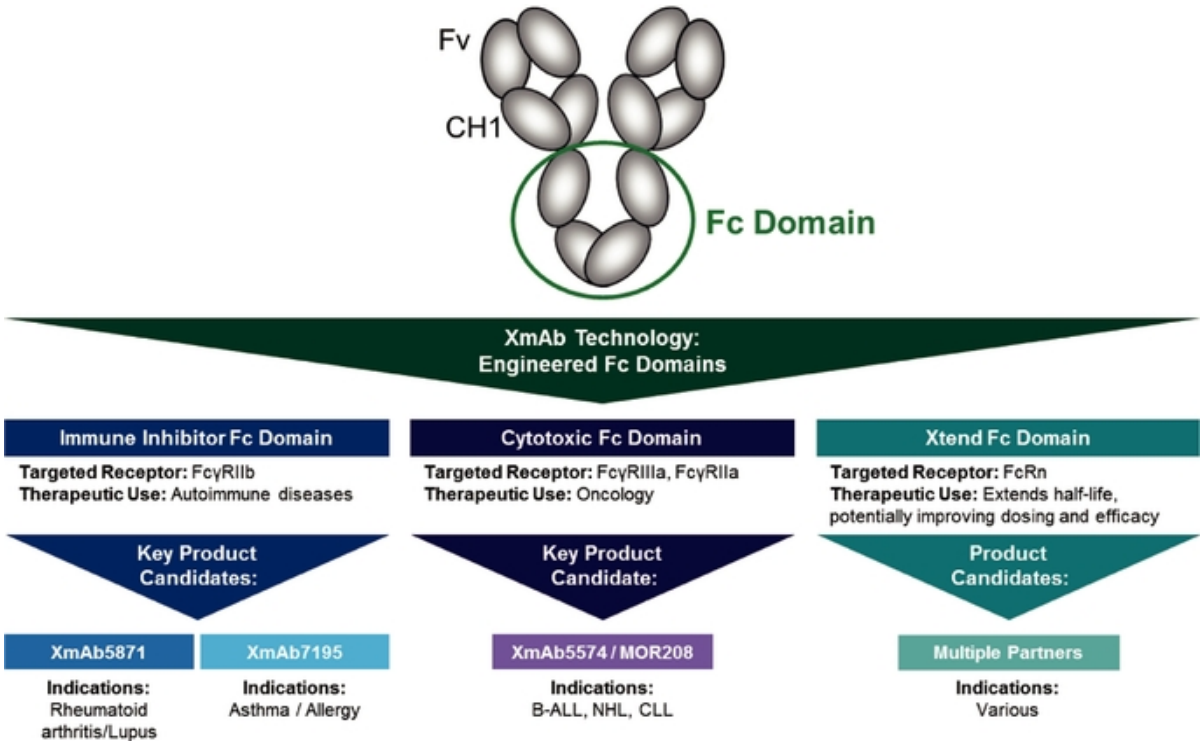


Our XmAb Fc domain technology is a platform of antibody components that enable the creation of therapeutic antibody candidates that have novel interactions with the human immune and antibody regulation systems. We have identified a set of Fc domains, each of which is engineered to have a specific function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

- ***Immune Inhibitor Fc Domain***—selective immune inhibition and rapid target clearance, targeting the receptor FcgRIIb

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

In addition, we have engineered XmAb Fc domains with other properties, including rapid antigen clearance, antibody stability and multiple-antigen specificity (heterodimer). Each XmAb Fc domain consists of a naturally occurring Fc domain with a small number of amino acid changes, usually two, that we found to be critical for modulating interactions with the desired Fc receptors. With such limited modifications of the natural Fc domain, XmAb-engineered antibodies are typically over 99.5% identical in structure and sequence to natural antibodies, simplifying product development yet enhancing function.



We were founded in 1997 based on protein engineering technology developed by our co-founders Bassil Dahiyat, Ph.D. and Stephen Mayo, Ph.D. at the California Institute of Technology. We began our first therapeutic monoclonal antibody engineering and discovery programs in 2002 and entered into our first XmAb technology license in 2004. Our development partnerships have provided us with approximately $60 million in cash during the last five years, and we have the potential to receive an aggregate of approximately $1.4 billion in milestone payments, in addition to royalties on sales, upon successful development and commercialization of the programs contemplated by our agreements. These potential milestone payments include over $300 million relating to the achievement of clinical development milestones. At present, our XmAb technology platform is protected by 20 U.S. issued patents and 44 U.S. patent applications, in addition to foreign counterparts.

Our Strategy

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

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

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

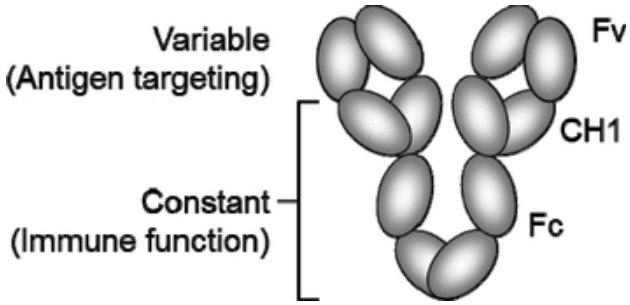
- ***Build a large and diversified portfolio of product candidates.*** We aim to create new XmAb-engineered antibody product candidates that exploit the novel properties of our XmAb technology platform.

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

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

Antibodies as Therapeutic Agents

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



Most antibody research to date has been based on the ability to discover and improve antigen-selective antibody Fv domains. Many pharmaceutical and biotechnology companies have efforts to discover, develop and commercialize antibody drugs using such Fv-based tools. A number of successful products have resulted from these efforts and the global market for antibody therapeutics was

estimated to be approximately $45 billion in 2011, of which the U.S. market was estimated to be $20 billion.

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

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

Our XmAb Technology Platform

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

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

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

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

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

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

Immune Inhibitor Fc Domain technology

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

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

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

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

Cytotoxic Fc Domain technology

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

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

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

Xtend Fc Domain technology

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

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

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

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

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

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

Additional XmAb Fc domains

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

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

Antibody Fv domain engineering capabilities

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

Lead XmAb Product Candidates

Candidate	Indication	Fc Domain	Worldwide Commercial Rights	Stage of Development	Next Steps
XmAb5871	lupus and rheumatoid arthritis	Immune Inhibitor	Xencor (Amgen option upon Phase 2b POC data)	Phase 1b/2a ongoing	Data expected 2H 2014, Phase 2b POC trial planned
XmAb7195	asthma and allergic diseases	Immune Inhibitor	Xencor	preclinical	IND filing 2H 2013 Phase 1a trial late 2013/early 2014
XmAb5574/MOR208	B-cell cancers	Cytotoxic	MorphoSys	Phase 2 trials ongoing	Phase 2 trials for other indications Phase 3 clinical trials

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

Background and Market Opportunity

XmAb5871 is a monoclonal antibody that inhibits B cells, without depleting them, for the treatment of autoimmune diseases. B cells have an important natural role in the immune response,

recognizing pathogens and ultimately producing anti-pathogen antibodies. The B-cell response is naturally regulated by a variety of mechanisms, including the use of the B-cell inhibitory receptor, FcgRIIb. FcgRIIb is triggered by an excess of anti-pathogen antibodies, preventing over-activation of B cells to a particular pathogen and over-production of antibodies. In autoimmune diseases, the immune system aberrantly attacks proteins and/or cells in the body (auto-antigens) through both B-cell- and T-cell-mediated pathways. In many autoimmune diseases, including rheumatoid arthritis and systemic lupus erythematosus (lupus), B cells play a significant role in pathogenesis, acting as antigen-presenting cells and as precursors to autoantibody-producing plasma cells.

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

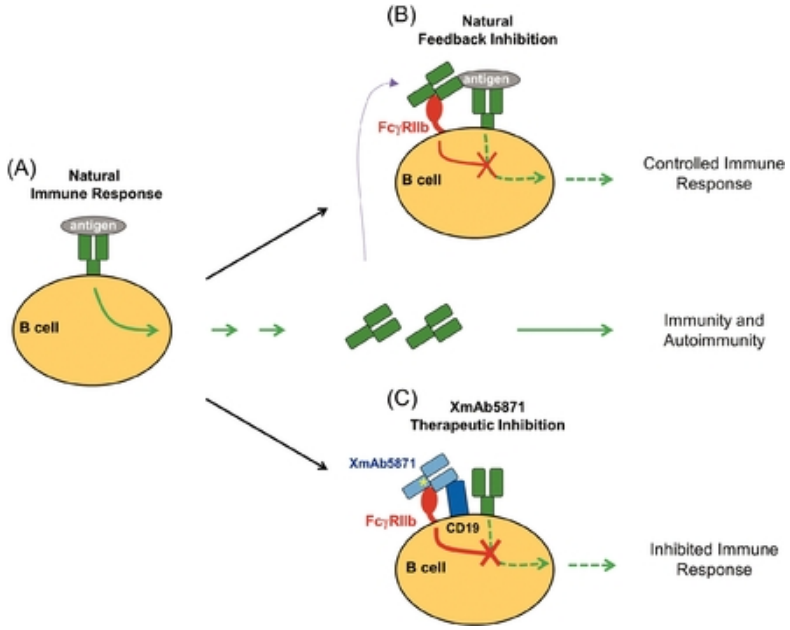
Rituxan, which causes outright depletion of B cells, has been approved for treatment of moderate-to-severe rheumatoid arthritis, with promising efficacy. In addition, while Rituxan has not been approved as a lupus therapy, we believe it is frequently prescribed off-label as a treatment for lupus. A number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

A second notable B-cell inhibitor is the anti-BLyS antibody Benlysta. BLyS (B-lymphocyte stimulator) is a B-cell survival factor, and Benlysta's inhibition of this factor leads to an attenuation of B cells and their responses. Despite FDA concern raised in advisory committee briefing documents over the "somewhat marginal efficacy" of Benlysta and lack of demonstrated efficacy in the African American population, the high unmet need resulted in approval of Benlysta as the first FDA-approved lupus therapy in over 50 years. We believe Benlysta's sales reflect its modest efficacy.

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

Overview of XmAb5871

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



Therapeutic Inhibition by XmAb5871 Mimics Natural Pathways. (A) B-cell responses against antigen lead to antibody secretion, resulting in immunity and in some cases autoimmunity. (B) Excess antibodies produced in the B-cell response can engage both the antigen and the inhibitory receptor FcgRIIb on the B-cell surface, acting to control the immune response. (C) XmAb5871 mimics the natural feedback inhibition by targeting CD19, rather than the antigen, on the B-cell surface and recruiting FcgRIIb to inhibit activation of the targeted B cell.

In December 2010, we entered into a collaboration and option agreement with Amgen for XmAb5871. During the option period, which expires upon completion of a data review period following our planned Phase 2b proof-of-concept (POC) clinical trial, we lead research, development and manufacturing activities for XmAb5871 with collaborative input and development support from Amgen.

Under the agreement, Amgen paid us an upfront payment and early development milestones and is obligated to pay additional milestones, both before and after payment of an option exercise fee, and royalties on sales following an exercise of the option by Amgen. If Amgen exercises its option and pays the option exercise fee, it will be solely responsible for the costs associated with the further development, commercialization, manufacture, distribution, marketing and promotion of XmAb5871.

Clinical Development Summary

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

Phase 1b/2a Clinical Trial

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

This clinical trial is being conducted in two parts. In the first part, approximately 28 rheumatoid arthritis patients with active disease on stable non-biologic disease modifying antirheumatic drug (DMARD) therapy have been enrolled into four consecutive dose cohorts (0.3 to 10.0 mg/kg) randomized 6:2 (six XmAb5871 patients to two placebo patients), other than for the lowest dose, where it was 3:1. Each patient will be administered XmAb5871 or placebo every 14 days for a total of six doses. We have enrolled the fourth and highest dose cohort. Through August 15, 2013, XmAb5871 has been reported to be well-tolerated. Only one patient has experienced a serious adverse event (infusion-related reaction with hypotension), and this patient is the only one to have discontinued the study prematurely. Other adverse events that have been reported by investigators as related to treatment (whether a patient's treatment was placebo or XmAb5871 remains double-blinded) to date and have occurred in more than one patient include: nausea, vomiting, fever-increased temperature and headache. We expect to report data from this trial in the second half of 2014.

In the second part of this clinical trial, approximately 30 additional rheumatoid arthritis patients with active disease on stable non-biologic DMARD therapy will be enrolled in an expansion cohort, randomized 2:1 (two XmAb5871 patients to one placebo patient), at the highest dose studied in the first part of the trial, 10.0 mg/kg. Each patient will be administered XmAb5871 or placebo every 14 days for a total of six doses. The expansion cohort will enable collection of more comprehensive multiple dose safety and PK data at the selected dose and potentially enable detection of early clinical activity in a rheumatoid arthritis patient population with moderate to high disease activity.

Phase 1a Clinical Trial

We have completed a Phase 1a clinical trial of XmAb5871. This clinical trial was initiated in October 2011 and completed in December 2012 and was a randomized, blinded, placebo-controlled, single ascending dose clinical trial to investigate the safety, tolerability and pharmacokinetics of

XmAb5871 in healthy male adult volunteers. Subjects received a single intravenous infusion of XmAb5871 or placebo in one of seven dose cohorts ranging from 0.03 mg/kg to 10.0 mg/kg. A total of 48 subjects were enrolled, with 36 subjects receiving XmAb5871 and 12 receiving placebo.

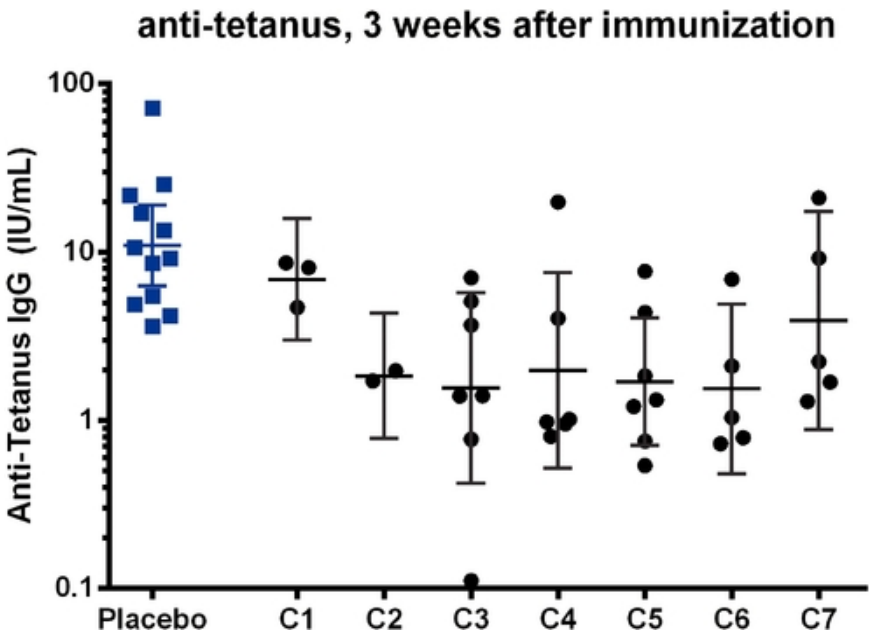
The primary objectives of this clinical trial were (1) to determine the safety and tolerability profile of single-dose intravenous administration of XmAb5871 and (2) to characterize the single-dose pharmacokinetics and immunogenicity of XmAb5871. We also included several biomarkers to evaluate the ability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

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

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

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

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



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

Further Clinical Development

Our planned clinical trials include an intravenous to subcutaneous bridging study in humans to prepare for subcutaneous administration in our Phase 2b POC clinical trial in rheumatoid arthritis patients. We believe that a subcutaneous formulation will be more commercially attractive and convenient for patients. A subcutaneous formulation has been developed in collaboration with Amgen and should be compatible with auto-injector devices for doses in the 1-3 mg/kg range. We expect to initiate this Phase 2b POC clinical trial in the second half of 2014 and expect to enroll 150-200 moderate-to-severe rheumatoid arthritis patients on stable DMARD therapy. This clinical trial is designed to assess efficacy at 24 weeks. Data from this trial, if positive, will support pivotal Phase 3 clinical trials in rheumatoid arthritis and lupus.

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

Preclinical Development Summary

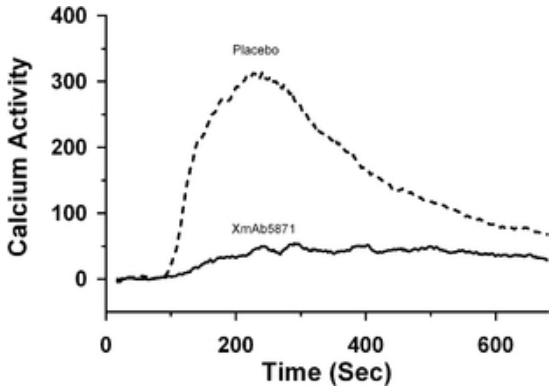
We have examined the ability of XmAb5871 to inhibit B cells in preclinical studies, including *in vitro* and *in vivo* studies. The observation in our preclinical studies include:

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

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

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

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



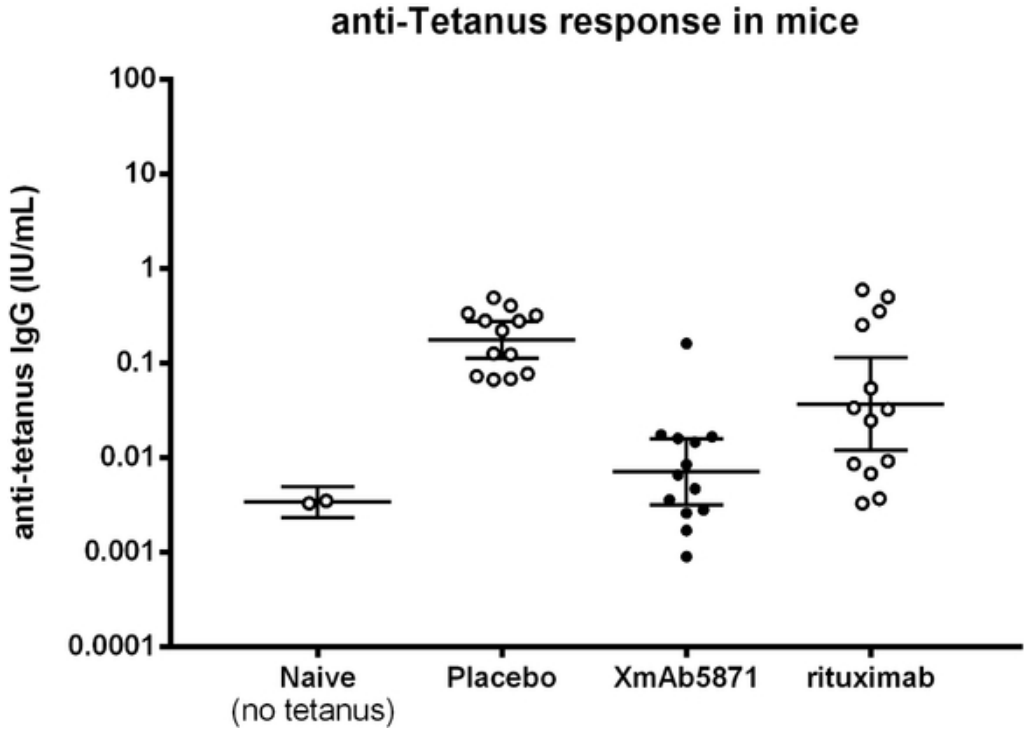
XmAb5871 suppresses calcium mobilization, a hallmark of B-cell activation. Upon stimulation, B cells treated with placebo showed an increase in calcium flux. In contrast, B cells treated with XmAb5871 showed a low calcium signal.

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

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

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

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



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

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

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

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

Background and Market Opportunity

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

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

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

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

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

Overview

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

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

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

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

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

Preclinical Development Summary

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

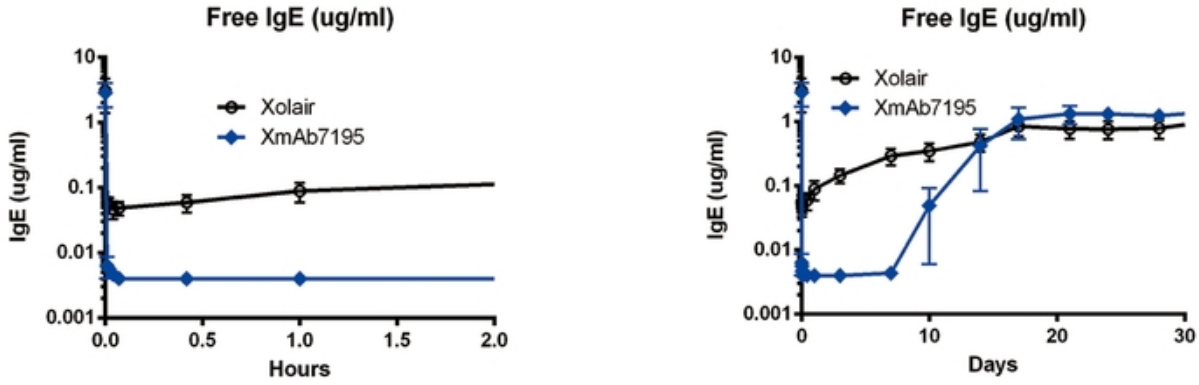
- Selective inhibition of IgE production in human B-cell assays;
- Prolonged reduction of free and total IgE in humanized mice compared to Xolair;
- Greater reduction of free and total IgE in chimpanzees compared to Xolair;
- Well tolerated at high doses in monkeys; and
- Well tolerated in chimpanzees.

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

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

We have also tested the activity of XmAb7195 in chimpanzees, which we believe is the most predictive animal model of the effects of XmAb7195 in humans. Chimpanzees, including those in our study, normally have very high levels of IgE compared to humans, and humans with these levels would

be considered ineligible for Xolair because their IgE levels exceed Xolair's effective range. We treated six chimpanzees, three with XmAb7195 and three with Xolair, and observed that both antibodies caused a reduction in circulating free IgE, as shown in the figures below.



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

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

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

Clinical Development Plans

We plan to file an IND for XmAb7195 for asthma with the FDA in the fourth quarter of 2013 and we anticipate starting a Phase 1a clinical trial in late 2013 or early 2014, with enrollment continuing through to mid-2014 and to report data in the second half of 2014. The Phase 1a single ascending dose clinical trial in healthy volunteers will include parallel cohorts in allergen-sensitive subjects with high IgE levels. This clinical trial will be designed to study safety and pharmacokinetics in humans and validate XmAb7195's ability to suppress both free and total IgE levels. If the Phase 1a clinical trial is successful, we anticipate starting a multiple ascending dose clinical trial of XmAb7195 in healthy adult volunteers and in patients with mild-to-moderate asthma in late 2014 to study safety, pharmacokinetics, and IgE reduction. We have received correspondence from the FDA in response to a pre-IND meeting request that concurred with our Phase 1 clinical trial plan, pending review of a full IND submission.

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

Background and Market Opportunity

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

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

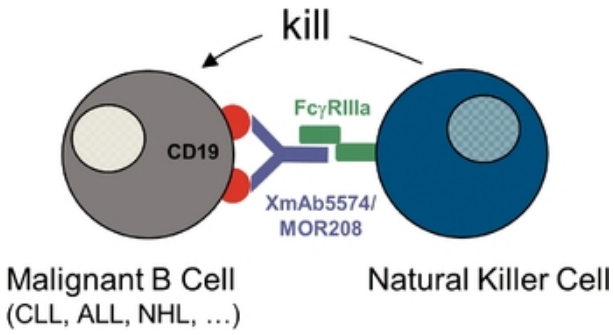
Overview

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

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

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

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



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

Clinical Development Summary

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

Phase 1 clinical trial

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

During the Phase 1 clinical trial, the most common adverse events were mild to moderate infusion reactions which were experienced only with the first dose. Clinically-significant, treatment-related adverse events classified as Grade 3 or higher occurred in 5 out of 27 patients. One patient treated at the 1 mg/kg dose level experienced neutropenia (low white blood cells). Four patients at the 12 mg/kg dose level experienced one or more of neutropenia, febrile neutropenia (neutropenia with fever), thrombocytopenia (low platelets), elevated aspartate aminotransferase (liver enzyme level) or tumor lysis syndrome (metabolic toxicity linked to rapid destruction of tumor cells). Only one dose-limiting toxicity, neutropenia, was observed and this was in one of the 16 patients treated at the 12 mg/kg dose level.

Further Clinical Development

Based on the Phase 1 clinical trial results, MorphoSys decided to continue the development of XmAb5574/MOR208 and has initiated two Phase 2 clinical trials of XmAb5574/MOR208 in patients

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

Preclinical Development Summary

Our preclinical observations include:

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

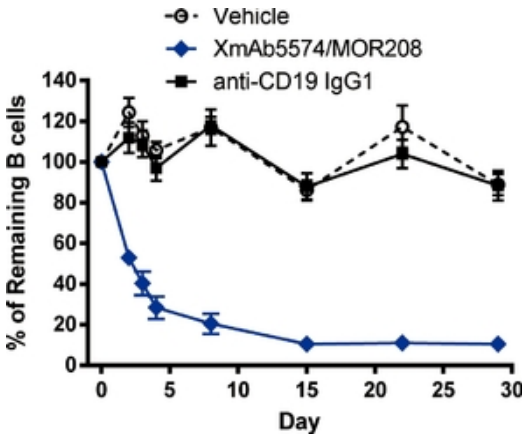
In preclinical *in vitro* studies, we tested XmAb5574/MOR208 for ADCC activity against a large number of lymphoma-derived tumor cell lines. In these studies, XmAb5574/MOR208 was shown to mediate strong NK-mediated killing against the CD19-positive tumor cell lines tested. Similar tests were performed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

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

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

In additional monkey studies, we compared the ability of different doses of XmAb5574/MOR208 to deplete monkey B cells and observed significant B-cell reductions at lower doses, 1 and 3 mg/kg. In

a final study to demonstrate the impact of our Cytotoxic Fc Domain technology on *in vivo* tumor cell killing, we compared the ability of XmAb5574/MOR208 to an unmodified IgG1 control antibody (anti-CD19 IgG1) to deplete monkey B cells at a 3 mg/kg dose (figure below). The XmAb5574/MOR208-treated animals displayed a marked drop in peripheral B-cell counts. The unmodified control antibody anti-CD19 IgG1, on the other hand, did not noticeably affect B-cell counts and was indistinguishable from the effects of treatment with vehicle alone.



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

Our Research and Development Pipeline

We have used our various Fc platforms and antibody optimization capabilities to produce a growing pipeline of development candidates. These include new Immune Inhibitor Fc Domain candidates designed to remove target antigens from circulation and multiple oncology candidates using our CD3 bispecifics platform. We will continue to progress these candidates as additional options for clinical development by us or as out-licensing opportunities to generate additional revenue.

Applying the rapid clearance property of the Immune Inhibitor Fc Domain

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

CD3 bispecifics for oncology

Using our XmAb heterodimeric Fc domains, we are generating several tumor-targeted bispecific antibodies that contain a tumor antigen binding domain and a CD3 binding domain. Our platform enables the creation of Fc-containing bispecifics that recruit T-cells via CD3 binding to kill tumor cells

targeted by the antigen binding domain. The inclusion of an Fc domain provides a potential improvement in half-life over first-generation bispecifics such as the Micromet (Amgen) BiTE technology, which require continuous infusion due to their extremely short half-life. We have produced a first development candidate targeting CD38 and confirmed the multi-day half-life in mouse models that is typical of standard antibodies, and have produced a second development candidate targeting CD123. We are creating a stable cell line for production and plan to perform activity studies in monkeys in the near future. Additional development candidates against additional tumor targets are in discovery.

Second Generation Biologics

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

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

Strategic Alliances and Commercial Agreements

We use strategic alliances and collaborative partnerships with pharmaceutical and biotechnology companies to complement our internal drug discovery and development capabilities, to assist the efficient global commercialization of our products and technology and to generate near and long-term funding. To date, the revenue generated from upfront fees, license fees, option fees and milestone payments associated with these arrangements, combined with the development expenses assumed by our partners, have allowed us to better manage our operating expenses and continue to invest in building new opportunities. Under these strategic agreements and our technology license agreements described below under "Technology Licenses," we are eligible to receive up to an aggregate of approximately $1.4 billion in potential milestone payments upon successful commercialization of the programs contemplated by our agreements. These payments include up to approximately $304.0 million relating to the achievement of clinical development milestone events; up to approximately $588.5 million relating to the filing and completion of regulatory approvals and up to approximately $473.0 million relating to the achievement of certain product sale goals.

Below is a table summarizing our strategic agreements for our key programs:

Partner	Year	Licensed Antibody/Technology	Indication	Milestones	Royalties	Current Development Stage
Amgen	2010	XmAb5871	Autoimmune disease	Yes	Yes	Phase 1 clinical
MorphoSys	2010	XmAb5574/MOR208	Oncology	Yes	Yes	Phase 2 clinical
BI	2012	XmAb6755	Autoimmune disease	No	No	Preclinical
Alexion	2013	Xtend technology	Various	Yes	Yes	Preclinical

Collaboration and Option Agreement with Amgen

In December 2010, we entered into a collaboration and option agreement with Amgen Inc. (Amgen) pursuant to which we agreed to collaborate with Amgen to research, develop and commercialize XmAb5871, an Fc-engineered monoclonal antibody that targets CD19 via its Fv domains and FcgRIIb via its XmAb Fc domain, and products based thereon. Under the terms of the agreement, we granted to Amgen an exclusive license to research, develop, manufacture and commercialize XmAb5871 and certain related products worldwide, which license is exercisable by Amgen only after Amgen's (1) notification to us that it is electing to exercise the license and (2) payment of an option exercise fee to us during the option period under the agreement. During the option period and prior to Amgen exercising its option under the agreement, we are required to use reasonably diligent efforts to conduct development activities through completion of a POC trial. We are currently leading research, development and manufacturing activities for XmAb5871 with collaborative input and development support from Amgen and have established a joint development committee to govern the development activities of XmAb5871 which meets quarterly regarding the ongoing development program we are leading. If Amgen exercises its option and pays the option exercise fee under the agreement, the exclusive worldwide license to research, develop and commercialize XmAb5871 granted to Amgen under the agreement will become effective, and Amgen will thereafter have the right to control, and will be solely responsible for the costs associated with, the development, commercialization, manufacture, distribution, marketing, promotion and other exploitation of XmAb5871 and products based thereon.

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

The term of this agreement will continue until all of Amgen's royalty payment obligations have expired or upon expiration of the option period if Amgen has not exercised the option. The agreement provides that it may be terminated by either party upon the other party's insolvency or the other party's material breach of the agreement if such breach remains uncured for 90 days, or 30 days in the case of

a non-payment breach. Amgen may terminate the agreement without cause upon 90 days' advance written notice to us. If Amgen challenges the validity of a patent relating to XmAb5871, then we may terminate this agreement immediately. In the event that Amgen terminates this agreement for convenience or we terminate due to Amgen's material breach, worldwide rights to develop, manufacture and commercialize XmAb5871 will revert back to us completely. Along with these rights, Amgen is obligated to transfer all regulatory documents, clinical data and know-how, and we are granted a license from Amgen to allow us to develop, manufacture and commercialize XmAb5871 worldwide without any financial obligations to Amgen.

Collaboration and License Agreement with MorphoSys

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

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

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

Collaboration Agreement with Boehringer Ingelheim

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

We will be required to pay for services performed and products provided by BI under the agreement pursuant to project plans entered into from time to time. In addition, we are required to reimburse BI for all out-of-pocket expenses, including the cost of raw materials, incurred in connection with the project plan. BI has agreed to delay all payments due to them under the agreement, including an annual interest rate which is a low double digit percentage, until the later of (1) the effective date of a license agreement we enter into with a business partner or (2) an outside date as agreed upon by the parties if we decide to continue to develop the product on our own after Phase 1. We are not obligated to pay BI any or all of the amounts owed under the agreement, including interest payments if we: (a) are not able to further develop the product for technical or scientific reasons or (b) do not decide to proceed with the further development of the product without a business partner and are unable to enter into a partnership agreement within an agreed upon period of time after Phase 1 clinical development.

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

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

Option and License Agreement with Alexion

In January 2013, we entered into an option and license agreement with Alexion Pharmaceuticals, Inc. (Alexion). Under the terms of the agreement, we granted to Alexion an exclusive research license, with limited sublicensing rights, to make and use our Xtend technology to evaluate and advance compounds against six different target programs during a five-year research term under the agreement, up to completion of the first multi-dose human clinical trial for each target compound. Alexion may extend the research term for an additional three years upon written notice to us and payment of an extension fee. 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 an option fee on a target-by-target basis. Alexion may exercise this option at any time during the research term.

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

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

Clinical Supply Agreement with Cook Pharmica

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

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

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

Development and Manufacturing Services Agreement with Catalent

In September 2005, we entered into a development and manufacturing services agreement (the Catalent Manufacturing Agreement) with Catalent Pharma Solutions LLC (formerly Cardinal Health PTS, LLC) (Catalent). Under the terms of the agreement, Catalent may, from time to time, provide development and manufacturing services for us related to our XmAb technology. Catalent is currently performing services related to the manufacture under cGMP of drug substance of XmAb5871 under the agreement. We pay for services performed by Catalent under the agreement pursuant to statements of work entered into from time to time.

Under the terms of the agreement, if Catalent develops one or more cell lines using its proprietary GPExgene product expression technology (GPEx Technology) in the course of performing

services under the agreement, we have the option to license any such cell line for non-cGMP research on the terms set forth in the agreement and on other terms to be agreed upon by Catalent and us. In addition, we have the option to license any cell line developed by Catalent in the course of performing services under the agreement that incorporates the GPEx Technology for use in the production of clinical and commercial supplies of gene expression products by us or any of our manufacturers on the terms set forth in the agreement and on other terms to be agreed upon by Catalent and us.

We may unilaterally terminate the agreement or activities under any statement of work entered into pursuant to the agreement upon 90 days written notice to Catalent. Catalent may unilaterally terminate the agreement upon 24 months written notice to us. Either party may terminate the agreement upon written notice to the other party upon the other party's insolvency or the other party's material breach of the agreement if such breach remains uncured for 30 days following notice thereof.

Cell Line Sale Agreement with Catalent

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

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

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

Technology Licenses

In addition to the strategic alliances described above, we also enter into relationships whereby we license our intellectual property around a specific XmAb technology to a pharmaceutical or biotechnology company to use in one or more of their own products. By accessing our technology, our partners hope to improve the pharmacology of their antibodies and create potential commercial differentiation for their product candidates. Under these technology licenses, we generally grant rights to our licensees that are limited to the specific XmAb Fc domains that are required and also limited to a specific program or set of programs of the partner that are outside of our core strategic areas. This approach allows us to maintain control over the vast majority of the rights to our platform while still disseminating our technology for broad use. The plug-and-play nature of XmAb technology allows us to structure nearly all of these licenses without any work commitment on our part; hence, these licenses allow us to generate revenue to support our own internal programs with no additional obligations on our part. The revenue we generate from these licenses comes in the form of license fees, annual maintenance fees, milestone payments and royalties. Typically, per antibody, the license fees are in the range of $0.5 million to $2.0 million depending on the size of the maintenance fees and early milestone payments. We may receive aggregate potential milestones payments under our technology license agreements of approximately $166.5 million, and we may receive royalties under each agreement as a percentage of net sales, which percentage is in the low single digit range. The aggregate potential

milestone payments payable to us include up to approximately $65.0 million relating to the achievement of clinical development milestone events; up to approximately $83.5 million relating to the filing and completion of regulatory approvals and up to approximately $18.0 million relating to the achievement of certain product sale goals. Below is a table summarizing these technology licenses:

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

Intellectual Property

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

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

As of June 30, 2013, our patent estate, on a worldwide basis, includes 164 issued patents (48 of which are in the United States) and over 180 pending patent applications (72 of which are in the United States) which we own or for which we have a fully-paid exclusive license, with claims directed to XmAb Fc domains, all of our clinical and preclinical stage antibodies and our computational protein design methods, called the PDA protein design platform. Of these patents and patent applications, 73 issued patents (20 of which are in the United States) and 106 pending patent applications (44 of which are in the United States) relate to our XmAb Fc domains, with claims directed to their incorporation into antibodies, Fc domain engineering and compositions of matter. Our three lead product candidates are covered by issued U.S. composition of matter patents relating to both the XmAb Fc domains and the individual product candidates. The composition of matter patents relating to the individual product candidates are expected to expire in the United States between 2027 and 2030.

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

Further, we seek trademark protection in the United States and in certain other jurisdictions where available and when we deem appropriate. We have obtained registrations for the Xencor trademark, as

well as certain other trademarks, which we use in connection with our pharmaceutical research and development services and our clinical-stage products, including XmAb, PDA and Protein Design Automation. We currently have registrations for Xencor and PDA in the United States, Australia, Canada, the European Community and Japan, for Protein Design Automation in the United States, Australia, Canada and the European Community, and for XmAb in the United States, Australia and the European Community.

Manufacturing

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

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

Competition

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

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

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

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

Regulatory Overview

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

U.S. Government Regulation

United States Drug Development Process

In the United States, the FDA regulates drugs and biologic products under the Federal Food, Drug and Cosmetic Act (FDCA) (21 U.S.C. §301, et seq), its implementing regulations and other laws, including, in the case of biologics, the Public Health Service Act. Our antibody product candidates are subject to regulation by the FDA as a biologic. Biologics require the submission of a Biologics License Application (BLA), to the FDA and approval of the BLA by the FDA before marketing in the United States. The process of obtaining regulatory approvals for commercial sale and distribution and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U. S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial civil or criminal sanctions. These sanctions could include the FDA's refusal to approve pending applications, license suspension or revocation, withdrawal of an approval, imposition of a clinical hold on clinical trials, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil and/or criminal penalties. The process required by the FDA before a biologic may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests, animal studies and formulation studies performed in accordance with the FDA's current Good Laboratory Practices (GLP) regulations;

- submission to the FDA of an investigational new drug application (IND) which must become effective before human clinical trials in the United States may begin;

- performance of adequate and well-controlled human clinical trials in accordance with the FDA's current good clinical practices (GCP) regulations to establish the safety and efficacy of the product candidate for its intended use;

- submission to the FDA of a BLA;

- satisfactory completion of an FDA inspection (if the FDA deems it as a requirement) of the manufacturing facility or facilities where the product is produced to assess compliance with the FDA's cGMP regulations to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;

- potential audits by the FDA of the nonclinical and clinical trial sites that generated the data in support of the BLA;

- review of the BLA by an external Advisory Committee to the FDA, whose recommendations are not binding on the FDA; and

- FDA review and approval of the BLA prior to any commercial marketing or sale.

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

Clinical trials involve the administration of the product candidate to human patients under the supervision of qualified investigators, generally physicians not employed by or under the clinical trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria and the parameters to be used to monitor subject safety and effectiveness. Each protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted in accordance with GCPs. Further, each clinical trial must be reviewed and approved by an IRB at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of clinical trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

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

- *Phase 2.* The product candidate is evaluated in a limited patient population (but larger than in Phase 1) to identify possible adverse effects and safety risks, to preliminarily evaluate the

efficacy of the product for specific targeted indications and to assess dosage tolerance, optimal dosage and dosing schedule.

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

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

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

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

U.S. Review and Approval Processes

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

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

After the BLA submission is accepted for filing, the FDA reviews the BLA to determine, among other things, whether the proposed product is safe and effective for its intended use, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity,

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

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

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

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

Post-Approval Requirements

Any biologic products for which we or our collaborators receive FDA approvals are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with FDA promotion and advertising requirements, which include, among others, restrictions on direct-to-consumer advertising, promoting biologics for uses or in patient populations that are not described in the product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities and promotional activities involving the internet. The FDA closely regulates the post-approval marketing and promotion of biologics, and

although physicians may prescribe legally available drugs for off-label uses, manufacturers may not market or promote such off-label uses. Failure to comply with these or other FDA requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action, mandated corrective advertising or communications with healthcare professionals, possible civil or criminal penalties or other negative consequences, including adverse publicity.

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

U.S. Patent Term Restoration and Marketing Exclusivity

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

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

U.S. Foreign Corrupt Practices Act

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

Pharmaceutical Coverage, Pricing and Reimbursement

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

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

Different pricing and reimbursement schemes exist in other countries. In the European Community, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national healthcare systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other member

states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on healthcare costs in general, and particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country. There can be no assurance that any country that has price controls or reimbursement limitations for drug products will allow favorable reimbursement and pricing arrangements for any of our products.

Healthcare Reform

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

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

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, that began in 2011;
- an increase in the rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13% of the average manufacturer price for branded and generic drugs, respectively;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts to negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the Federal Poverty Level beginning in 2014, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements under the federal Open Payments program, created under Section 6002 of PPACA and its implementing regulations, that manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) report annually to the U.S. Department of Health and Human Services (HHS) information related to "payments or other transfers of value" made or distributed to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals and that applicable manufacturers and

applicable group purchasing organizations report annually to HHS ownership and investment interests held by physicians (as defined above) and their immediate family members, with data collection required beginning August 1, 2013, reporting to the Centers for Medicare & Medicaid Services (CMS) required by March 31, 2014 and by the 90th day of each subsequent calendar year, and disclosure of such information to be made by CMS on a publicly available website beginning in September 2014;

- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians, effective April 1, 2012;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board which, beginning in 2014, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law even if Congress does not act on the recommendations; and
- establishment of a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending that began on January 1, 2011.

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

Other Healthcare Laws and Compliance Requirements

In the United States, the research, manufacturing, distribution, sale and promotion of drug products and medical devices are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including CMS, other divisions of HHS (e.g., the Office of Inspector General), the U.S. Department of Justice, state Attorneys General, and other state and local government agencies. For example, sales, marketing and scientific/educational grant programs must comply with fraud and abuse laws such as the federal Anti-Kickback Statute, as amended, the federal False Claims Act, as amended, and similar state laws. Pricing and rebate programs must comply with the Medicaid Drug Rebate Program requirements of the Omnibus Budget Reconciliation Act of 1990,

as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

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

The federal False Claims Act imposes liability on any person or entity that, among other things, knowingly presents or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The qui tam provisions of the False Claims Act allow a private individual to bring civil actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In recent years, the number of suits brought by private individuals has increased dramatically. In addition, various states have enacted false claims laws analogous to the False Claims Act. Many of these state laws apply where a claim is submitted to any third-party payor and not merely a federal healthcare program. There are many potential bases for liability under the False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. The False Claims Act has been used to assert liability on the basis of inadequate care, kickbacks and other improper referrals, improperly reported government pricing metrics such as Best Price or Average Manufacturer Price, improper use of Medicare numbers when detailing the provider of services, improper promotion of off-label uses (i.e., uses not expressly approved by FDA in a drug's label) and allegations as to misrepresentations with respect to the services rendered. Our future

activities relating to the reporting of discount and rebate information and other information affecting federal, state and third-party reimbursement of our products, and the sale and marketing of our products and our service arrangements or data purchases, among other activities, may be subject to scrutiny under these laws. We are unable to predict whether we would be subject to actions under the False Claims Act or a similar state law, or the impact of such actions. However, the cost of defending such claims, as well as any sanctions imposed, could adversely affect our financial performance. Also, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) created several new federal crimes, including healthcare fraud, and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third-party payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

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

There are also an increasing number of state "sunshine" laws that require manufacturers to make reports to states on pricing and marketing information. Several states have enacted legislation requiring pharmaceutical companies to, among other things, establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities and/or register their sales representatives and prohibiting or limiting certain other sales and marketing practices. In addition, beginning in 2013, a similar federal requirement will require manufacturers to track and report to the federal government certain payments and other transfers of value made to physicians and other healthcare professionals and teaching hospitals and ownership or investment interests held by physicians and their immediate family members. The government, in turn, will make reported information available to the public. These laws may adversely affect our sales, marketing and other activities by imposing administrative and compliance burdens on us. If we fail to track and report as required by these laws or otherwise comply with these laws, we could be subject to the penalty provisions of the pertinent state and federal authorities.

Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. If our operations are found to be in violation of any of the federal and state laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including criminal and significant civil monetary penalties, damages, fines, imprisonment, exclusion from participation in government healthcare programs, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, private "qui

tam" actions brought by individual whistleblowers in the name of the government or refusal to allow us to enter into supply contracts, including government contracts, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. To the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

Europe / Rest of World Government Regulation

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

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

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

Employees

As of June 30, 2013, we had 31 employees, 29 of whom were full-time, 14 of whom hold Ph.D. or M.D. degrees, 21 of whom were engaged in research and development activities and 10 of whom were engaged in business development, finance, information systems, facilities, human resources or administrative support. None of our employees are represented by any collective bargaining unit. We believe that we maintain good relations with our employees.

Facilities

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

Legal Proceedings

We are not currently subject to any material legal proceedings.

MANAGEMENT

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

Name	Age	Position
Bassil I. Dahiyat, Ph.D.	42	President and Chief Executive Officer, Director
Edgardo Baracchini, Jr., Ph.D.	53	Chief Business Officer
Paul Foster, M.D.	59	Chief Medical Officer
John R. Desjarlais, Ph.D.	49	Vice President, Research
John J. Kuch	54	Vice President, Finance
Bruce L.A. Carter, Ph.D.( )	70	Chairman of the Board and Director
Jonathan Fleming( )	56	Director
Atul Saran( )	40	Director
John S. Stafford III( )	43	Director
Harold R. Werner( )	65	Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

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

Executive Officers

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

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

Paul Foster, M.D. joined us as Chief Medical Officer in August 2012, after serving in a substantially similar capacity as an outside consultant from January 2010 until August 2012. Dr. Foster has 27 years of experience in a career spanning academic basic research, academic medical practice, research & development, product development, clinical development, drug safety, medical affairs, regulatory affairs, and product commercialization. From June 2008 through May 2009 he served as Chief Medical Officer for Cardium Therapeutics and prior to that provided Medical/Clinical consulting services as SVP Development and Chief Medical Officer of Development at Strategic Consulting Associates, LLC. He

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

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

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

Non-Employee Directors

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

Jonathan Fleming has served as a member of our Board of Directors since January 2013. Mr. Fleming is the Managing General Partner of Oxford Bioscience Partners, an international venture capital firm specializing in life science technology-based investments, a position which he has held since June 1999. He joined Oxford Bioscience Partners in August 1996 as a General Partner. Prior to joining Oxford Bioscience Partners, Mr. Fleming was a Founding General Partner of MVP Ventures in Boston from 1988 to 1996. He began his investment career with TVM Techno Venture Management in Munich, Germany in 1985. Mr. Fleming is also a co-founder of Medica Venture Partners, a venture capital investment firm specializing in early-stage healthcare and biotechnology companies in Israel. Mr. Fleming was on the board of directors of Asterand plc from September 2008 to September 2011, the board of directors of Memory Pharmaceuticals from January 1998 to May 2005 and from October 2006 to November 2008, the board of directors of IMCOR Pharmaceuticals from June 2003 to March

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

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

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

Harold R. Werner has served as a member of our Board of Directors since October 2006. Mr. Werner is a co-founder and since 1985 is a general partner of HealthCare Ventures, a venture capital fund specializing in the health-care industry. Mr. Werner has served as a director of over 30 public and private companies. Prior to the formation of HealthCare Ventures in 1985, Mr. Werner was Director of New Ventures for Johnson & Johnson Development Corporation. Mr. Werner currently serves on the Board of Directors of TetraLogic Pharmaceuticals Corporation, DecImmune, Inc., Aciex, Inc., Promedior, Inc., Stemgent, Inc., and InfaCare Pharmaceutical Corp. He previously served on the board of directors of MiddleBrook Pharmaceuticals, Inc., from 2000 to 2010. Mr. Werner received his B.S. and M.S. degrees in engineering from Princeton University and an M.B.A. from the Harvard Graduate School of Business Administration. We believe that Mr. Werner's experience as a venture capitalist specializing in the healthcare industry qualifies him to serve on our Board of Directors.

Board Composition

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

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

Effective upon the closing of this offering, we will divide our Board of Directors into three classes, as follows:

- Class I, which will consist of , and , whose terms will expire at our annual meeting of stockholders to be held in 2014;
- Class II, which will consist of , and , whose terms will expire at our annual meeting of stockholders to be held in 2015; and
- Class III, which will consist of , and , whose terms will expire at our annual meeting of stockholders to be held in 2016.

At each annual meeting of stockholders to be held after the initial classification, the successors to directors whose terms then expire will serve until the third annual meeting following their election and until their successors are duly elected and qualified. The authorized size of our Board of Directors is currently six members. The authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed between the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in our control or management. Our directors may be removed for cause by the affirmative vote of the holders of at least $66^2/3\%$ of our voting stock.

Board Leadership Structure

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

Role of the Board in Risk Oversight

The Audit Committee of the Board of Directors is primarily responsible for overseeing our risk management processes on behalf of the Board of Directors. Going forward, we expect that the Audit Committee will receive reports from management at least quarterly regarding our assessment of risks. In addition, the Audit Committee reports regularly to the Board of Directors, which also considers our

risk profile. The Audit Committee and the Board of Directors focus on the most significant risks we face and our general risk management strategies. While the Board of Directors oversees our risk management, management is responsible for day-to-day risk management processes. Our Board of Directors expects management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the Audit Committee and the Board of Directors. We believe this division of responsibilities is the most effective approach for addressing the risks we face and that our Board of Directors leadership structure, which also emphasizes the independence of the Board of Directors in its oversight of its business and affairs, supports this approach.

Board Committees

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

Audit Committee

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

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

- reviewing our major financial risk exposures, including the guidelines and policies to govern the process by which risk assessment and risk management is implemented;
- reviewing on a periodic basis our investment policy; and
- reviewing and evaluating on an annual basis its own performance, including its compliance with its charter.

Our Board of Directors has determined that qualifies as an audit committee financial expert within the meaning of SEC regulations and meets the financial sophistication requirements of the NASDAQ Listing Rules. In making this determination, our board has considered . Both our independent registered public accounting firm and management periodically meet privately with our audit committee.

Compensation Committee

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

- reviewing, modifying and approving (or if it deems appropriate, making recommendations to the full Board of Directors regarding) our overall compensation strategy and policies;
- reviewing and approving the compensation and other terms of employment of our executive officers;
- reviewing and approving performance goals and objectives relevant to the compensation of our executive officers and assessing their performance against these goals and objectives;
- reviewing and approving (or if it deems it appropriate, making recommendations to the full board of directors regarding) the equity incentive plans, compensation plans and similar programs advisable for us, as well as modifying, amending or terminating existing plans and programs;
- evaluating risks associated with our compensation policies and practices and assessing whether risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on us;
- reviewing and approving (or if it deems it appropriate, making recommendations to the full board of directors regarding) the type and amount of compensation to be paid or awarded to our non-employee board members;
- establishing policies with respect to votes by our stockholders to approve executive compensation as required by Section 14A of the Exchange Act and determining our recommendations regarding the frequency of advisory votes on executive compensation;
- reviewing and assessing the independence of compensation consultants, legal counsel and other advisors as required by Section 10C of the Exchange Act;
- administering our equity incentive plans;
- establishing policies with respect to equity compensation arrangements;
- reviewing the competitiveness of our executive compensation programs and evaluating the effectiveness of our compensation policy and strategy in achieving expected benefits to us;

- reviewing and approving the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements for our executive officers;
- reviewing the adequacy of its charter on a periodic basis;
- reviewing with management and approving our disclosures under the caption "Compensation Discussion and Analysis" and related tables in our periodic reports or proxy statements to be filed with the SEC;
- preparing the report that the SEC requires in our annual proxy statement; and
- reviewing and assessing on an annual basis its own performance.

Nominating and Corporate Governance Committee

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

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

Compensation Committee Interlocks and Insider Participation

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

Code of Business Conduct and Ethics

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

Limitation of Liability and Indemnification

Our amended and restated certificate of incorporation, which will become effective upon the closing of this offering, limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law allows a corporation to eliminate the personal liability of directors of a corporation to the corporation and its stockholders for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

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

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

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

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our

stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

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

EXECUTIVE AND DIRECTOR COMPENSATION

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

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

Summary Compensation Table

Name and principal position	Year	Salary ($)	Option awards ($)(1)	Non-equity incentive plan compensation ($)(2)	All other compensation ($)(3)	Total ($)
Bassil I. Dahiyat, Ph.D. *President and Chief Executive Officer*	2012	358,750	—	87,894	175	446,819
Edgardo Baracchini, Jr., Ph.D. *Chief Business Officer*	2012	286,103	—	66,877	175	352,627
Paul Foster, M.D.(4) *Chief Medical Officer*	2012	402,000	10,940	32,344	73	445,357

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

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

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

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

Annual Base Salary

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

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

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

(1) Prior to his commencement of employment on August 1, 2012, Dr. Foster performed consulting services to us pursuant to an Amended Consulting Agreement between Development and Strategic Consulting Associates, LLC and us described below under "—Agreements with our Named Executive Officers." We paid Development and Strategic Consulting Associates, LLC a total of $227,000 in fees for Dr. Foster's consulting services during 2012.

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

Annual Performance-Based Bonus Opportunity

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

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

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

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

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

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

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

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

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

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

Equity-Based Incentive Awards

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

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

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

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

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

Agreements with our Named Executive Officers

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

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

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

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

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

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

Potential Payments Upon Termination or Change of Control

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

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

For purposes of Dr. Dahiyat's employment agreement:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outstanding Equity Awards at Fiscal Year-End

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

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

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

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

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

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

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

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

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

Option Exercises and Stock Vested

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

Option Repricings

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

Perquisites, Health, Welfare and Retirement Benefits

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

We do not provide perquisites or personal benefits to our named executive officers. We do, however, pay the premiums for term life insurance and disability insurance for all of our employees, including our named executive officers. Our Board of Directors may elect to adopt qualified or non-qualified benefit plans in the future if it determines that doing so is in our best interests.

401(k) Plan

We maintain a defined contribution employee retirement plan (401(k) plan) for our employees. Our named executive officers are eligible to participate in the 401(k) plan on the same basis as our other employees. The 401(k) plan is intended to qualify as a tax-qualified plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan provides that each participant may contribute up to the lesser of 100% of his or her compensation or the statutory limit, which was $17,000 for calendar year 2012. Participants that are 50 years or older can also make "catch-up" contributions, which in calendar year 2012 was up to an additional $5,500 above the statutory limit. We currently do not make matching contributions into the 401(k) plan on behalf of participants. Participant contributions are held and invested, pursuant to the participant's instructions, by the plan's trustee.

Nonqualified Deferred Compensation

None of our named executive officers participate in or have account balances in nonqualified defined contribution plans or other nonqualified deferred compensation plans maintained by us. Our Board of Directors may elect to provide our officers and other employees with non-qualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interests.

Equity Benefit Plans

2013 Equity Incentive Plan

Our Board of Directors adopted the 2013 plan in 2013, and we expect our stockholders will approve the 2013 plan prior to this offering and that the 2013 plan will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part. Once the 2013 plan is effective, no further grants will be made under the 2010 plan.

Stock Awards. The 2013 plan provides for the grant of incentive stock options (ISOs), nonstatutory stock options (NSOs), stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation (collectively, stock awards), all of which may be granted to employees, including officers, non-employee directors and consultants of us and our affiliates. Additionally, the 2013 plan provides for the grant of performance cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Share Reserve. Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2013 plan after the 2013 plan becomes effective is shares, which includes (i) shares reserved for issuance under our 2010 plan at the time our 2013 plan becomes effective, plus (ii) any shares subject to outstanding stock options or other stock awards that would have otherwise returned to our 2010 plan (such as upon the expiration or termination of a stock award prior to vesting). Additionally, the number of shares of our common stock reserved for issuance under our 2013 plan will automatically increase on January 1 of each year, beginning on January 1, 2014 (assuming the 2013 plan becomes effective before such date) and continuing through and including January 1, 2023, by % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our Board of Directors. The maximum number of shares that may be issued upon the exercise of ISOs under our 2013 plan is shares.

No person may be granted stock awards covering more than shares of our common stock under our 2013 plan during any calendar year pursuant to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the fair market value on the date the stock award is granted. Additionally, no person may be granted in a calendar year a performance stock award covering more than shares or a performance cash award having a maximum value in excess of $. Such limitations are designed to help assure that any deductions to which we would otherwise be entitled with respect to such awards will not be subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to any covered executive officer imposed by Section 162(m) of the Code.

If a stock award granted under the 2013 plan expires or otherwise terminates without being exercised in full, or is settled in cash, the shares of our common stock not acquired pursuant to the stock award again will become available for subsequent issuance under the 2013 plan. In addition, the following types of shares under the 2013 plan may become available for the grant of new stock awards under the 2013 plan: (1) shares that are forfeited to or repurchased by us prior to becoming fully vested; (2) shares withheld to satisfy income or employment withholding taxes; or (3) shares used to pay the exercise or purchase price of a stock award. Shares issued under the 2013 plan may be previously unissued shares or reacquired shares bought by us on the open market. As of the date hereof, no awards have been granted and no shares of our common stock have been issued under the 2013 plan.

Administration. Our Board of Directors, or a duly authorized committee thereof, has the authority to administer the 2013 plan. Our Board of Directors may also delegate to one or more of our officers the authority to (1) designate employees (other than other officers) to be recipients of certain stock awards, and (2) determine the number of shares of common stock to be subject to such stock awards. Subject to the terms of the 2013 plan, our Board of Directors or the authorized committee, referred to herein as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2013 plan. Subject to the terms of our 2013 plan, the plan administrator has the authority to reduce the exercise, purchase or strike price of any outstanding stock award, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. ISOs and NSOs are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2013 plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2013 plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2013 plan, up to a maximum of 10 years. Unless the terms of an option holder's stock option agreement provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionholder's service relationship with us or any of our affiliates ceases due to disability or death, or an optionholder dies within a certain

period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our common stock previously owned by the optionholder, (4) a net exercise of the option if it is an NSO, and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionholder may designate a beneficiary, however, who may exercise the option following the optionholder's death.

Tax Limitations On Incentive Stock Options. The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an optionholder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the term of the ISO does not exceed five years from the date of grant.

Restricted Stock Awards. Restricted stock awards are granted pursuant to restricted stock award agreements adopted by the plan administrator. Restricted stock awards may be granted in consideration for (1) cash, check, bank draft or money order, (2) services rendered to us or our affiliates, or (3) any other form of legal consideration. Common stock acquired under a restricted stock award may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule to be determined by the plan administrator. Rights to acquire shares under a restricted stock award may be transferred only upon such terms and conditions as set by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock unit awards that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Restricted Stock Unit Awards. Restricted stock unit awards are granted pursuant to restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Stock Appreciation Rights. Stock appreciation rights are granted pursuant to stock appreciation grant agreements adopted by the plan administrator. The plan administrator determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon the exercise of a stock appreciation right, we will pay the participant an amount equal to the product of (1) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (2) the number of shares of common stock with respect to which the stock appreciation right is exercised. A stock appreciation right granted under the 2013 plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator.

The plan administrator determines the term of stock appreciation rights granted under the 2013 plan, up to a maximum of ten years. Unless the terms of a participant's stock appreciation right agreement provides otherwise, if a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The stock appreciation right term may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Performance Awards. The 2013 plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that is not subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to a covered executive officer imposed by Section 162(m) of the Code. To help assure that the compensation attributable to performance-based awards will so qualify, our Compensation Committee can structure such awards so that stock or cash will be issued or paid pursuant to such award only after the achievement of certain pre-established performance goals during a designated performance period.

The performance goals that may be selected include one or more of the following: (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) earnings before interest, taxes, depreciation, amortization and legal settlements; (5) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (6) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (7) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation and changes in deferred revenue; (8) total stockholder return; (9) return on equity or average stockholder's equity; (10) return on assets, investment, or capital employed; (11) stock price; (12) margin (including gross margin); (13) income (before or after taxes); (14) operating income; (15) operating income after taxes; (16) pre-tax profit; (17) operating cash flow; (18) sales or revenue targets; (19) increases in revenue or product revenue; (20) expenses and cost reduction goals; (21) improvement in or attainment of working capital levels; (22) economic value added (or an equivalent metric); (23) market share; (24) cash flow; (25) cash flow per share; (26) share price performance; (27) debt reduction; (28) implementation or completion of projects or processes; (29) user satisfaction; (30) stockholders' equity; (31) capital expenditures; (32) debt levels; (33) operating profit or net operating profit; (34) workforce diversity; (35) growth of net income or operating income; (36) billings; (37) bookings; (38) the number of users, including but not limited to unique users; (39) employee retention; (40) initiation of phases of clinical trials and/or studies by specific dates; (41) patient enrollment rates; (42) budget management; (43) submission to, or approval by, a regulatory body (including, but not limited to the U.S. Food and Drug Administration) of an applicable filing or a product candidate; (44) implementation or completion of projects or processes (including, without limitation, clinical trial initiation, clinical trial enrollment, clinical trial results, new and supplemental indications for existing products, regulatory filing submissions, regulatory filing acceptances, regulatory or advisory committee interactions, regulatory approvals, and product supply); (45) regulatory milestones; (46) progress of internal research or clinical programs; (47) progress of partnered programs; (48) implementation or completion of projects and processes; (49) partner satisfaction; (50) timely completion of clinical trials; (51) submission of INDs and NDAs and other regulatory achievements; (52) research progress, including the development of programs; (53) strategic

partnerships or transactions (including in-licensing and out-licensing of intellectual property; and (54) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by our Board of Directors.

The performance goals may be based on a company-wide basis, with respect to one or more business units, divisions, affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise (i) in the award agreement at the time the award is granted or (ii) in such other document setting forth the performance goals at the time the goals are established, we will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated goals; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under our bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item; and (13) to exclude the effects of the timing of acceptance for review and/or approval of submissions to the Food and Drug Administration or any other regulatory body. In addition, we retain the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of the goals. The performance goals may differ from participant to participant and from award to award.

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by reference to our common stock. The plan administrator will set the number of shares under the stock award and all other terms and conditions of such awards.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to (a) the class and maximum number of shares reserved for issuance under the 2013 plan, (b) the class and maximum number of shares by which the share reserve may increase automatically each year, (c) the class and maximum number of shares that may be issued upon the exercise of ISOs, (d) the class and maximum number of shares subject to stock awards that can be granted in a calendar year (as established under the 2013 plan pursuant to Section 162(m) of the Code) and (e) the class and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;

- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our Board of Directors may deem appropriate; or
- make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award over (b) the exercise price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2013 plan, a corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 90% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change of Control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change of control. Under the 2013 plan, a change of control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity; or (iii) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets.

Amendment and Termination. Our Board of Directors has the authority to amend, suspend, or terminate our 2013 plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. No ISOs may be granted after the tenth anniversary of the date our Board of Directors adopted our 2013 plan.

2010 Equity Incentive Plan

Our Board of Directors and our stockholders approved our 2010 plan and it became effective in February 2010 and was subsequently amended by our Board of Directors and stockholders in June 2013. Our 2010 plan is a continuation of and successor to our 2000 plan and after our 2010 plan became effective, no further stock awards may be granted under our 2000 plan. As of June 30, 2012, there were 4,276,646 shares remaining available for the grant of stock awards under our 2010 plan and there were outstanding stock options covering a total of 4,045,324 shares that were granted under our 2010 plan. There were no outstanding stock awards under our 2000 plan as of June 30, 2012.

After the effective date of the 2013 plan, no additional awards will be granted under the 2010 plan, and all awards granted under the 2010 plan that are repurchased, forfeited, expire or are cancelled will become available for grant under the 2013 plan in accordance with its terms.

Stock awards. The 2010 plan provides for the grant of ISO, NSOs, stock appreciation rights, restricted stock awards and restricted stock unit awards (collectively, stock awards), all of which may be granted to employees, including officers, non-employee directors and consultants of us and our affiliates. ISOs may be granted only to employees. All other awards may be granted to employees,

including officers, and to non-employee directors and consultants. We have only granted stock options under the 2010 plan.

Share Reserve. The aggregate number of shares of our common stock reserved for issuance pursuant to stock awards under the 2010 plan is 8,321,970, which includes any shares subject to stock options or other stock awards granted under our 2000 plan that expire or terminate for any reason, are forfeited or repurchased by us or are reacquired, withheld or not issued to satisfy a tax withholding obligation. The maximum number of shares that may be issued upon the exercise of ISOs under our 2010 plan was 9,353,906 shares.

If a stock award granted under the 2010 plan is forfeited back to us because of the failure to meet a contingency or condition required to vest, such shares will become available for subsequent issuance under the 2010 plan. In addition, shares withheld to satisfy income or employment withholding taxes and shares used to pay the exercise price of a stock option will become available for the grant of new stock awards under the 2010 plan. Shares issued under the 2010 plan may be previously unissued shares or reacquired shares bought by us on the open market.

Administration. Our Board of Directors, or a duly authorized committee thereof, has the authority to administer the 2010 plan. Our Board of Directors may also delegate to one or more of our officers the authority to (1) designate employees (other than other officers) to be recipients of certain stock awards, and (2) determine the number of shares of common stock to be subject to such stock awards. Subject to the terms of the 2010 plan, our Board of Directors or the authorized committee, referred to herein as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2010 plan. Subject to the terms of our 2010 plan, the plan administrator has the authority to reduce the exercise, purchase or strike price of any outstanding stock award, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. Incentive and nonstatutory stock options are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2010 plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2010 plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2010 plan, up to a maximum of 10 years. Unless the terms of an option holder's stock option agreement provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionholder's service relationship with us or any of our affiliates ceases due to disability or death, or an optionholder dies within a certain period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our common stock previously owned by the optionholder, (4) a net exercise of the option if it is an NSO, and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionholder may designate a beneficiary, however, who may exercise the option following the optionholder's death.

Tax Limitations On Incentive Stock Options. The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an optionholder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the option is not exercisable after the expiration of five years from the date of grant.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to (a) the class and maximum number of shares reserved for issuance under the 2010 plan, (b) the class and maximum number of shares that may be issued upon the exercise of ISOs, and (c) the class and number of shares and price per share of stock subject to all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, unless otherwise provided in a stock award or other written agreement between us and the holder of a stock award, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination at or prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award, to the extent not vested or not exercised prior to the effective time of the corporate transaction, in exchange for such cash consideration, if any, as our Board of Directors may deem appropriate; or
- make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award over (b) the exercise price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2010 plan, a corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 90% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following

which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change of Control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change of control. Under the 2010 plan, a change of control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity or of its parent entity; (iii) approval by the stockholders or our Board of Directors of a plan of complete dissolution or liquidation of us; or (iv) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets.

Amendment and Termination. The 2010 plan will terminate on February 17, 2020. However, our Board of Directors has the authority to amend, suspend, or terminate our 2010 plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent.

2013 Employee Stock Purchase Plan

Our Board of Directors adopted the 2013 Employee Stock Purchase Plan (the ESPP) in 2013 and we expect our stockholders will approve the ESPP prior to the execution and delivery of the underwriting agreement for this offering. The ESPP will become effective as of the date of the effectiveness of the registration statement of which this prospectus is a part. The purpose of the ESPP is to retain the services of new employees and secure the services of new and existing employees while providing incentives for such individuals to exert maximum efforts toward our success and that of our affiliates.

Share Reserve. Following this offering, the ESPP authorizes the issuance of shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each calendar year, from January 1, 2014 (assuming the ESPP becomes effective before such date) through January 1, 2023 by the least of (a) % of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (b) shares, or (c) a number determined by our Board of Directors that is less than (a) and (b). The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code. As of the date hereof, no shares of our common stock have been purchased under the ESPP.

Administration. Our Board of Directors has delegated its authority to administer the ESPP to our Compensation Committee. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, we may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. An offering may be terminated under certain circumstances.

Payroll Deductions. Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of our common stock under the ESPP. Unless otherwise determined by our Board of Directors, common stock will be purchased for accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of

the fair market value of a share of our common stock on the first date of an offering or (b) 85% of the fair market value of a share of our common stock on the date of purchase.

Limitations. Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by our Board of Directors: (a) customarily employed for more than 20 hours per week, (b) customarily employed for more than five months per calendar year or (c) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under the ESPP at a rate in excess of $25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value pursuant to Section 424(d) of the Code.

Changes to Capital Structure. In the event that there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the Board of Directors will make appropriate adjustments to (a) the number of shares reserved under the ESPP, (b) the maximum number of shares by which the share reserve may increase automatically each year and (c) the number of shares and purchase price of all outstanding purchase rights.

Corporate Transactions. In the event of certain significant corporate transactions, including: (i) a sale of all our assets, (ii) the sale or disposition of 90% of our outstanding securities, (iii) the consummation of a merger or consolidation where we do not survive the transaction, and (iv) the consummation of a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction, any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within 10 business days prior to such corporate transaction, and such purchase rights will terminate immediately.

Plan Amendments, Termination. Our Board of Directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances any such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law or listing requirements.

Director Compensation

Historically, we have not paid cash or equity compensation to directors who are also our employees for service on our Board of Directors, nor have we paid cash or equity compensation to our non-employee directors who are associated with our principal stockholders for service on our Board of Directors. We have reimbursed and will continue to reimburse all of our non-employee directors for their travel, lodging and other reasonable expenses incurred in attending meetings of our Board of Directors and committees of our Board of Directors.

We provide compensation to Dr. Carter for his services as the Chairman of the Board of Directors pursuant to a letter agreement between us and Dr. Carter dated September 28, 2009, as amended on November 18, 2010. Under the offer letter agreement, we provide Dr. Carter an annual cash retainer

of $50,000 payable monthly in arrears as well as $1,500 for each visit to our facilities for interfacing and liaising with our management and reimbursement for his reasonable expenses incurred in attending meetings. In addition, in connection with his letter agreement with us, Dr. Carter was granted an option to purchase 300,000 shares that vest over a four-year period measured from September 30, 2009, subject to his continued service with us. In September 2013, we granted stock options to purchase 102,189 shares to Dr. Carter with an exercise price of $1.37 per share. These options vest over a four-year period subject to Dr. Carter's continued service with us.

The following table sets forth in summary form information concerning the compensation that we paid or awarded during the year ended December 31, 2012 to each of our non-employee directors:

Name(1)	Fees Earned or Paid in Cash ($)	Option Awards(2)	All Other Compensation ($)	Total ($)
Bruce L.A. Carter, Ph.D.(2)	50,000	—	—	50,000
Douglas Fambrough, Ph.D.	—	—	—	—
Donald C. Foster, Ph.D.	—	—	—	—
Atul Saran	—	—	—	—
John S. Stafford III	—	—	—	—
Charles K. Stewart(3)	—	—	—	—
Harold R. Werner	—	—	—	—

(1) Dr. Dahiyat was an employee director during 2012 and his compensation is fully reflected in the "—Summary Compensation Table" above. Dr. Dahiyat did not receive any compensation in 2012 for services provided as a member of our Board of Directors.

(2) We did not grant any stock options to our non-employee directors in 2012. The aggregate number of shares subject to each non-employee director's outstanding option awards as of December 31, 2012 was as follows: Dr. Carter, 300,000 outstanding and unexercised options.

(3) Mr. Stewart resigned from our Board of Directors on July 30, 2013.

In , 2013, our Board of Directors adopted a new compensation policy applicable to all of our non-employee directors that will be effective upon the closing of this offering. This compensation policy provides that each such non-employee director will receive the following compensation for service on our Board of Directors:

- an annual cash retainer of $;
- an additional annual cash retainer of $ for service as chairman of the audit committee, compensation committee or the nominating and corporate governance committee;
- an annual option grant to purchase shares of our common stock vesting one year following the grant date for serving as a member of the audit committee, compensation committee or the nominating and corporate governance committee; and
- upon first joining our Board of Directors, an automatic initial grant of an option to purchase shares of our common stock vesting annually over a three year period following the grant date.

Each of the option grants described above will vest and become exercisable subject to the director's continuous service to us, provided that each option will vest in full upon a change of control (as defined under our 2013 plan). The term of each option will be 10 years. The options will be granted under our 2013 plan, the terms of which are described in more detail above under "—Equity Benefit Plans—2013 Equity Incentive Plan."

Risk Assessment of Compensation Program

In October and November 2011, the compensation committee assessed our compensation program for the purpose of reviewing and considering any risks presented by our compensation policies and practices that are reasonably likely to have a material adverse effect on us. As part of that assessment, the compensation committee reviewed the primary elements of our compensation program, including base salary, short-term incentive compensation and long-term incentive compensation. The compensation committee's risk assessment included a review of the overall design of each primary element of our compensation program, and an analysis of the various design features, controls and approval rights in place with respect to compensation paid to management and other employees that mitigate potential risks to us that could arise from our compensation program. Following the assessment, the compensation committee determined that our compensation policies and practices did not create risks that were reasonably likely to have a material adverse effect on us.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since January 1, 2010 to which we have been a party, in which the amount involved in the transaction exceeded $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described under "Compensation Discussion and Analysis."

Loan Arrangements

Since January 1, 2010, we have entered into various loan arrangements pursuant to which we issued an aggregate of $7.5 million of convertible promissory notes to investors, including one of our directors, entities affiliated with our directors and beneficial owners of more than 5% of our capital stock. The participants in these loan arrangements included the following holders of more than 5% of our capital stock or entities affiliated with them. The following table presents the aggregate principal amount of convertible promissory notes issued to these related parties in these loan arrangements:

Participants	Aggregate Principal Amount of Notes
John S. Stafford III	$ 3,915,776
John Stafford, Jr.(1)	$ 989,232
James Stafford	$ 415,613
HealthCareVentures VIII, L.P.	$ 415,997

(1) Consists of $870,048 aggregate principal amount of notes issued to John Stafford, Jr. and $119,184 aggregate principal amount of notes issued to the Kimberly Susan Stafford 2005 Irrevocable Trust.

The convertible promissory notes referred to above initially carried an interest rate of 10.0% per annum, which interest rate was increased to 12.5% in June 2011. In June 2013, the noteholders waived their right to receive payment of unpaid accrued interest under these notes in exchange for an aggregate of 17,114,751 shares of our Series A-1 preferred stock pursuant to a note conversion agreement.

Series A-1 Preferred Stock Financing

In June 2013, we entered into a Series A-1 Preferred Stock Purchase Agreement (the Series A-1 Purchase Agreement), pursuant to which we issued and sold an aggregate of 5,586,510 shares of our Series A-1 preferred stock at a purchase price of $1.36 per share, for an aggregate purchase price of $7,597,654 in an initial closing. The following table sets forth the number of shares of Series A-1

preferred stock purchased by our executive officers, directors and holders of more than 5% of our common stock in the initial closing of this preferred stock financing:

Name(1)	Shares of Series A-1 Preferred Stock	Purchase Price
John S. Stafford III	2,997,951	$ 4,077,213
John Stafford, Jr.(2)	682,702	$ 928,475
James Stafford	412,103	$ 560,460
MedImmune Ventures, Inc.	544,560	$ 740,602
HealthCare Ventures VIII, L.P.	427,308	$ 581,139
Oxford Biosciences Partners V L.P.(3)	326,393	$ 443,894

(1) Additional detail regarding these stockholders and their equity holdings is provided in "Security Ownership of Certain Beneficial Owners and Management."

(2) Consists of 564,422 shares of Series A-1 convertible preferred stock issued to John Stafford, Jr. and 118,280 shares of Series A-1 convertible preferred stock issued to the Kimberly Susan Stafford 2005 Irrevocable Trust.

(3) Consists of 319,200 shares of Series A-1 convertible preferred stock issued to Oxford Biosciences Partners V L.P. and 7,193 shares of Series A-1 convertible preferred stock issued to MRNA Fund V L.P.

Certain of our directors participated in, or have affiliations with the investors that participated in, the loan arrangements and preferred stock financing described above, as indicated in the table below:

Director	Investor
Jonathan Fleming	Oxford Bioscience Partners V L.P.
Atul Saran	MedImmune Ventures, Inc.
Harold Werner	HealthCare Ventures VIII, L.P.

Investor Agreements

In connection with our preferred stock financing, we entered into amended and restated investor rights agreements and an amended and restated voting, right of first refusal and co-sale agreements containing registration rights, voting rights, information rights and rights of first refusal among other things, with certain holders of our preferred stock and certain holders of our common stock, including all of the holders of more than 5% of our capital stock. Upon the closing of this offering, only the registration rights described in "Description of Capital Stock—Registration Rights" will remain in effect and the other provisions of these agreements will terminate.

Employee Loan

In May 2011, we made a loan of $152,333 to Dr. Dahiyat, our President and Chief Executive Officer, bearing interest at an annual rate of 0.56% pursuant to two promissory notes. On September 4, 2013 our Board of Directors authorized the forgiveness of the entire outstanding principal and interest, effective and contingent upon the filing of the registration statement for this offering.

Cross-License Agreement with MedImmune, LLC

In December 2012, we entered into a cross-license agreement with MedImmune, LLC, an affiliate of MedImmune Ventures, Inc., a holder of more than 5% of our capital stock. Under the terms of the agreement, we cross-licensed certain technology relating to our Xtend Fc Domain technology. We value this agreement at approximately $750,000 using a discounted cash flow valuation analysis. One of our

directors, Atul Saran, served as senior vice president and deputy general counsel at MedImmune, LLC from January 2011 to May 2013 and currently serves as the chairman of the MedImmune Ventures, Inc. investment committee.

Indemnification Agreements

We have entered, and intend to continue to enter, into separate indemnification agreements with each of our directors and executive officers.

Policies and Procedures for Transactions with Related Persons

We have adopted a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and oversight of "related-person transactions." For purposes of our policy only, a "related-person transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any "related person" are participants involving an amount that exceeds $120,000.

Transactions involving compensation for services provided to us as an employee, consultant or director are not considered related-person transactions under this policy. A related person is any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to our audit committee (or, where review by our audit committee would be inappropriate, to another independent body of our Board of Directors) for review. The presentation must include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available. To identify related-person transactions in advance, we rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our audit committee or other independent body of our Board of Directors takes into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our current executive officers and directors as a group.

The percentage ownership information under the column entitled "Before offering" is based on 49,981,095 shares of common stock outstanding as of June 30, 2013, assuming conversion of all outstanding shares of our preferred stock into 49,756,776 shares of common stock. The percentage ownership information under the column entitled "After offering" is based on the sale of shares of common stock in this offering.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable on or before August 29, 2013, which is 60 days after June 30, 2013. These shares are deemed to be outstanding and beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o Xencor, Inc., 111 West Lemon Avenue, Monrovia, California.

Name and address of beneficial owner	Number of shares beneficially owned	Percentage of shares beneficially owned	
		Before offering	After offering
5% or greater stockholders			
MedImmune Ventures, Inc.(1) One MedImmune Way Gaithersburg, MD 20878	4,090,519	8.2%	
HealthCare Ventures VIII, L.P.(2) 47 Thorndike Street, Suite B1-1 Cambridge, MA 02141	3,209,763	6.4%	
John S. Stafford III(3) 1854 N. Maud Avenue Chicago, IL 60614	22,579,259	45.2%	
John Stafford, Jr.(4) 45 N. Green Bay Road Lake Forest, IL 60045	5,128,474	10.3%	
James Stafford(5) c/o RSSM 757 Third Avenue, 6th Floor New York, NY 10017	3,095,942	6.2%	
Directors and named executive officers			
Bassil I. Dahiyat, Ph.D.(6)	1,879,269	3.6%	
Paul Foster, M.D.(7)	45,000	*	
Edgardo Baracchini, Jr., Ph.D.(8)	508,681	1.0%	
Bruce L.A. Carter, Ph.D.(9)	293,750	*	
Jonathan Fleming(10)	2,451,735	4.9%	
Atul Saran	—	—	
John S. Stafford III(3)	22,579,259	45.2%	
Harold R. Werner(11)	3,209,763	6.4%	
All current executive officers and directors as a group (10 persons)(12)	31,689,311	59.4%	

* Represents beneficial ownership of less than 1%.

(1) Includes 4,090,519 shares of common stock issuable upon conversion of convertible preferred stock.

(2) Includes 3,209,763 shares of common stock issuable upon conversion of convertible preferred stock.

(3) Includes 70,860 shares of common stock and 22,508,399 shares of common stock issuable upon conversion of convertible preferred stock.

(4) Includes (a) 280 shares of common stock held by John Stafford, Jr., (b) 4,239,720 shares of common stock issuable upon conversion of convertible preferred stock held by John Stafford, Jr. and (c) 888,474 shares of common stock issuable upon conversion of convertible preferred stock held by the Kimberly Susan Stafford 2005 Irrevocable Trust.

(5) Includes 383 shares of common stock and 3,095,559 shares of common stock issuable upon conversion of convertible preferred stock.

(6) Includes 37,684 shares of common stock and 1,841,585 shares of common stock that Dr. Dahiyat has the right to acquire from us within 60 days of June 30, 2013 pursuant to the exercise of stock options.

(7) Includes 45,000 shares of common stock that Dr. Foster has the right to acquire from us within 60 days of June 30, 2013 pursuant to the exercise of stock options.

(8) Includes 508,681 shares of common stock that Dr. Baracchini has the right to acquire from us within 60 days of June 30, 2013 pursuant to the exercise of stock options.

(9) Includes 293,750 shares of common stock that Dr. Carter has the right to acquire from us within 60 days of June 30, 2013 pursuant to the exercise of stock options.

(10) Includes (a) 2,397,704 shares of common stock issuable upon conversion of convertible preferred stock held by Oxford Bioscience Partners V L.P. (Oxford) and (b) 54,031 shares of common stock issuable upon conversion of convertible preferred stock held by mRNA Fund V L.P. (mRNA). Mr. Fleming and Matthew A. Gibbs are the general partners of OBP Management V L.P., the sole general partner of Oxford and mRNA. Mr. Fleming disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein.

(11) Includes the shares held by HealthCare Ventures VIII, L.P. referred to in footnote (2) above. Mr. Werner disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(12) Includes 28,278,822 shares held by all current executive officers and directors as a group and 3,410,489 shares that all current executive officers and directors as a group have the right to acquire from us within 60 days of June 30, 2013 pursuant to the exercise of stock options, including 60 shares of common stock and 462,550 shares of common stock that Dr. Desjarlais has the right to acquire from us within 60 days of June 30, 2013 pursuant to the exercise of stock options, 321 shares of common stock issuable upon conversion of convertible preferred stock held by Mr. Kuch and 258,923 shares of common stock that Mr. Kuch has the right to acquire from us within 60 days of June 30, 2013 pursuant to the exercise of stock options.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of shares of common stock, par value $0.01 per share and shares of preferred stock, par value $0.01 per share. All of our authorized preferred stock upon the closing of this offering will be undesignated. The following is a summary of the rights of our common and preferred stockholders and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the closing of this offering and of the Delaware General Corporation Law. This summary is not complete. For more detailed information, please see our amended and restated certificate of incorporation and amended and restated bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of the Delaware General Corporation Law.

Common Stock

Outstanding Shares

On June 30, 2013, there were 224,319 shares of common stock outstanding, held of record by 115 stockholders. This amount excludes our outstanding shares of preferred stock, which will convert into 49,756,776 shares of common stock upon the effectiveness of the registration statement of which this prospectus is a part. Based on the number of shares of common stock outstanding as of June 30, 2013, and assuming (1) the conversion of all outstanding shares of our preferred stock and (2) the issuance by us of shares of common stock in this offering, there will be shares of common stock outstanding upon the closing of this offering.

As of June 30, 2013, there were 4,045,324 shares of common stock subject to outstanding options under our equity incentive plans.

Voting

Our common stock is entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and does not have cumulative voting rights. Accordingly, the holders of a majority of the shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election.

Dividends

Subject to preferences that may be applicable to any then-outstanding preferred stock, the holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board of Directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding-up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the

rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Fully Paid and Nonassessable

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Preferred Stock

On June 30, 2013, there were 49,756,776 shares of preferred stock outstanding, held of record by 208 stockholders. Upon the effectiveness of the registration statement of which this prospectus is a part, all outstanding shares of preferred stock will have been converted into 49,756,776 shares of our common stock. Upon the closing of this offering, our certificate of incorporation will be amended and restated to delete all references to such shares of preferred stock. Under the amended and restated certificate of incorporation, our Board of Directors will have the authority, without further action by the stockholders, to issue up to shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of our common stock and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

Registration Rights

Holders of our preferred stock have the right to require us to register with the SEC the shares of common stock issuable upon conversion of such preferred stock so that those shares of common stock may be publicly resold, or to include those shares in any registration statement we file. The shares of common stock issuable upon conversion of the outstanding shares of preferred stock are hereinafter referred to as the "Underlying Securities." We anticipate that such holders will waive their registration rights with respect to this offering.

Demand registration rights. At any time beginning 180 days after the effective date of this registration statement, the holders of at least a 25% of the Underlying Securities having registration rights have the right to demand that we file a registration statement under the Securities Act to register the Underlying Securities requested to be registered by the holders of Underlying Securities. These registration rights are subject to specified conditions and limitations, including a limitation on the number of such registration statements that can be demanded by the holders of Underlying Securities, restrictions on the exercise of such demand registration rights during periods of time that may be detrimental to the Company and its stockholders, and the right of the underwriters to limit the number of shares of Underlying Securities included in any such registration under certain circumstances.

Form S-3 registration rights. If we are eligible to file a registration statement on Form S-3, each holder of shares of Underlying Securities having registration rights has the right to demand that we file no more than one registration statement for the holders on Form S-3 in any 12-month period so long as the aggregate offering price of securities to be sold under the registration statement on Form S-3 is at least $1,000,000, subject to specified exceptions, conditions and limitations.

"Piggyback" registration rights. If we register any securities for public sale, stockholders with registration rights will have the right to include their shares in the registration statement. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement.

Expenses of registration. We will pay all expenses, including up to $50,000 for the reasonable fees and costs of one counsel to the holders of Underlying Securities, relating to all demand registrations, Form S-3 registrations and piggyback registrations.

Expiration of registration rights. The registration rights described above will terminate, as to a given holder of Underlying Securities, at any time following the Company's initial public offering when such holder can sell all of such holder's Underlying Securities pursuant to Rule 144 promulgated under the Securities Act during any 90-day period.

Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Our Bylaws and Delaware Law

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law (Section 203). Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time that such stockholder became an interested stockholder, unless:

- prior to such time the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/_{3}\%$ of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the closing of this offering, may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permit our Board of Directors to issue up to shares of preferred stock, with any rights, preferences and privileges as they may designate (including the right to approve an acquisition or other change in our control);
- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide our Board of Directors into three classes;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose); and
- provide that special meetings of our stockholders may be called only by the chairman of the board, our Chief Executive Officer or by our Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

The amendment of any of these provisions, with the exception of the ability of our Board of Directors to issue shares of preferred stock and designate any rights, preferences and privileges thereto, would require approval by the holders of at least $66^{2}/_{3}\%$ of our then-outstanding common stock.

NASDAQ Global Market Listing

We have applied for listing of our common stock on the NASDAQ Global Market under the symbol "XNCR."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is . The transfer agent and registrar's address is .

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of contractual and legal restrictions on resale described below, sales of substantial amounts of common stock in the public market after the restrictions lapse could adversely affect the prevailing market price for our common stock as well as our ability to raise equity capital in the future.

Based on the number of shares of common stock outstanding as of June 30, 2013, upon the closing of this offering, shares of common stock will be outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of options. All of the shares sold in this offering will be freely tradable unless held by an affiliate of ours. Except as set forth below, the remaining shares of common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements. These remaining shares will generally become available for sale in the public market as follows:

- No restricted shares will be eligible for immediate sale upon the closing of this offering;
- Up to restricted shares will be eligible for sale under Rule 144 or Rule 701 upon expiration of lock-up agreements 180 days after the date of this offering; and
- The remainder of the restricted shares will be eligible for sale from time to time thereafter upon expiration of their respective holding periods under Rule 144, as described below, but could be sold earlier if the holders exercise any available registration rights.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, any person who is not an affiliate of ours and has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, provided current public information about us is available. In addition, under Rule 144, any person who is not an affiliate of ours and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately upon the closing of this offering without regard to whether current public information about us is available. Beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of restricted shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on the NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales of restricted shares under Rule 144 held by our affiliates are also subject to requirements regarding the manner of sale, notice and the availability of current public information about us. Rule 144 also provides that affiliates relying on Rule 144 to sell shares of our common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, other than the holding period requirement.

Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted shares have entered into lock-up agreements as described below and their restricted shares will become eligible for sale at the expiration of the restrictions set forth in those agreements.

Rule 701

Under Rule 701, shares of our common stock acquired upon the exercise of currently outstanding options or pursuant to other rights granted under our stock plans may be resold by:

- persons other than affiliates, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, subject only to the manner-of-sale provisions of Rule 144; and

- our affiliates, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, subject to the manner-of-sale and volume limitations, current public information and filing requirements of Rule 144, in each case, without compliance with the six-month holding period requirement of Rule 144.

As of June 30, 2013, options to purchase a total of 4,045,324 shares of common stock were outstanding, of which 3,578,991 were vested. Of the total number of shares of our common stock issuable under these options, substantially all are subject to contractual lock-up agreements with us or the underwriters described below under "Underwriting" and will become eligible for sale at the expiration of those agreements unless held by an affiliate of ours.

Lock-Up Agreements

We, along with our directors, executive officers and substantially all of our other stockholders and optionholders, have agreed that for a period of 180 days after the date of this prospectus, subject to specified exceptions, we or they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock. Upon expiration of the "lock-up" period, certain of our stockholders will have the right to require us to register their shares under the Securities Act. See "Registration Rights" below.

Registration Rights

Upon the closing of this offering, the holders of 49,756,776 shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up arrangement described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of the registration statement of which this prospectus is a part. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See "Description of Capital Stock—Registration Rights."

Equity Incentive Plans

We intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the shares of common stock reserved for issuance under the 2013 plan and the 2013 purchase plan. The registration statement is expected to be filed and become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under the registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up agreements described above, if applicable.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following summary describes the material U.S. federal income consequences of the acquisition, ownership and disposition of our common stock acquired in this offering by Non-U.S. Holders (as defined below). This discussion does not address all aspects of U.S. federal income taxes that may be relevant to Non-U.S. Holders in light of their particular circumstances, does not deal with foreign, state and local tax consequences and does not address U.S. federal tax consequences other than income taxes. Special rules different from those described below may apply to certain Non-U.S. Holders that are subject to special treatment under the Code, such as financial institutions, insurance companies, tax-exempt organizations, tax-qualified retirement plans, broker-dealers and traders in securities, commodities or currencies, U.S. expatriates, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid U.S. federal income tax, persons that hold our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security," integrated investment or other risk reduction strategy, holders deemed to sell our common stock under the constructive sale provisions of the Code, holders who hold or receive our common stock pursuant to the exercise of employee stock options or otherwise as compensation, holders who are subject to the alternative minimum tax or the Medicare Contribution tax, partnerships and other pass-through entities, including hybrid entities and investors in such entities or an entity that is treated as a disregarded entity for U.S. federal income tax purposes (regardless of its place of organization or formation). Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the U.S. Internal Revenue Service (IRS), with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. This discussion assumes that the Non-U.S. Holder holds our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment).

Persons considering the purchase of our common stock pursuant to this offering should consult their own tax advisors concerning the U.S. federal income tax consequences of acquiring, owning and disposing of our common stock in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction, including any state, local or foreign tax consequences and any U.S. federal non-income tax consequences.

For the purposes of this discussion, a "Non-U.S. Holder" is, for U.S. federal income tax purposes, a beneficial owner of common stock that has not been excluded from this discussion, is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes. A "U.S. Holder" means a beneficial owner of our common stock that is for U.S. federal income tax purposes (a) an individual who is a citizen or resident of the United States, (b) a corporation or other entity treated as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Distributions on Our Common Stock

Subject to the discussion below regarding back-up withholding and foreign accounts, distributions, if any, made on our common stock to a Non-U.S. Holder of our common stock to the extent made out

of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide us with a properly executed IRS Form W-8BEN, or other appropriate form, certifying the Non-U.S. Holder's entitlement to benefits under that treaty. In the case of a Non-U.S. Holder that is an entity, Treasury regulations and the relevant tax treaty provide rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends will be treated as paid to the entity or to those holding an interest in that entity. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to the applicable withholding agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you should consult with your own tax advisor to determine if you are able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that such holder maintains in the United States) if a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or, if stock is held through a financial institution or other agent, to such agent). In general, such effectively connected dividends will be subject to U.S. federal income tax, on a net income basis at the regular graduated rates, unless a specific treaty exemption applies. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional "branch profits tax," which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder's effectively connected earnings and profits, subject to certain adjustments.

To the extent distributions on our common stock, if any, exceed our current and accumulated earnings and profits, they will constitute a non-taxable return of capital and will first reduce your basis in our common stock, but not below zero, and then will be treated as gain and taxed in the same manner as gain realized from a sale or other disposition of common stock as described in the next section.

Gain on Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding and foreign accounts, a Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our common stock unless (a) the gain is effectively connected with a trade or business of such holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that such holder maintains in the United States), (b) the Non-U.S. Holder is a non-resident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (c) we are or have been a "United States real property holding corporation" within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or such holder's holding period. In general, we would be a United States real property holding corporation if interests in U.S. real estate comprised (by fair market value) at least half of our business assets. We believe that we are not, and do not anticipate becoming, a United States real property holding corporation. Even if we are treated as a United States real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned, directly, indirectly and constructively, no more than 5% of our

common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder's holding period and (2) our common stock is regularly traded on an established securities market. There can be no assurance that our common stock will qualify or continue to qualify as regularly traded on an established securities market.

If you are a Non-U.S. Holder described in (a) above, you will be required to pay tax on the net gain derived from the sale at regular graduated U.S. federal income tax rates, unless a specific treaty exemption applies, and corporate Non-U.S. Holders described in (a) above may be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual Non-U.S. Holder described in (b) above, you will be required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by U.S. source capital losses (even though you are not considered a resident of the United States).

Information Reporting Requirements and Backup Withholding

Generally, we or certain financial middlemen must report information to the IRS with respect to any dividends we pay on our common stock including the amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding. U.S. backup withholding generally will not apply to a Non-U.S. Holder who provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption. The current backup withholding rate is 28%.

Under current U.S. federal income tax law, U.S. information reporting and backup withholding requirements generally will apply to the proceeds from a disposition of our common stock effected by or through a U.S. office of any broker, U.S. or foreign, except that information reporting and such requirements may be avoided if the holder provides a properly executed IRS Form W-8BEN or otherwise meets documentary evidence requirements for establishing Non-U.S. Holder status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding requirements will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. For information reporting purposes, certain brokers with substantial U.S. ownership or operations will generally be treated in a manner similar to U.S. brokers.

If backup withholding is applied to you, you should consult with your own tax advisor to determine if you are able to obtain a tax benefit or credit with respect to such backup withholding.

Foreign Accounts

A U.S. federal withholding tax of 30% may apply to dividends paid after June 30, 2014 and the gross proceeds from a disposition of our common stock paid after December 31, 2016 to a foreign financial institution (as specifically defined for this purpose), including when the foreign financial institution holds our common stock on behalf of a Non-U.S. Holder, unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which may include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these withholding and reporting requirements may be subject to different rules. This U.S. federal withholding tax of 30% will also apply to dividends paid after June 30, 2014 and the gross proceeds from a disposition of our common stock paid after December 31, 2016 to a non-financial foreign entity unless such entity

provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding direct and indirect U.S. owners of the entity. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes. Holders are encouraged to consult with their own tax advisors regarding the possible implications of the legislation on their investment in our common stock.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2013, we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and Leerink Swann LLC are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
Leerink Swann LLC	
Wedbush Securities Inc	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel including the validity of the shares, and subject to other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The offering of the shares by the underwriters is also subject to the underwriters' right to reject any order in whole or in part.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of up to $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker-dealers. After the initial public offering the representatives may change the public offering price and concession and discount to broker-dealers.

The following table summarizes the compensation we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by us	$	$	$	$

We estimate that our out of pocket expenses for this offering (not including any underwriting discounts and commissions) will be approximately $. We have agreed to reimburse the underwriters for expenses of approximately $ related to the clearance of this offering with the Financial Regulatory Authority (FINRA).

The underwriters have informed us that they do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the

Securities Act of 1933, as amended (the "Securities Act") relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives for a period of 180 days after the date of this prospectus except issuances pursuant to the conversion or exchange of convertible or exchangeable securities outstanding on the date hereof or the exercise of warrants or options outstanding on the date hereof, grants of employee stock options pursuant to our existing plans or issuances pursuant to the exercise of such employee options.

Our officers and directors and substantially all of our existing security holders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the representatives, for a period of 180 days after the date of this prospectus, subject to limited exceptions.

We have agreed to indemnify the several underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We intend to apply to list the shares of common stock on The NASDAQ Global Market under the symbol "XNCR."

Prior to the offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In determining the initial public offering price, we and the representatives expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the underwriters;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the recent market prices of, and demand for, publicly-traded common stock of generally comparable companies;
- the general condition of the securities markets at the time of the offering; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our common stock, or that shares of our common stock will trade in the public market at or above the initial public offering price.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment transactions involve sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, creating a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

- In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The NASDAQ Global Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

Other Relationships

Certain of the underwriters and their affiliates may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they may receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

One of our directors, Mr. Jonathan Fleming, is also a member of the Board of Managers of Leerink Swann Holdings, LLC and a trustee of Leerink Swann Massachusetts Business Trust, which are affiliates of Leerink Swann LLC, one of the representatives of the underwriters in this offering.

Selling Restrictions

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of shares which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

Each of the underwriters severally represents, warrants and agrees as follows:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA") received by it in connection with the issue or sale of the shares in circumstances in which Section 21 of the FSMA does not apply to us; and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon for us by Cooley LLP, Santa Monica, California. The underwriters are being represented by Davis Polk & Wardwell LLP, Menlo Park, California.

EXPERTS

The financial statements as of December 31, 2011 and 2012 and for the years then ended included in this Registration Statement have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm (the report on the financial statements contains an explanatory paragraph regarding the Company's ability to continue as a going concern), appearing elsewhere in the Registration Statement, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document that is filed as an exhibit are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, on the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street NE, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You may also request a copy of these filings, at no cost, by writing us at 111 West Lemon Avenue, Monrovia, California 91016 Attn: Corporate Secretary or telephoning us at (626) 305-5900.

Upon the closing of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above. We also maintain a website at www.xencor.com, at which, following the closing of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not incorporated by reference in, and is not part of, this prospectus.

Xencor, Inc.

Financial Statements

Audited Financial Statements for the Years Ended December 31, 2011 and 2012:

Unaudited Interim Condensed Financial Statements for the Six Months Ended June 30, 2012 and 2013:

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Xencor, Inc.
Monrovia, California

We have audited the accompanying balance sheets of Xencor, Inc as of December 31, 2012 and 2011 and the related statements of operations, mezzanine equity and stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xencor, Inc. at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the financial statements as of and for the year ended December 31, 2011, have been restated to correct a misstatement related to accounting for revenue.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring losses and a substantial accumulated deficit. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO USA, LLP

Los Angeles, California
September 11, 2013

Xencor, Inc.

Balance Sheets

(in thousands, except share and per share data)

	December 31,	
	2011 (Restated)	2012
Assets		
Current assets		
Cash and cash equivalents	$ 14,537	$ 2,312
Accounts receivable	29	354
Prepaid expenses and other current assets	81	173
Total current assets	14,647	2,839
Property and equipment		
Computers, software and equipment	4,570	3,374
Furniture and fixtures	132	107
Leasehold improvements	3,081	3,081
Less accumulated depreciation and amortization	(7,399)	(6,279)
Property and equipment, net	384	283
Other assets		
Patents, licenses, and other intangible assets, net	7,250	8,460
Other assets	93	77
Total other assets	7,343	8,537
Total assets	$ 22,374	$ 11,659
Liabilities, Mezzanine Equity and stockholders' deficit		
Current liabilities		
Accounts payable	$ 1,835	$ 1,315
Accrued expenses	826	1,286
Current portion of deferred revenue	5,063	1,948
Current portion of capital lease obligations	10	7
Convertible promissory notes payable	18,463	20,923
Total current liabilities	26,197	25,479
Deferred revenue, less current portion	7,114	5,672
Capital lease obligations, less current portion	—	10
Total liabilities	33,311	31,161
Commitments and contingencies (see note 6)		
Mezzanine Equity		
Series A convertible preferred stock, $0.01 par value:		
857,797 authorized shares; 857,792 issued and outstanding shares (liquidation preference of $3,551)	3,550	3,550
Series B convertible preferred stock, $0.01 par value:		
1,328,946 authorized shares; 1,328,941 issued and outstanding shares (liquidation preference of $12,399)	12,375	12,375
Series C convertible preferred stock, $0.01 par value:		
2,416,284 authorized shares; 2,416,281 issued and outstanding shares (liquidation preference of $50,017)	50,000	50,000
Series D convertible preferred stock, $0.01 par value:		
7,966,667 authorized shares; 7,936,483 issued and outstanding shares (liquidation preference of $20,000)	20,000	20,000
Series E convertible preferred stock, $0.01 par value:		
25,253,000 authorized shares; 25,245,566 issued and outstanding shares (liquidation preference of $88,047 and $95,090 at December 31 2011 and 2012, respectively)	60,841	60,841
Total Mezzanine Equity	146,766	146,766
Stockholders' deficit		
Common stock, $0.01 par value: 57,225,000 authorized shares: 224,319 issued and outstanding shares at December 31, 2012 and 2011	2	2
Additional paid-in capital	1,013	1,042
Accumulated deficit	(158,718)	(167,312)
Total stockholders' deficit	(157,703)	(166,268)
Total liabilities, mezzanine equity and stockholders' deficit	$ 22,374	$ 11,659

See accompanying notes to the financial statements.

Xencor, Inc.

Statements of Operations

(in thousands, except share and per share data)

	Years ended December 31,	
	2011 (Restated)	2012
Revenue		
Collaborations, licenses and milestones, including related party revenue of zero and $0.75 million for 2011 and 2012, respectively	$ 6,849	$ 9,524
Costs and expenses		
Research and development (includes equity-based compensation of $(34) and $11 for 2011 and 2012, respectively)	12,663	12,668
General and administrative (includes equity-based compensation of $(23) and $18 for 2011 and 2012, respectively)	3,638	3,086
Total operating expenses	16,301	15,754
Loss from operations	(9,452)	(6,230)
Other income (expenses)		
Interest income	34	11
Interest expense	(1,850)	(2,461)
Other (expense) income	65	86
Total other income (expenses)	(1,751)	(2,364)
Net loss	$ (11,203)	$ (8,594)
Net loss per share attributable to common stockholders basic and diluted	$ (49.94)	$ (38.31)
Weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted:	224,319	224,319

See accompanying notes to the financial statements.

Xencor, Inc.

Statements of Mezzanine Equity and Stockholders' Deficit

(in thousands, except share data)

Mezzanine Equity	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Series D Convertible Preferred Stock		Series E Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance, December 31, 2010 (Restated)	857,792	$ 3,550	1,328,941	$ 12,375	2,416,281	$ 50,000	7,936,483	$ 20,000	25,245,566	$ 60,841
Net loss, as restated	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2011 (Restated)	857,792	3,550	1,328,941	12,375	2,416,281	50,000	7,936,483	20,000	25,245,566	60,841
Net loss, as restated	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2012	857,792	$ 3,550	1,328,941	$ 12,375	2,416,281	$ 50,000	7,936,483	$ 20,000	25,245,566	$ 60,841

Stockholders' Deficit	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
	(in thousands, except share amounts)				
Balance, December 31, 2010 (Restated)	224,319	$ 2	$ 1,070	$ (147,515)	$ (146,443)
Net loss, as restated	—	—	—	(11,203)	(11,203)
Stock-based compensation	—	—	(57)	—	(57)
Balance, December 31, 2011 (Restated)	224,319	2	1,013	(158,718)	(157,703)
Net loss	—	—	—	(8,594)	(8,594)
Stock-based compensation	—	—	29	—	29
Balance, December 31, 2012	224,319	$ 2	$ 1,042	$ (167,312)	$ (166,268)

See accompanying notes to the financial statements.

Xencor, Inc.

Statements of Cash Flows

(in thousands)

	Years ended December 31,	
	2011 (Restated)	2012
Cash flows from operating activities		
Net loss	$ (11,203)	$ (8,594)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	607	527
Stock-based compensation	(57)	29
Abandonment of capitalized intangible assets	1,231	388
Gain from non-monetary exchange	—	(754)
Gain on disposal of assets	(127)	(86)
Accrued interest on convertible promissory notes	1,846	2,456
Changes in operating assets and liabilities:		
Accounts receivable	(29)	(325)
Prepaid expenses and other current assets	95	(90)
Other assets	22	15
Accounts payable	(239)	(522)
Accrued expenses	34	460
Deferred revenue	6,733	(4,556)
Net cash used in operating activities	(1,085)	(11,052)
Cash flows from investing activities		
Purchase of intangible assets	(1,364)	(1,217)
Purchase of property and equipment	(55)	(41)
Proceeds from sale of property and equipment	133	97
Net cash used in investing activities	(1,286)	(1,161)
Cash flows from financing activities		
		—
Payments on capital lease obligations	(11)	(12)
Net cash used in financing activities	(11)	(12)
Net decrease in cash and cash equivalents	(2,382)	(12,225)
Cash and cash equivalents, beginning of year	16,919	14,537
Cash and cash equivalents, end of year	$ 14,537	$ 2,312
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	$ 1	$ 3
Taxes	—	—
Supplemental Schedule of Noncash Investing Activities		
Capitalization of licensing rights acquired in non-monetary exchange	$ —	$ 754
Equipment acquired under capital lease	—	$ 22

See accompanying notes to the financial statements.

Xencor, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Business

Xencor, Inc. (we, us, our, or the Company) was incorporated in California in 1997 and reincorporated in Delaware in September 2004. We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered monoclonal antibodies to treat severe and life-threatening diseases with unmet medical needs. We use our proprietary XmAb technology platform to create next-generation antibody product candidates designed to treat autoimmune and allergic diseases, cancer, and other conditions. We focus on the portion of the antibody that interacts with multiple segments of the immune system, referred to as the Fc domain, which is constant and interchangeable among antibodies. Our engineered Fc domains, the XmAb technology, are applied to our pipeline of antibody-based drug candidates to increase immune inhibition, improve cytotoxicity, or extend half-life.

Our operations are based in Monrovia, California and we operate in one segment.

Basis of Presentation

The Company's audited financial statements as of December 31, 2011 and December 31, 2012 and for the years then-ended have been prepared in accordance with accounting principles generally accepted In the United States. As discussed in Note 9, the Company has restated its previously issued financial statements as of December 31, 2011 and for the year ended December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

Going Concern

Since our inception, we have incurred losses and negative cash flows from operations, and at December 31, 2012 we have an accumulated deficit of $167.3 million. We are forecasting continued losses and negative cash flows from operations to fund our clinical and research programs and will need additional funding to continue advancing them. Our prospects are subject to the risks and uncertainties frequently encountered by clinical-stage biopharmaceutical companies.

As of December 31, 2012, our ability to continue as a going concern is uncertain and dependent upon our ability to obtain additional financing to fund our ongoing operations. To fund future operations, we will need to raise additional capital. The amount and timing of future funding requirements will depend on many factors, including the timing and results of our ongoing development efforts, the potential expansion of our current development programs, potential new development programs and related general and administrative support. We anticipate that we will seek to fund our operations through equity or debt financings or through research collaborations and licensing agreements with third parties. We cannot assure you that such additional financing will be available to us on favorable terms, or at all. Although we have previously been successful in obtaining financing through our private securities offerings, there can be no assurance that we will be able to do so in the future. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interest of our stockholders will be diluted, and the terms of these securities may include

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

liquidation or other preferences that adversely affect the rights of our existing common stockholders. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us.

The results of our operations and our current financial condition raise substantial doubt about our ability to continue as a going concern. Should we not be able to successfully execute on our plans to raise additional capital or generate sufficient cash flow from operations to fund our continuing operations, we may need to significantly curtail the level of our operations. There has been no adjustment in the accompanying financial statements to reflect this uncertainty.

Revenue Recognition

We have, to date, earned revenue from research collaborations, which may include research and development services, licenses of our internally-developed technologies, or a combination of both. We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; transfer or access of technology has been completed or services have been rendered; our price to the customer is fixed or determinable and collectability is reasonably assured.

The terms of our license and research and development agreements include nonrefundable upfront payments and license fees, milestone and other contingent payments to us for the achievement of defined collaboration objectives and certain clinical, regulatory and sales-based events, as well as royalties on sales of any commercialized products.

The terms of our licensing agreements include non-refundable upfront fees, annual licensing fees, and contingent payments and milestones for the achievement of pre-defined preclinical, clinical, regulatory and sales-based events by our partners. The licensing agreements also include royalties on sales of any commercialized products by our partners.

Multiple-Element Revenue Arrangements. Certain of our collaboration and license agreements represent multiple-element revenue arrangements. To account for such transactions, we determine the elements, or deliverables, included in the arrangement and determine which deliverables are separate units for accounting purposes. We consider delivered items to be separate units of accounting if the delivered items have stand-alone value to the customer. If the delivered items are separate units we allocate the consideration received or due under the arrangement to the various elements based on each elements' relative selling price. The identification of individual elements in a multiple-element arrangement and the estimation of the selling price of each element involve significant judgment, including consideration as to whether each delivered element has standalone value to the customer. We determine the estimated selling price for deliverables within each arrangement using vendor-specific objective evidence (VSOE) of selling price, if available, or third-party evidence of selling price if VSOE is not available, or our best evidence of selling price if neither VSOE nor third-party evidence is available.

Determining the best estimate of selling price for a deliverable requires significant judgment. We use our best estimate of selling price to estimate the selling price for licenses to our technologies and product candidates, since we do not have VSOE or third-party evidence of selling for these deliverables. The basis of our estimate of selling price is the arm's length negotiation with the licensee that occurs in each transaction. The potential value of our technology to a licensee in a transaction

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

depends on a variety of factors unique to each transaction. Factors that impact the negotiation and hence that we consider in our estimates center on the specific product candidate and include: the product candidate's potential market size, the product candidate's stage of development, the existence of competitive technologies that could be substituted for ours by the licensee and the scientific assessment of the product candidate's likelihood of success at various development stages. The most common deliverable is the commercial license for our technology in the product candidate, and frequently a research license with an option for commercial license. The upfront payments, annual license fees, milestones and royalties relate to these licenses and/or options and depend on the product-specific factors described above. The other significant deliverable is research and development services and the price for these depends on estimates for our personnel and supply costs and the costs of third-party contract research organizations necessary to support the services.

We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements generally include the following:

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

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

Milestone Revenue. Our collaboration and license agreements generally include contingent payments and milestone payments related to specific research, development and regulatory milestones and sales-based milestones. Research, development and regulatory contingent payments and milestone payments are typically payable under our collaborations when our collaborator selects a compound, or

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

initiates or advances a covered product candidate in preclinical or clinical development, upon submission for marketing approval of a covered product with regulatory authorities, upon receipt of actual marketing approvals of a covered product or for additional indications, or upon the first commercial sale of a covered product. Sales-based milestones are typically payable when annual sales of a covered product reach specific levels.

At the inception of each arrangement that includes milestone payments, we evaluate whether each milestone is substantive and at risk to both parties based on the basis of the contingent nature of the milestone. We evaluate factors such as scientific, regulatory, commercial and other risks that we must overcome to achieve the respective milestone, whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment and whether the milestone payment relates solely to past performance.

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

Collaborative Research and Licensing Agreements

MorphoSys Ag

In June 2010, we entered into a Collaboration and License Agreement with MorpohSys AG (MorphoSys), which we subsequently amended in March 2012. The agreement provided us an upfront payment of $13.0 million in exchange for an exclusive worldwide license to our patents and know-how to research, develop and commercialize our XmAb5574 product candidate (subsequently renamed MOR208) with the right to sublicense under certain conditions. Under the agreement, we agreed to collaborate with MorphoSys to develop and commercialize XmAb5574/MOR208. We determined that the arrangement was one with multiple deliverables and we identified the multiple elements in the agreement as the license of XmAb5574/MOR208 and the research and development services provided by us for the initial Phase 1 clinical trial. If certain developmental, regulatory and sales milestones are achieved, we are eligible to receive future milestone payments and royalties. We determined that the future milestone payments were substantive and contingent and we did not allocate any of the upfront consideration to these. Our responsibility with respect to the collaboration services is limited to completion of the Phase 1 clinical trial. MorphoSys is responsible all further development of XmAb5574/MOR208.

At inception of the arrangement, we determined that $8.0 million of the $13.0 million upfront payment was the value of the worldwide license rights to XmAb5574/MOR208 and $5.0 million was the value of the research and development services. We recognized the value related to the license of XmAb5574/MOR208 in income in 2010, the period that the license was transferred. We allocated $5.0 million of the upfront fee to research and development services to be recognized as income over the expected service period to complete the Phase 1 clinical trial which was 27 months. The March 2012 amendment to the agreement extended the length of the Phase 1 clinical trial. Under the terms of the amendment, we received additional proceeds for the additional research and development services

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

related to extension of the Phase 1 clinical trial. During 2012, we recognized $0.4 million of revenue related to the additional services provided.

The total revenue recognized under this arrangement was $2.2 million and $2.0 million for the years ended December 31, 2011 and 2012, respectively.

Amgen, Inc.

In December 2010, we entered into a Collaboration and Option Agreement with Amgen, Inc. (Amgen), pursuant to which we agreed to collaborate with Amgen to research, develop and commercialize XmAb5871 and products based thereon. Under the agreement, we granted to Amgen an option to acquire an exclusive license to research, develop, manufacture and commercialize XmAb5871 and certain related products worldwide, which option is exercisable by Amgen only after Amgen's (1) notification to us that it is electing to exercise the option and (2) payment of an option exercise fee to us during the option period under the agreement. The term of the option began at the effective date of the Agreement and expires 90 days after delivery of the data from a Phase 2 proof-of-concept (POC) clinical trial. During the option period and prior to Amgen exercising its option under the agreement, we retain ownership of the compound and are responsible for all clinical development of the compound through completion of the Phase 2 POC clinical trial and delivery of the clinical study data for the POC clinical trial. We received a nonrefundable upfront payment of $11.0 million upon execution of the agreement. We are eligible to receive milestone payments through the option period and following the exercise of the option by Amgen, additional milestone payments and royalties.

We determined that the arrangement is one with multiple deliverables and we identified the multiple elements at the inception of the agreement. We determined that the deliverables under the arrangement were the research and development services and the option to acquire the rights to XmAb5871. Since the option is a contingent and a substantive element, no portion of the upfront fee was allocated to it. The upfront payment was allocated to the research and development services and is being recognized ratably over the estimated service period to complete the Phase 2 POC trial and delivery of the clinical study reports to Amgen. At inception of the agreement, we originally estimated the term of the services period to be 41 months. During 2012, we corrected our original estimate of the service period from 41 months to 60 months (see note 9) and changed our estimate of the time to complete the development work through completion of the POC trial to 72 months. We are recognizing the effect of this change prospectively as a change in estimate.

The total revenue recognized under this arrangement was $2.0 million and $1.8 million for the years ended December 31, 2011 and 2012, respectively.

MedImmune LLC

In December 2012, we entered into a Cross-License Agreement with MedImmune, LLC (MedImmune). Under the agreement we provided MedImmune with a non-exclusive research license to certain technology and options to acquire commercial licenses to two compounds. The commercial licenses will be worldwide, royalty-free exclusive licenses and are subject to our review and approval. In exchange, MedImmune provided us with a worldwide, non-exclusive, royalty-free license and sub-license to certain U.S. patent rights granted to MedImmune. We determined that the exchange is a non-monetary transaction as provided under ACS 845-10, Non-Monetary Transactions. The transaction

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

did not include any cash proceeds and only the exchange of intellectual property rights between the two companies.

We could not determine a fair value of the MedImmune patent rights received by us with reasonable certainty but could establish a fair value for the transaction by estimating the fair value of the research license and options for the commercial licenses provided by us to MedImmune. We estimated the fair value of the license and options transferred to be $0.75 million. Our estimate was based on the risk adjusted discounted cash flow that is associated with the research license and options to commercial licenses transferred to MedImmune. In determining this estimate, we compared the license and options rights transferred to MedImmune with comparable arms-length non-related party licensing and option transactions that we have entered into with third parties in recent years. The calculation of the fair value is based on our experience and judgment with similar cash transactions. We recognized licensing revenue on the exchange of $0.75 million for the year ended December 31, 2012 equal to the fair value of the assets transferred. We also recorded an asset of $0.75 million to reflect the licensing rights that we acquired from MedImmune in the exchange; the capitalized rights are being amortized over the shorter of the remaining patent term or the estimated useful life of the license.

MedImmune Ventures, Inc., an affiliate of MedImmune, is one of our 5% stockholders and has a designee on our Board of Directors.

Boehringer Ingelheim International GmbH

In 2007 we entered into a Research Licensee and Collaboration Agreement with Boehringer Ingelheim International GmbH (BI). Under the agreement, we provided BI with a three-year research license to one of our technologies and commercial options. We identified the deliverables under the agreement at inception as the research licenses and options to acquire commercial licenses to up to two compounds. Upon exercise of an option to a commercial license, we are eligible to receive future milestone payments and royalties. The upfront payment and the annual license fees are being recognized ratably into income over the research license term which expired in 2011 and payments for the commercial options were recognized in the period the commercial option was exercised since the options were contingent and substantive. During 2012, BI advanced a compound that incorporates our technology into clinical development and we received a milestone payment of $1.25 million. We have recognized the payment under the milestone method and recorded it into income during the period that the milestone event occurred.

CSL Limited

In 2009 we entered into a Research and Commercialization Agreement with CSL Limited (CSL). Under the agreement, we provided CSL with non-exclusive research license and options for exclusive commercial licenses to apply our technology to their compounds. We identified the deliverables under the agreement at inception as the research licenses and options to acquire commercial licenses to up to five compounds. The upfront payment of $1.0 million received at inception and the annual research license renewal payments are being recognized as revenue recorded ratably over the two-year term of the research license. During 2011, we recognized total revenue of $1.0 million consisting in annual research license revenue. During 2012, we recognized total revenue of $1.4 million consisting of $0.9 million in research license revenue and $0.5 million for the exercise of a commercial option.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

Janssen Research & Development, LLC

In 2009 we entered into a Research License and Option Agreement with Janssen Research & Development, LLC (Janssen). Under the agreement, we provided Janssen with a research license to one of our technologies and commercial options. The upfront payment of $0.75 million received at inception and the annual research license renewal payments are being recognized as revenue ratably over the five-year term of the research license. During 2011, we recognized total revenue of $1.4 million consisting of $0.4 million in research license revenue and $1.0 million in milestone payments. During 2012, we recognized total revenue of $1.9 million consisting of $0.4 million in annual research license revenue and $1.5 million in milestone payments. We identified the deliverables under the agreement at inception as the two-year research licenses and options to acquire commercial licenses. Upon exercise of an option to acquire a commercial license, we are eligible to receive future milestones and royalties. The upfront payment and the annual license fees were allocated to the research licenses and are being recognized into income over the research term and payments for commercial options are being recognized in the period the commercial option was exercised since the options were contingent and substantive. During 2012, Janssen elected to take a commercial license to a compound and we received a payment of $0.5 million related to the commercial license. The payment of $0.5 million received for the commercial license was recognized in income in the period that the commercial license became effective, 2012.

The $6.8 million and $9.5 million of revenue recorded for the years ended December 31, 2011 and December 31, 2012 was earned principally from four and five licensees, respectively (following table in millions):

	Year Ended December 31,	
	2011	2012
Amgen	$ 2.0	$ 1.8
MorphoSys	2.2	2.0
CSL	1.3	1.8
Janssen	1.0	1.4
BI	—	1.2
Other	0.3	1.3
Total	$ 6.8	$ 9.5

As of December 31, 2012, our accounts receivables consisted of one receivable from a major customer, MorphoSys, for $0.3 million.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

A substantial portion of our revenue is earned from collaboration partners outside the United States. Non-U.S. revenue is denominated in U.S. dollars. A breakdown of our revenue from U.S. and non-U.S. sources for the years ended December 31, 2011 and 2012 is as follows (in millions):

	Year Ended December 31,	
	2011	2012
U.S. Revenue	$ 3.3	$ 4.4
Non-U.S. Revenue	3.5	5.1
Total	$ 6.8	$ 9.5

Deferred Revenue

Deferred revenue arises from payments received in advance of the culmination of the earnings process. We have classified deferred revenue expected to be recognized within the next 12 months as a current liability. We recognize deferred revenue as revenue in future periods when the applicable revenue recognition criteria have been met. The total amounts reported as deferred revenue were $12.2 million and $7.6 million for the years ended December 31, 2011 and 2012, respectively.

Research and Development Expenses

Research and development expenses include costs we incur for our own and for our collaborators research and development activities. Research and development costs are expensed as incurred. These costs consist primarily of salaries and benefits, including associated stock-based compensation, laboratory supplies, facility costs, and applicable overhead expenses of personnel directly involved in the research and development of new technology and products, as well as fees paid to other entities that conduct certain research development activities on our behalf. We estimate preclinical study and clinical trial expenses based on the services performed pursuant to the contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on our behalf based on the actual time and expenses incurred by them. Further, we accrue expenses related to clinical trials based on the level of patient enrollment and activity according to the related agreement. We monitor patient enrollment levels and related activity to the extent reasonably possible and adjust estimates accordingly. During 2011 and 2012, we expensed $12.7 million and $12.7 million, respectively, for research and development.

We capitalize acquired research and development technology licenses and third-party contract rights and amortize the costs over the shorter of the license term or the expected useful life. We review the license arrangements and the amortization period on a regular basis and adjust the carrying value or the amortization period of the licensed rights if there is evidence of a change in the carrying value or useful life of the asset. See "—Patents, licenses and other intangible assets."

Cash and Cash Equivalents

We consider cash equivalents to be only those investments which are highly liquid, readily convertible to cash and which mature within three months from the date of purchase.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

The primary objectives for our investment portfolio are liquidity and safety of principal. Investments are made to achieve the highest rate of return for us, while maintaining consistency with these two objectives. In 2011 and 2012, we maintained our investment portfolio in money-market funds.

Concentrations of Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. All of our non-interest bearing cash balances were fully insured at December 31, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there was no limit to the amount of insurance for eligible accounts. Beginning in January 2013, insurance coverage reverted to $250,000 per depositor at each financial institution, and our non-interest bearing cash balances exceeded federally insured limits. Interest-bearing amounts on deposit in excess of federally insured limits at December 31, 2011 and 2012 approximated $14.5 and $2.3 million, respectively.

We have payables with two service providers that represent 38.3% and 27.2% of our total payables for the years ended December 31, 2011 and 2012, respectively. We have never experienced an interruption in service related to these two vendors and also believes that there are alternative vendors available and as such do not perceive this concentration to present a significant risk to our operation. No other vendor accounted for more than 10.0% of payables.

Fair Value of Financial Instruments

Our financial instruments primarily consist of cash, money market funds, trade accounts receivable, accounts payable, accrued expenses and convertible notes payable. The fair value of cash, money market funds, trade accounts receivable, accounts payable and accrued expenses closely approximate their carrying value due to their short maturities. The carrying amounts of convertible notes payable approximate their fair value, as the interest rates, in consideration of the conversion feature, approximate the interest rates presently available to us.

We determine the fair value of the principal amount of financial and nonfinancial assets and liabilities using the fair value hierarchy, which describes three levels of inputs that may be used to measure fair value, as follows:

Level 1— Quoted prices in active markets for identical assets or liabilities;

Level 2— Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Level 1 assets consist of highly-liquid money market funds. The fair value of Level 1 assets has been determined using quoted prices in active markets for identical assets. There were no transfers between Level 1 and Level 2 assets during the years presented.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

The assets recorded at fair value at December 31, are classified within the hierarchy as follows for the years reported (in millions):

	2011		2012	
	Total Fair Value	Level 1	Total Fair Value	Level 1
Money Market Funds	$ 14.5	$ 14.5	$ 2.3	$ 2.3

For disclosure purposes at December 31, the fair value of the principal amount of our outstanding convertible promissory notes are classified within the hierarchy as follows (in millions):

	2011		2012	
	Total Fair Value	Level 3	Total Fair Value	Level 3
Convertible Promissory Notes	$ 15.1	$ 15.1	$ 15.1	$ 15.1

These convertible promissory notes were to mature as of December 31, 2011 and 2012 (see note 2 for further detail) and when considering the lack of time value, the absence of an established market for the convertible promissory notes, and our knowledge of the terms, rates, risk and returns provided by the convertible promissory notes as compared to financing available for privately-held biopharmaceutical companies, we determined that the carrying value of the convertible promissory notes approximates their fair value. There were no transfers between Level 3 and Level 2 or Level 1 during the year.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, or the lease term, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred while renewals and improvements are capitalized. Useful lives by asset category are as follows:

Computers, software and equipment	3-5 years
Furniture and fixtures	5-7 years
Leasehold improvements	5-7 years or remaining lease term, whichever is less

During 2012, we entered into a capital lease for certain computer equipment for $22,000. Total assets under capital lease were $32,000 and $54,000 of December 31, 2011 and 2012, respectively; accumulated depreciation for these assets was $21,000 and $37,000 at December 31, 2011 and 2012, respectively.

Depreciation expense in 2011 and 2012 was $333,000 and $154,000, respectively.

Patents, Licenses, and Other Intangible Assets

The cost of acquiring licenses is capitalized and amortized on the straight-line basis over the shorter of the term of the license or its estimated economic life, ranging from five to 25 years. Third-party costs incurred for acquiring patents are capitalized. Capitalized costs are accumulated until

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

the earlier of the period that a patent is issued or we abandon the patent claims. Cumulative capitalized patent costs are amortized on a straight-line basis from the date of issuance over the shorter of the patent term or the estimated useful economic life of the patent, ranging from 13 to 20 years. Our senior management, with advice from outside patent counsel, assesses three primary criteria to determine if a patent will be capitalized initially: i) technical feasibility, ii) magnitude and scope of new technical function covered by the patent compared to the company's existing technology and patent portfolio, particularly assessing the value added to our product candidates or licensing business, and iii) legal issues, primarily assessment of patentability and prosecution cost. We review our intellectual property on a regular basis to determine if there are changes in the estimated useful life of issued patents and if any capitalized costs for unissued patents should be abandoned. Capitalized patent costs related to abandoned patent filings are charged off in the year of the decision to abandon. During 2011 and 2012, we abandoned previously capitalized patent related charges of $714,000 and $388,000, respectively. During 2011 and 2012, we abandoned previously capitalized licenses of $0.5 million and $0, respectively.

The carrying amount and accumulated amortization of patents, licenses, and other intangibles is as follows (in thousands):

	December 31,	
	2011	2012
Patents, definite life	$ 3,280	$ 4,416
Patents, pending issuance	3,698	3,293
Licenses and other amortizable intangible assets	902	1,669
Nonamortizable intangible assets (trademarks)	340	356
Total gross carrying amount	8,220	9,734
Accumulated amortization—patents	(747)	(985)
Accumulated amortization—licenses and other	(223)	(289)
Total intangible assets, net	$ 7,250	$ 8,460

Amortization expense for patents, licenses, and other intangible assets was $274,000 and $373,000 for the years ended December 31, 2011 and 2012, respectively.

Future amortization expense for patents, licenses, and other intangible assets recorded as of December 31, 2012, and for which amortization has commenced, is as follows:

	Years ending December 31, (in thousands)
2013	$ 489
2014	442
2015	440
2016	438
2017	438
Thereafter	2,564
Total	$ 4,811

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

The above amortization expense forecast is an estimate. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets, and other events. As of December 31, 2012, the Company has $3.6 million of intangible assets which are in-process and have not been placed in service and, accordingly amortization on these assets has not commenced.

Long-Lived Assets

Management reviews long-lived and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value for our long-lived assets is determined using the expected cash flows discounted at a rate commensurate with the risks involved.

As of December 31, 2012, we determined that our continuing losses triggered a review of the carrying value of our long-lived assets including our capitalized patent and licensing costs. We conducted an impairment analysis of the assets in accordance with ASC 360 and ASC 820 by estimating the future undiscounted cash flows as of December 31, 2012, by patent family, which included granted and pending patents and related licenses. For purposes of the analysis, we grouped our patents into the three primary technology groups, IIb, ADCC and Xtend, and compared the carrying value of the group to the undiscounted cash flows expected to be received from the patents in each group. We determined that the fair value of the potential future cash flows using this method was in excess of the carrying value of the intangible assets as of December 31, 2012. The patent groups assessed for impairment were the IIb, ADCC and Xtend patent families and represented the lowest level of cash flows for evaluation. These three patent families cover all of our current product candidates and our current license agreements. We modeled the cash flows from our internal product development programs (XmAb5871 and XmAb7195) and licensed programs that use each particular category of patent asset. We used multiple published sources of pharmaceutical product development stage failure rates to estimate failure rates at each stage of clinical development in order to probability weight the cash flows for each internal and licensed program. We did not recognize a loss from impairment for the years ended December 31, 2011 and 2012.

Income Taxes

We account for income taxes in accordance with accounting guidance which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Xencor, Inc.

Notes to Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is a 50% or less likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

Our policy is to recognize interest and penalties on taxes, if any, within operations as income tax expense. We did not have any unrecognized tax positions at December 31, 2011 and 2012.

We are subject to U.S. federal and state tax authority audits for the years from December 31, 2009 to December 31, 2012.

Stock-Based Compensation

We recognize compensation expense using a fair-value-based method for costs related to all share-based payments, including stock options. Stock-based compensation cost related to employees and directors is measured at the grant date, based on the fair-value—based measurement of the award using the Black-Scholes method, and is recognized as expense over the requisite service period on a straight-line basis. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent period if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. We recorded stock-based compensation (benefit) and expense for stock-based awards to employees and directors of approximately $(57,000) and $29,000 for the years ended December 31, 2011 and 2012, respectively.

Options granted to individual service providers that are not employees or directors are accounted for at estimated fair value using the Black-Scholes option-pricing method and are subject to periodic re-measurement over the period during which the services are rendered.

Net Loss Per Share

Basic net loss per common share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Potentially dilutive securities consisting of stock options, convertible preferred stock and convertible promissory notes were not included in the diluted net loss per common shares calculation because the inclusion of such shares would have had an antidilutive effect.

	Year Ended December 31,	
	2011	2012
	(in thousands)	
Convertible preferred stock	37,785	37,785
Convertible promissory notes	7,661	8,681
Options to purchase common stock	3,861	4,045
Total	49,307	50,511

Xencor, Inc.

Notes to Financial Statements (Continued)

2. Convertible Notes Payable

In 2009, we issued $7.65 million of convertible promissory notes (the 2009 Notes) to existing preferred stockholders. The 2009 notes included a contingent redemption feature which provided that, upon a change of control or other liquidation event, the outstanding principal and accrued interest would be converted to shares of our Series E-1 convertible preferred stock which were entitled to a payment of liquidation preference equal to three times the per share price of $2.41 used for the conversion in priority to any liquidation payments to be made to any other series of convertible preferred stock or common stock. Originally, the 2009 Notes had an interest rate of 10.0% per annum and original maturity date of September 30, 2009 which was subsequently extended to July 31, 2011. In June 2011, the 2009 Notes were amended to increase the interest rate on the Note from 10.0% to 12.5% and to extend the maturity date to December 31, 2012. We determined that these amendments of the 2009 Notes were not an extinguishment of debt under ASC 470-50-40, Debt modifications and Extinguishments. Accordingly, we did not recognize a gain or loss as a result of the amendments and they were treated as a modification of the debt. The new effective interest rate was 12.5%

In December 2010, we issued an additional $7.5 million of convertible promissory notes (the 2010 Notes) to existing preferred stockholders. The 2010 Notes included a contingent redemption feature which provided that, upon a change of control or other liquidation event, the outstanding principal and accrued interest would be converted to shares of our Series E-1 convertible preferred stock which were entitled to a payment of liquidation preference equal to three times the per share price of $2.41 used for the conversion in priority to any liquidation payments to be made to any other series of convertible preferred stock or common stock. The 2010 Notes bear similar terms as the 2009 notes and, originally had an interest rate of 10.0% per annum and an original maturity date of December 31, 2011. In December 2011, the 2010 Notes were amended to increase the interest rate from 10.0% to 12.5% and to extend the maturity date of the Notes to December 31, 2012. We determined that these amendments of the 2010 Notes were not an extinguishment of debt under ASC 470-50-40. Accordingly, we did not recognize a gain or loss as a result of the amendments and they were treated as a modification of the debt. The new effective interest rate was 12.5%

In December 2012 the maturity dates for the 2009 Notes and the 2010 Notes were extended to April 15, 2013 and in April 2013 the maturity dates were extended again to June 15, 2013, with each such extension considered to be a modification of debt under ASC 470-50-40.

In June 2013, and prior to the maturity dates of the 2009 Notes and the 2010 Notes, our Board of Directors and the requisite stockholders and holders of the 2009 Notes and 2010 Notes agreed to exchange the outstanding principal into shares of our Series A-1 convertible preferred stock in connection with a concurrent financing (see Note 8). The exchange of the 2009 Notes and 2010 Notes was not pursuant to the terms of the applicable Notes so we accounted for the exchange as an extinguishment of the original debt instrument under ASC 470-50-40. (see Note 8).

At December 31, 2011, we had $18.5 million of convertible notes payable which include principal of $15.2 million and accrued interest due of $3.3 million. At December 31, 2012, we had $20.9 million of convertible notes payable which include principal of $15.1 million and accrued interest due of $5.8 million. The 2009 Notes and 2010 Notes included a contingent redemption feature which provided that, upon a change of control or other liquidation event, the outstanding principal and accrued interest of such notes would be converted in shares of our Series E-1 convertible preferred stock which were entitled to payment of a liquidation preference equal to three times the per share price of $2.41 used for the conversion in priority to any liquidation payments to be made to any other series of convertible

Xencor, Inc.

Notes to Financial Statements (Continued)

2. Convertible Notes Payable (Continued)

preferred stock or common stock. As of December 31, 2011 and 2012, $6.5 million of convertible promissory notes were held by a director of the Company.

3. Capital Structure

Authorized Capital Stock

We are authorized to issue 57,225,000 shares of common stock and 45,322,694 shares of convertible preferred stock, of which 857,797 are shares of Series A convertible preferred stock (Series A), 1,328,946 are shares of Series B convertible preferred stock (Series B), 2,416,284 are shares of Series C convertible preferred stock (Series C), 7,966,667 are shares of Series D convertible preferred stock (Series D), 25,253,000 are shares of Series E convertible preferred stock (Series E) and 7,500,000 are shares of Series E-1 convertible preferred stock (Series E-1) (collectively, the Preferred Series A - E). The shares of Series E-1 convertible preferred stock were authorized for potential issuance upon conversion of the 2009 Notes and 2010 Notes. Because no shares of Series E-1 were ever issued by us, the disclosure that follows does not include the rights of the Series E-1.

Rights of Convertible Preferred Stock

Anti-Dilution

In the event we sell or issue additional shares of preferred or common stock at a price less than the Series E original conversion prices of $2.41 per share and/or less than the Series D original conversion price of $2.52 per share, the Series E and/or the Series D conversion prices shall be reduced to reflect the effective price of the most recent sale or issuance. Where there is a reduction in the Series E and/or the Series D conversion price, additional Series E and/or Series D shares shall be issued to the Series E, and/or Series D holders such that the product of the conversion price and the original shares issued remains constant. Such an event will result in a beneficial event for the Series E, and Series D that will be recorded as a deemed dividend.

Conversion

Each share of convertible preferred stock is convertible, at the stockholders' option, into one share of common stock. Additionally, upon written consent of 75% of the holders of the then outstanding shares of all convertible preferred stock voting together, each share of convertible preferred stock is automatically converted into common stock and, in the event of a public offering of our equity securities with a price to the public of greater than $5.00 per share and resulting in gross proceeds to us of $35.0 million or more, all outstanding convertible preferred stock will automatically be converted into common stock.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, including any merger, consolidation or similar transaction:

- the holders of Series E preferred stockholders are entitled to receive preference to Series D, Series C, Series B, Series A and common stockholders to any distribution of any assets of the Company in an amount per share equal to $2.41 per share plus all accrued and unpaid liquidation dividends on such Series E;

Xencor, Inc.

Notes to Financial Statements (Continued)

3. Capital Structure (Continued)

- the holders of Series D are entitled to receive preference to Series C, Series B, Series A and common stockholders to any distribution of assets of the Company in an amount per share equal to $2.52 per share; and

- the holders of Series C, Series B, and Series A are entitled to receive preference to the common stockholders to any distribution of any assets of the Company in an amount per share equal to $20.70, $9.33 and $4.14 per share, respectively (as adjusted for any stock splits, stock dividends, recapitalizations, or the like).

After full payment of the Series E, Series D, Series C, Series B and Series A convertible preferred stock liquidation preference amounts, the remaining assets are distributed ratably to the holders of shares of common stock and convertible preferred stock on an as-converted to common stock basis.

The convertible preferred stock is classified as mezzanine equity outside stockholders' equity because each series of preferred Stock A through E is subject to a deemed liquidation clause that could potentially require redemption of the preferred shares for cash as a result of events outside the control of the Company.

We have not adjusted the carrying values of the convertible preferred stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock. Subsequent adjustments to increase the carrying values to the liquidation preferences will be made if an when it becomes probable that an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock.

Dividends

Dividends will be paid if and when declared by the Board of Directors at its sole discretion. Holders of outstanding shares of Series E in preference to the holders of Series A, Series B, Series C, Series D and common stock, shall be entitled to receive cash dividends at an annual rate of 8% of the original issue price per share of Series E, as applicable, outstanding, payable only when, as and if declared by the Board of Directors. The right to such dividends on the Series E shall be cumulative and is payable in the event of a liquidation. As of December 31, 2011 and 2012, the accumulated Series E dividend was $27.2 million and $34.2 million, respectively.

Holders of outstanding shares of Series D in preference to the holders of Series A, Series B, Series C and common stock, shall be entitled to receive cash dividends at an annual rate of 8% of the original issue price per share of Series D outstanding, payable only when, as and if declared by the Board of Directors. Holders of Series A, Series B, and Series C, in preference to the holders of common stock, shall be entitled to receive cash dividends at an annual rate of 8% of the original issue price per share of their respective series of convertible preferred stock, payable only when, as and if declared by the Board of Directors. The right to such dividends on the Series A, Series B, Series C, and Series D shares shall not be cumulative and no right shall accrue to holders of Series A, Series B, Series C, and Series D by reason of the fact that dividends are not declared or paid in any previous fiscal year.

Xencor, Inc.

Notes to Financial Statements (Continued)

3. Capital Structure (Continued)

Voting

Each share of Preferred Series A - E carries one vote for each share of common stock into which such shares of convertible preferred stock may be converted.

Redemption

The convertible preferred stock has no date-specific mandatory redemption features.

As of December 31, 2011 and 2012, 7.5 million shares of Series A-E convertible preferred stock were held by a director of the Company.

As of December 31, 2011 and 2012, there were notes outstanding issued by one of our stockholders to us in the aggregate amount of $0.2 million. We made the loans to facilitate the purchase by such stockholder of shares of our common stock. The notes mature on the earlier of May 2014 or the filing of a registration statement for our initial public offering and bear interest at 0.56% per annum. These notes are not reflected on the accompanying balance sheets as of December 31, 2011 and 2012 as the notes have been accounted for as an in-substance common stock option grant.

4. Income Taxes

Our effective tax rate differs from the statutory federal income tax rate, primarily as a result of the net operating loss carryforwards and research credit carryforwards.

A reconciliation of the federal statutory income tax rate to our effective income tax rate is as follows (in thousands):

	Year Ended December 31,	
	2011	2012
Federal statutory income tax rate	(3,809)	(2,922)
Other	338	348
Net change in valuation allowance	3,471	2,574
Net effective federal tax rate	—	—

Xencor, Inc.

Notes to Financial Statements (Continued)

4. Income Taxes (Continued)

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at December 31, 2012 and 2011, is presented below (in thousands):

	2011	2012
Deferred tax assets		
Net operating loss carryforwards	$ 52,880	$ 57,782
Research credits	20,776	22,503
Depreciation	915	892
Accrued compensation	109	163
Deferred revenue	4,871	3,048
Total deferred tax assets	79,551	84,388
Valuation allowance	(76,736)	(81,076)
Net deferred tax assets	2,815	3,312
Deferred tax liabilities		
Patent costs	(2,534)	(2,738)
Licensing costs	(162)	(455)
Capitalized legal costs	(119)	(119)
Net deferred taxes	$ —	$ —

Due to the uncertainty surrounding the timing of realization of the benefits of our deferred tax assets in future tax periods, we have placed a valuation allowance against its deferred tax assets. During the years ended December 31, 2011 and 2012, the valuation allowance increased by $6.0 million and $4.3 million respectively. The Company's tax returns remain open to potential inspection for the years ended 2009 and later.

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

Our federal net operating loss carryforwards expire starting in 2018 and state net operating losses expire starting in 2013. Federal tax credit carryforwards expire starting in 2018 and state tax credit carryforwards expire starting in 2013. Utilization of the net operating losses and tax credits may be subject to a substantial annual limitation due to the ownership change limitations which may occur on the sale of additional common or preferred stock, provided by the Internal Revenue Code of 1986 under Section 382 and similar state provisions, which could result in the expiration of our net operating losses and tax credits before we can use them.

5. Stock-Based Compensation

In December 2010, the Board of Directors and the requisite stockholders approved a stock Option Plan, the 2010 Equity Incentive Plan (the 2010 Plan). All options granted under the 2010 Plan are to be made at prices not less than fair value of the stock at the date of grant. Options granted under the 2010 Plan are exercisable at various dates over their 10-year life. Generally, our Board of Directors grants options under our 2010 Plan with 100% of the shares initially subject to vesting and where 25%

Xencor, Inc.

Notes to Financial Statements (Continued)

5. Stock-Based Compensation (Continued)

of such shares vest on the one-year anniversary of the date of grant and 1/48 of the shares vest monthly thereafter.

The following table summarizes certain information related to options for common stock:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	4,025,985	$ 0.19
Grants	5,100	0.19
Surrendered, forfeited or expired	(170,061)	0.19
Exercised	—	—
Outstanding at December 31, 2011	3,861,024	0.19
Grants	188,000	0.19
Surrendered, forfeited or expired	(3,700)	0.19
Exercised	—	
Outstanding at December 31, 2012	4,045,324	$ 0.19

Information with respect to stock options outstanding is as follows:

	December 31,	
	2012	2011
Exercisable options	3,393,465	2,835,759
Weighted average price per share of exercisable options	$ 0.19	$ 0.19
Weighted average grant date fair value per share of options granted during the year	$ 0.11	$ 0.11
Options available for future grants	2,336,306	2,520,606
Weighted average remaining contractual life	7.79	8.70

We estimated the fair value of employee and non-employee awards using the Black-Scholes valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards.

For the options granted in the years ended December 31, 2010 and 2011, we used an estimated fair value per share of $0.19, originally determined by our Board of Directors as of December 31, 2009. We used the capital asset valuation model to determine fair value with the following key assumptions: junior nature of the common stock to outstanding convertible preferred stock and convertible preferred promissory notes, conversion dilution, minority status and the illiquid nature of our common stock.

Xencor, Inc.

Notes to Financial Statements (Continued)

5. Stock-Based Compensation (Continued)

The fair value of employee stock options was estimated using the following weighted average assumptions for the years ended December 31, 2011 and 2012.

	2011	2012
Common stock fair value per share	$ 0.19	$ 0.19
Volatility	63.7%	63.7%
Risk-free interest rate	2.68	2.68%
Dividend yield	—	—%
Expected term (in years)	6.0	6.0

The expected term of stock options represents the average period the stock options are expected to remain outstanding. The expected stock price volatility for our stock options for the years ended December 31, 2011 and 2012 was determined by examining the historical volatilities for industry peers and adjusting for differences in our life cycle and financing leverage. Industry peers consist of several public companies in the biopharmaceutical industry.

We determined the average expected life of stock options based on the simplified method because our common stock has not been publicly traded to date.

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

The expected dividend assumption is based on our history and expectation of dividend payouts.

For the years ended December 31, 2011 and 2012, stock-based compensation expense amounted to $(57,000) and $29,000, respectively.

At December 31, 2011 and 2012, the unamortized compensation expense related to unvested options was $45,000 and $26,000, respectively. The remaining unamortized compensation expense will be recognized over the next two years.

6. Commitments and Contingencies

Although we may be involved from time to time in litigation incidental to our business, we are not currently aware of any ongoing, pending or threatened litigation which would have a material adverse effect on our financial position, results of operations and cash flows. However, unforeseen litigation may be initiated by us or by third parties. Such litigation could adversely affect our business, financial position and results of operations and divert our attention and resources from other matters.

In 2009, we purchased certain computer equipment under a three-year capital lease. Total payments due under the capital lease are listed below.

In 2011, we entered into an agreement with its landlord to amend the terms of its existing facility lease in Monrovia, California. The new lease extends the term of the lease from January 2012 to April 2015 and provides for a new rent payment schedule. The new lease is a non-cancelable operating lease. We are responsible for other lease related costs such as personal property taxes, insurance, maintenance and utilities.

Xencor, Inc.

Notes to Financial Statements (Continued)

6. Commitments and Contingencies (Continued)

Future minimum payments under the non-cancelable operating and capital leases consist of the following at December 31, 2012 (in thousands):

Years ending December 31,	Capital Equipment Lease	Operating Leases
2013	$ 7	$ 550
2014	8	620
2015	2	212
Thereafter	—	—
Total	$ 17	$ 1,382

Net rent expense for the years ended December 31, 2011 and 2012 was $689,000 and $547,000, respectively.

Guarantees

In the normal course of business, we indemnify certain employees and other parties, such as collaboration partners and other parties that perform certain work on behalf of, or for the Company or take licenses to our technologies. hawse have agreed to hold these parties harmless against losses arising from our breach of representations or covenants, intellectual property infringement or other claims made against these parties in performance of their work with us.

These agreements typically limit the time within which the party may seek indemnification by us and the amount of the claim. It is not possible to prospectively determine the maximum potential amount of liability under these indemnification agreements since we have not had any prior indemnification claims on which to base the calculation. Further, each potential claim would be based on the unique facts and circumstances of the claim and the particular provisions of each agreement. We are not aware of any potential claims and did not record a liability as of December 31, 2011 and 2012.

7. 401(k) Plan

We have a 401(k) plan covering all full-time employees. Employees may make pre-tax contributions up to the maximum allowable by the Internal Revenue Code. Participants are immediately vested in their employee contributions and employer discretionary contributions, if any. No employer contributions were made for the years ended December 31, 2011 and 2012.

8. Subsequent Events

In June 2013, our Board of Directors and the requisite holders of the 2009 Notes and 2010 Notes and requisite preferred stockholders agreed to a series of transactions as follows:

- an exchange of the outstanding principal due on the 2009 Notes and 2010 Notes for shares of Series A-1 convertible preferred stock and cancellation of the accrued and unpaid interest thereon, pursuant to a Note Conversion Agreement;

- an exchange of the current outstanding shares of Preferred Series A - E for Series A-1 convertible preferred stock pursuant to the operation of provisions in our amended and restated certificate of incorporation;

Xencor, Inc.

Notes to Financial Statements (Continued)

8. Subsequent Events (Continued)

- the sale of an additional $10.0 million in Series A-1 convertible preferred stock to existing stockholders; and
- the conversion of certain shares of Series A-1 convertible preferred stock into shares of Series A-2 convertible preferred stock at a conversion rate of 1 for 3, pursuant to a mandatory conversion provision (e.g. a "pay to play" provision) in our amended and restated certificate of incorporation.

Under the terms of the Note Conversion Agreement, the total outstanding principal due on the Notes as of June 13, 2013 was exchanged for 45,902,321 shares of Series A-1 convertible preferred stock, 5,303,597 of which were subsequently converted into 1,767,866 shares of Series A-2 convertible preferred stock. We determined that the per share fair value of the shares of Series A-1 convertible preferred stock issued was $1.54 and the total fair value of the issued shares under the Note Conversion Agreement was $70.7 million and we recognized a loss on the exchange of $48.6 million for the difference in the fair value of the shares of Series A-1 convertible preferred stock and the carrying value of the Notes as of June 13, 2013.

After the exchange of the Notes, the outstanding shares of Preferred Series A - E were exchanged for 1,977,137 shares of Series A-1 convertible preferred stock, 257,409 of which were subsequently converted into 85,803 shares of Series A-2 convertible preferred stock. We determined the fair value of the shares of Series A-1 convertible preferred stock issued to be $3.0 million and we recorded a deemed contribution to equity of $140.6 million equal to the difference in the fair value of the shares issued and the carrying value of the existing shares of Preferred Series A - E. We record issuance costs related to our preferred stock sales as a reduction to paid-in capital at the time the preferred securities are issued and reflect the carrying value of the preferred stock at the aggregate issuance price. We record these issuances as a non-cash equity distribution at the date of redemption. The deemed contribution has been adjusted to reflects $3.0 million of original issuance costs of the Preferred Series A - E.

We determined that the value of the Series A-2 convertible preferred stock to be $0.58 per share. A total of 1,851,814 shares of Series A-2 convertible preferred stock with a fair value of $1.1 million were issued in exchange for 5,561,006 shares of Series A-1 convertible preferred stock with the fair value of $8.6 million. We recognized a deemed contribution of $7.5 million for the difference in the fair value of the shares of Series A-2 convertible preferred stock issued in exchange for the shares of Series A-1 convertible preferred stock.

On June 26, 2013 we sold 5,586,510 shares of additional Series A-1 convertible preferred stock to existing stockholders at a purchase price of $1.36 per share for aggregate proceeds of $7.6 million. We expect to issue up to an additional $2.4 million in additional shares of Series A-1 convertible preferred stock to existing stockholders at an additional closing in the third quarter of 2013. We determined that the fair value of the shares sold to be $8.6 million and we recorded a deemed dividend of $1.0 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. The $40,000 of transaction costs related to the sale was recorded against additional paid in capital and the shares of Series A-1 convertible preferred stock issued were recorded at their fair value on our balance sheet as of June 30, 2013.

We determined that the fair value of the Series A-1 and Series A-2 convertible preferred stock as of June 26, 2013 to be $1.54 and $0.58, respectively. We used the probability-weighted expected return

Xencor, Inc.

Notes to Financial Statements (Continued)

8. Subsequent Events (Continued)

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

On September 4, 2013, our Board of Directors authorized the forgiveness of the outstanding principal and interest of approximately $166,000, under the promissory note from our Chief Executive Officer, effective and contingent upon the filing of a registration statement on Form S-1 for our initial public offering with the U.S. Securities and Exchange Commission.

We completed an evaluation of all subsequent events through September 11, 2013 to ensure that this filing includes appropriate disclosure of events both recognized in the December 31, 2012 financial statements and events which occurred but were not recognized in the financial statements.

9. Restatement of Financial Statements

We restated certain opening balances as of December 31, 2010 to eliminate officer notes in the amount of $166,000 that are reflected in our adjusted paid-in capital accounts and related interest income of $54,000 as the notes are accounted for as an in-substance common stock option grant and to record the related accumulated stock compensation expense of $102,000 and to correct the ratable recognition of revenue related to the MorphoSys arrangement in the amount of $79,000. These adjustments were immaterial individually and in the aggregate.

As of December 31, 2011, we recorded an adjustment to reduce revenue and increase deferred revenue by $1.5 million to correct the initial estimate of the period of service from our agreement with Amgen and recorded an adjustment to eliminate $166,000 in officer notes and related nominal interest income that are being accounted for as an in-substance common stock option grant in prior periods and to record an increase of $115,000 in revenue and a decrease in deferred revenue related to our agreement with MorphoSys to correctly account for the period of service.

The effect of the adjustments described above are presented in the following table.

	December 31, 2011		
	As previously reported	Adjustments	Restated
	(in thousands)		
Balance Sheet Data:			
Deferred revenue	$ 10,900	$ 1,277	$ 2,177
Additional paid in capital	1,077	(64)	1,013
Accumulated deficit	(157,287)	(1,431)	(158,718)
Statement of Operations Data:			
Revenue	$ 8,204	$ (1,355)	$ 6,849
Net Loss	(9,848)	(1,355)	(11,203)

During the second quarter of 2012, we had a change in estimate related to the timing of our recognition of revenue for our agreement with Amgen from 60 months to 72 months. We changed our estimated time to complete the services provide to Amgen based upon feedback received from our contract research organizations. This change in estimate resulted in a $0.3 million decrease in revenue and increase in net loss and a $1.52 increase in basic and diluted loss per share for the year ended December 31, 2012.

Xencor, Inc.

Condensed Balance Sheet

(unaudited)

	June 30, 2013 (in thousands, except share and per share data)
Assets	
Current assets	
Cash and cash equivalents	$ 11,748
Accounts receivables	—
Prepaid expenses and other current assets	241
Total current assets	11,989
Property and equipment	
Computers, software and equipment	3,496
Furniture and fixtures	108
Leasehold improvements	3,081
Less accumulated depreciation and amortization	(6,318)
Property and equipment	367
Other assets	
Patents, licenses and other intangible assets, net	8,897
Other assets	77
Total other assets	8,974
Total assets	$ 21,330
Liabilities, mezzanine equity, and stockholders' deficit	
Current liabilities	
Accounts payable	$ 2,776
Accrued expenses	915
Current portion of deferred revenue	3,432
Convertible promissory notes payable	—
Current portion of capital lease obligations	7
Total current liabilities	7,130
Deferred revenue, less current portion	10,200
Capital lease obligations, less current portion	6
Total liabilities	17,336
Mezzanine Equity	
Series A-1 convertible preferred stock: $0.01 par value; 55,255,479 authorized shares; 47,904,962 issued and outstanding (liquidation preference $0, $144,507)	73,774
Series A-2 convertible preferred stock; 13,963,785 authorized shares; 1,851,814 issued and outstanding (liquidation preference $0, $5,592)	1,075
Total mezzanine equity	74,849
Stockholders' deficit	
Common stock; $0.01 par value: authorized shares—77,756,553; issued and outstanding shares 224,319	2
Additional paid-in capital	151,176
Accumulated deficit	(222,033)
Total stockholders' deficit	(70,855)
Total liabilities, mezzanine equity and stockholders' deficit	$ 21,330

(See accompanying notes to financial statements)

Xencor, Inc.

Condensed Statements of Operations

(unaudited)

	Six Months Ended June 30,	
	2012	2013
	(in thousands, except share and per share data)	
Revenues:		
Collaborations, licenses, and milestones	$ 5,523	$ 5,266
Total revenues	5,523	5,266
Operating expenses:		
Research and development	5,679	8,694
General and administrative	1,553	1,539
Total operating expenses	7,232	10,233
Loss from operations	(1,709)	(4,967)
Other income (expenses)		
Interest income	7	3
Interest expense	(1,184)	(1,213)
Other income (expense)	(8)	12
Loss on settlement of notes	—	(48,556)
Total other income (expense), net	(1,185)	(49,754)
Net loss	$ (2,894)	$ (54,721)
Deemed contribution on exchange of preferred stock	—	147,114
Net (loss) income attributable to common stockholders	$ (2,894)	$ 92,393
Net (loss) per share attributable to common stockholders:		
Basic:	$ (12.90)	$ 411.88
Diluted:	$ (12.90)	$ (1.40)
Weighted-average shares of common stock used in computing net (loss) income per share attributable to common stockholders		
Basic	224,319	224,319
Diluted	224,319	39,140,218

(See accompanying notes to financial statements)

Xencor, Inc.

Statements of Mezzanine Equity and Stockholders' Deficit

(in thousands, except share data)

Mezzanine Equity	Series A Convertible Preferred Stock Share	Series A Convertible Preferred Stock Amount	Series B Convertible Preferred Stock Share	Series B Convertible Preferred Stock Amount	Series C Convertible Preferred Stock Share	Series C Convertible Preferred Stock Amount	Series D Convertible Preferred Stock Share	Series D Convertible Preferred Stock Amount	Series E Convertible Preferred Stock Share	Series E Convertible Preferred Stock Amount	Series A-1 Convertible Preferred Stock Shares	Series A-1 Convertible Preferred Stock Amount	Series A-2 Convertible Preferred Stock Shares	Series A-2 Convertible Preferred Stock Amount
Balance, December 31, 2012	857,792	$ 3,550	1,328,941	$ 12,375	2,416,281	$ 50,000	7,936,483	$ 20,000	25,245,566	$ 60,841	—	—	—	—
Series A-1 shares issued in exchange of convertible notes	—	—	—	—	—	—	—	—	—	—	45,902,321	$ 70,689	—	—
Exchange of Series A-E Preferred for Series A-1 preferred	857,792	$ (3,550)	1,328,941	$(12,375)	2,416,281	$(50,000)	7,936,483	$(20,000)	25,245,566	$(60,841)	1,977,137	$ 3,045	—	—
Exchange of Series A-1 preferred for Series A-2 preferred	—	—	—	—	—	—	—	—	—	—	(5,561,006)	(8,563)	1,851,814	$ 1,075
Sale of Series A-1 preferred	—	—	—	—	—	—	—	—	—	—	5,586,510	$ 8,603	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance, June 30, 2013	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**47,904,962**	**$ 73,774**	**1,851,814**	**$ 1,075**

Stockholders' Deficit	Common Stock Share	Common Stock Amount	Additional Paid in-Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 31, 2012	224,319	$ 2	$ 1,042	$ (167,312)	$ (166,268)
Deemed contribution on exchange of Series A-E Preferred Stock for Series A-1	—	—	$ 143,681	$ —	$ 143,681
Deemed contribution on exchange of Series A-1 preferred for Series A-2 preferred	—	—	$ 7,489	$ —	$ 7,489
Deemed dividend on sale of Series A-1 preferred	—	—	$ (1,046)	$ —	$ (1,046)
Net loss	—	—	—	$ (54,721)	$ (54,721)
Stock-based compensation	—	—	$ 10	—	$ 10
Balance, June 30, 2013	**224,319**	**$ 2**	**$ 151,176**	**$ (222,033)**	**$ (70,855)**

Xencor

Condensed Statements of Cash Flows

(unaudited)

	Six Months Ended June 30	
	2012	2013
	(in thousands)	
Cash flows from operating activities		
Net loss	$ (2,894)	$ (54,721)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	308	299
Stock based compensation	10	10
Loss/gain on disposal of assets	8	(12)
Abandonment of capitalized intangible assets	167	176
Loss on exchange of notes for preferred stock		48,556
Accrued interest on notes converted to preferred	1,183	1,211
Changes in operating assets and liabilities:		
Accounts receivable	29	354
Deferred revenue	(2,509)	6,011
Prepaid expenses and other current assets	(27)	(69)
Accounts payable	(756)	1,461
Deposits	15	—
Accrued expenses	(52)	(469)
Net cash (used in) provided by operating activities	(4,518)	2,807
Cash flows from investing activities		
Purchase of intangible assets	(508)	(859)
Capital expenditures	(11)	(36)
Proceeds from sale of assets	1	12
Net cash used in investing activities	(518)	(883)
Cash flows from financing activities		
Preferred stock issuance costs	—	(82)
Payments on capital lease obligations	(7)	(4)
Proceeds from sale of Series A-1 preferred	—	7,598
Net cash (used in) provided by financing activities	(7)	7,512
Net increase (decrease) in cash and cash equivalents	(5,043)	9,436
Cash and cash equivalents at beginning of period	14,537	2,312
Cash and cash equivalents at end of period	$ 9,494	$ 11,748

(See accompanying notes to financial statements)

Xencor, Inc.

Notes to Financial Statements (unaudited)

1. Basis of Presentation

The accompanying balance sheet as of June 30, 2013, and the statements of operations and cash flows for the six months ended June 30, 2013 and 2012 and statements of mezzanine equity and stockholders' deficit are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments which include only normal reoccurring adjustments, necessary to present fairly our financial position as of June 30, 2013, and the statements of operations and cash flows for the six months ended June 30, 2012 and 2013 and statements of mezzanine equity and stockholders' deficit. The financial data and other information disclosed in these notes to the financial statements related to the six-month periods are unaudited. The results for the six months ended June 30, 2013 are not necessarily indicative of the results to be expected for the year ended December 31, 2013 or for any other interim period or for any other future year. These financial statements should be read in conjunction with our audited financial statements included elsewhere in this prospectus.

2. Capital Structure

Authorized Capital Stock

We are authorized to issue 77,765,553 shares of common stock and 69,219,264 shares of convertible preferred stock, of which 55,255,479 are shares of Series A-1 convertible preferred stock (Series A-1) and 13,963,785 are shares of Series A-2 convertible preferred stock (Series A-2).

Rights of Convertible Preferred Stock

Anti-Dilution

In the event we sell or issue additional shares of preferred or common stock at a price less than the original conversion price of the convertible preferred stock of $1.36 per share, the conversion price shall be reduced pursuant to a weighted-average anti-dilution adjustment set forth in our amended and restated certificate of incorporation.

Conversion

Each share of convertible preferred stock was convertible, at the stockholder's option, into one share of common stock. Additionally, each share of convertible preferred stock will be automatically converted into common stock, at the then-effective conversion rate, upon (i) written consent of 70% of the holders of the then outstanding shares of all convertible preferred stock voting together, (ii) in the event of a public offering of our equity securities resulting in gross proceeds to us of $25.0 million or more and (iii) upon the effective date of any registration statement filed with the SEC under the Securities Act or Exchange Act.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, including any merger, consolidation or similar transaction:

- the holders of Series A-1 are entitled to receive preference to Series A-2 and common stockholders to any distribution of any assets of the Company in an amount per share equal to the sum of (a) $150,000,000, which amount shall increase by 6% per year from the date of the filing of our amended and restated certificate of incorporation, compounded annually, divided by

Xencor, Inc.

Notes to Financial Statements (unaudited) (Continued)

2. Capital Structure (Continued)

the aggregate number of shares of preferred stock outstanding following the final closing of the Series A-1 financing, plus (b) accrued and unpaid dividends (such per share amount referred to as the Series Preferred Liquidation Preference); and

- the holders of Series A-2 are entitled to receive preference to common stockholders to any distribution of any assets of the Company in an amount per share equal to the Series Preferred Liquidation Preference.

After full payment of the Series A-1 and Series A-2 liquidation preference amounts, the remaining assets are distributed ratably to the holders of shares of common stock and convertible preferred stock on an as-converted to common stock basis.

The convertible preferred stock is classified as mezzanine equity outside stockholders' equity because each series of preferred stock is subject to a deemed liquidation clause that could potentially require redemption of the preferred shares for cash as a result of events outside the control of the Company.

We have not adjusted the carrying values of the convertible preferred stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock. Subsequent adjustments to increase the carrying values to the liquidation preferences will be made if an when it becomes probable that an event would occur that would obligate us to pay the liquidation preferences to holders of shares of convertible preferred stock.

Dividends

The holders of outstanding shares of convertible preferred stock are entitled to receive, when and if declared by our Board of Directors, a noncumulative dividend at an annual rate of 6% of the original issue price of $1.36 per share. Such dividend is payable in preference to any dividends payable to holders of shares of common stock declared by our Board of Directors. No dividends have been declared to date.

Voting

Each share of convertible preferred stock carries one vote for each share of common stock into which such shares of convertible preferred stock may be converted.

Redemption

The convertible preferred stock has no date-specific mandatory redemption feature.

3. Series A-1 Preferred Stock Financing and Note Conversion Agreement

In 2009 and 2010, we sold a total of $15.1 million of convertible promissory notes (the Notes) to our existing preferred stockholders. In June 2013, our Board of Directors and the requisite holders of the Notes and requisite preferred stockholders agreed to a series of transactions as follows:

- an exchange of the outstanding principal due on the Notes for shares of Series A-1 convertible preferred stock and cancellation of the accrued and unpaid interest thereon, pursuant to a Note Conversion Agreement;

Xencor, Inc.

Notes to Financial Statements (unaudited) (Continued)

3. Series A-1 Preferred Stock Financing and Note Conversion Agreement (Continued)

- an exchange of the then-outstanding shares of preferred stock (Preferred Series A - E) for Series A-1 convertible preferred stock pursuant to the operation of provisions in our amended and restated certificate of incorporation;
- the sale of an additional $10.0 million in Series A-1 convertible preferred stock to existing stockholders; and
- the conversion of certain shares of Series A-1 convertible preferred stock into shares of Series A-2 convertible preferred stock at a conversion rate of 1 for 3, pursuant to a mandatory conversion provision (e.g. a "pay to play" provision) in our amended and restated certificate of incorporation.

Under the terms of the Note Conversion Agreement, the total outstanding principal due on the Notes as of June 13, 2013 was exchanged for 45,902,321 shares of Series A-1 convertible preferred stock effective as of June 13, 2013, 5,303,597 of which were subsequently converted into 1,767,866 shares of Series A-2 convertible preferred stock. Since the exchange of the Notes was not a conversion into preferred shares under the original terms of the Notes, the exchange was an extinguishment of debt for accounting purposes, and we recognized a loss for the difference in the fair value of the shares issued and the carrying value of the Notes.

We determined that the per share fair value of the shares of Series A-1 convertible preferred stock issued under the Note Conversion Agreement was $1.54 and the total fair value of shares of Series A-1 convertible preferred stock was $70.7 million, and we recognized a loss on the exchange of $48.6 million for the difference in the fair value of the shares of Series A-1 convertible preferred stock and the carrying value of the Notes as of June 13, 2013. The $48.6 million loss is reported on our Statement of Operations as a Loss on Settlement of Notes as an Other Expense for the six months ended June 30, 2013. Associated transaction costs of $41,000 related to the exchange were expensed.

After the exchange of the Notes, all of the outstanding shares of Preferred Series A - E were exchanged for an aggregate of 1,977,137 shares of Series A-1 convertible preferred stock, 257,409 of which were subsequently converted into 85,803 shares of Series A-2 convertible preferred stock. We determined the fair value of the shares of Series A-1 convertible preferred stock issued to be $3.0 million and we recorded a deemed contribution to equity of $140.6 million equal to the difference in the fair value of the shares issued and the carrying value of the existing shares of Preferred Series A - E. We record issuance costs related to our preferred stock sales as a reduction to paid-in capital at the time the securities are issued. The deemed contribution has been reduced by $3.0 million of issuance costs.

We determined that the value of the Series A-2 convertible preferred stock to be $0.58 per share. A total of 1,851,814 shares of Series A-2 convertible preferred stock with a fair value of $1.1 million were issued in exchange for 5,561,006 shares of Series A-1 convertible preferred stock with the fair value of $8.6 million. We recognized a deemed contribution of $7.5 million for the difference in the fair value of the shares of Series A-2 convertible preferred stock issued in exchange for the shares of Series A-1 convertible preferred stock.

On June 26, 2013, we sold 5,586,510 shares of Series A-1 convertible preferred stock to existing stockholders at a purchase price of $1.36 per share, for an aggregate purchase price of $7.6 million. We expect to issue up to an additional $2.4 million in additional shares of Series A-1 convertible preferred stock to existing stockholders at an additional closing in the third quarter of 2013. We determined that

Xencor, Inc.

Notes to Financial Statements (unaudited) (Continued)

3. Series A-1 Preferred Stock Financing and Note Conversion Agreement (Continued)

the fair value of the shares sold in June 2013 to be $8.6 million and we recorded a deemed dividend of $1.0 million for the difference in the sales price of the Series A-1 convertible preferred stock and the fair value of the shares. The $40,000 of transaction costs related to the sale was recorded against Additional Paid in Capital and the shares of Series A-1 convertible preferred stock issued were recorded at their fair value on our balance sheet as of June 30, 2013.

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

4. Fair Value of Financial Instruments

We determine the fair value of financial and nonfinancial assets and liabilities using the fair value hierarchy, which describes three levels of inputs that may be used to measure fair value, as follows:

Level 1— Quoted prices in active markets for identical assets or liabilities:

Level 2— Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and,

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Our Level 1 assets consist of highly liquid money market funds. The fair value of Level 1 assets has been determined using quoted prices in active markets for identical assets. There were no transfers between Level 1, Level 2 or Level 3 securities during the periods presented.

The assets we recorded at fair value at December 31, 2012 and June 30, 2013 are classified within the hierarchy as follows for the years reported (in millions):

	December 31, 2012		June 30, 2013	
	Total Fair Value	Level 1	Total Fair Value	Level 1
Money Market Funds	$ 2.3	$ 2.3	$ 11.6	$ 11.6

5. Net (Loss) Income Per Share of Common Stock

Basic net loss per common share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Potentially dilutive securities consisting of stock options, convertible preferred stock and convertible promissory notes were not included in the diluted net loss per common share calculation because the inclusion of such shares would have had an antidilutive effect.

Xencor, Inc.

Notes to Financial Statements (unaudited) (Continued)

5. Net (Loss) Income Per Share of Common Stock (Continued)

For the six months ended June 30, 2012, the following securities were excluded from the calculation of diluted net loss per share as the effect would have been antidilutive (in thousands):

	June 30, 2012
Convertible preferred stock	49,757
Options to purchase common stock	4,045
	53,802

The loss for the period ended June 30, 2013 is adjusted, for purposes of the net income per share calculation, to reflect the deemed contribution from the exchange of convertible preferred stock available to Series A-1 and Series A-2 convertible preferred stock of $148.1 million. We determined that there was a deemed dividend of $1.0 million for the difference between the fair value of the shares of Series A-1 convertible preferred stock and the price at which additional shares were sold in the initial closing of the Series A-1 preferred stock financing, resulting in a net deemed contribution of $147.1 million. This amount is reflected as a change to additional paid-in capital.

The unaudited diluted (loss) income per share calculation assumes the conversion of outstanding shares of convertible preferred stock into common stock using the as-if converted method.

	Period Ended June 30	
	2012	2013
	(in thousands, except per share data)	
Basic		
Numerator:		
Net Loss	$ (2,894)	$ (54,721)
Deemed contribution	—	147,114
Net (loss) income attributable to common stockholders for basic income per share	$ (2,894)	$ 92,393
Denominator:		
Weighted-average common shares outstanding	224,319	224,319
Basic net (loss) income per common share	$ (12.90)	$ 411.88
Diluted:		
Numerator:		
Net (loss) income attributable to common stockholders for basic net loss per share	$ (2,894)	$ 92,393
Deemed contribution	—	(147,114)
Net loss attributable to common stockholders for diluted net loss per share	$ (2,894)	$ (54,721)
Denominator:		
Weighted average number of common shares outstanding used in computing basic net (loss) income per common share	224,319	224,319
Dilutive effect of conversion of convertible Preferred stock	—	38,915,899
Weighted-average number of common shares outstanding used in computing net loss per common share	224,319	39,140,218
Diluted net loss per common share	$ (12.90)	$ (1.40)

Xencor, Inc.

Notes to Financial Statements (unaudited) (Continued)

5. Net (Loss) Income Per Share of Common Stock (Continued)

The convertible preferred stock and options were not included in the computation of diluted loss per share for 2012 as the effect of doing so would have been antidilutive.

The convertible promissory notes were not included because the contingency was not met and, even had the contingency been satisfied under the if-converted method, inclusion would have been antidilutive.

6. Equity Incentive Plans

The following summarizes option activity option activity under our stock plans:

	Number of Options Available for Grant	Options Outstanding	Weighted-Average Exercise price
Balances at December 31, 2012	2,336,306	4,045,324	$ 0.19
Increase in shares available	1,380,790	—	—
Balance at June 30, 2013	3,717,096	4,045,324	$ 0.19

Stock Based Compensation

Employee stock-based compensation expense recognized was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Total stock-based compensation expense recognized was as follows (in thousands):

	Six Months Ended June 30	
	2012	2013
Research and development	$ 4.0	$ 4.2
General and administrative	6.0	6.0
Total	$ 10.0	$ 10.2

7. Collaborative Research and Licensing Agreements

MorphoSys Ag

In June 2010, we entered into a Collaboration and License Agreement with MorphoSys AG (MorphoSys), which we subsequently amended in March 2012. The agreement provided us an upfront payment in exchange for an exclusive worldwide license to our patents and know-how to research, develop and commercialize our XmAb5574 product candidate with the right to sublicense under certain conditions and we are eligible to receive future milestones upon further development by MorphoSys of the compound and royalties. Under the agreement, we agreed to collaborate with MorphoSys to develop and commercialize XmAb5574. We determined that the arrangement was one with multiple deliverables and we identified the multiple elements in the agreement as the license of XmAb5574/MOR208 and the research and development services provided by us for the initial Phase 1 clinical trial. We determined that the future milestone payments were substantive and contingent and we did not allocate any of the upfront consideration to these. In May 2013, MorphoSys initiated two Phase 2 clinical trials and we received a milestone payment of $3.0 million. We have recognized the

Xencor, Inc.

Notes to Financial Statements (unaudited) (Continued)

7. Collaborative Research and Licensing Agreements (Continued)

payment under the milestone method and recorded it into income during the period that the milestone event occurred.

Alexion Pharmaceuticals, Inc.

In January 2013, we entered into an Option and License Agreement with Alexion Pharmaceuticals, Inc. (Alexion). Under the terms of the agreement, we provided Alexion with an exclusive research license to one of our technologies over a five year period and the rights for Alexion to take an exclusive commercial option to one or more compounds. In 2013, we received an upfront payment of $3.0 million and will receive annual license fees during the license term. Upon exercise of an option to take a commercial license we are eligible to receive future licensing and option fees.

We evaluated the proper accounting treatment for this agreement and determined that the deliverables under the agreement were the research license and the option. Since the option payment is substantive and contingent and there is no assurance we will receive it, we determined that it should not be considered a deliverable at inception and the full upfront payment should be allocated to the research license. Accordingly, we concluded that the arrangement should be accounted for as a single unit of accounting and that the arrangement consideration including the upfront payment should be recognized over the research term of the agreement which is five years.

Total revenue recognized under this agreement was $0.4 million for the six months ended June 30, 2013. As of June 30, 2013 we have deferred revenue related to this agreement of $2.6 million

CSL Limited

In March 2013, we entered into a License Agreement with CSL Limited (CSL). Under the terms of the agreement, we provided CSL with a non-exclusive commercial license to apply our technology to one of their compounds. The agreement provided for upfront payment of $0.5 million and we are eligible to receive future milestones as CSL advances the compound into clinical development.

We determined that the deliverables under this agreement were the non-exclusive commercial license. We recognized $0.5 million in revenue under this arrangement for the six months ended June 30, 2013.

In May 2013, we entered into an amendment to a February 2009 Research License and Commercialization Agreement with CSL, which amendment eliminated a contingent milestone and reduced the royalty rate on net sales for the licensed product CSL362. The amendment provided for a payment upon signing of $2.5 million, which we reported as deferred revenue for the period ending June 30, 2013.

8. Subsequent Events

On September 4, 2013, our Board of Directors authorized the forgiveness of the outstanding principal and interest of approximately $166,000 under the promissory note from our Chief Executive Officer, effective and contingent upon the filing of a registration statement on Form S-1 for our initial public offering with the U.S. Securities and Exchange Commission.


Xencor

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by Xencor, Inc. (the "Registrant" or "we") in connection with the sale of the common stock being registered. All amounts shown are estimates except for the Securities and Exchange Commission ("SEC") registration fee, the FINRA filing fee and the NASDAQ Global Market filing fee.

	Amount
SEC registration fee	$ *
FINRA filing fee	*
NASDAQ Global Market listing fee	*
Bluesky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be provided by amendment.

Item 14. Indemnification of Directors and Officers.

The Registrant is incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify any persons who were, are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who were, are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses (including attorneys' fees) actually and reasonably incurred.

The Registrant's amended and restated certificate of incorporation and amended and restated bylaws, each of which will become effective upon the closing of this offering, provide for the indemnification of its directors and officers to the fullest extent permitted under the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

The Registrant's amended and restated certificate of incorporation includes such a provision. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by the Registrant upon delivery to it of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Registrant.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

As permitted by the Delaware General Corporation Law, the Registrant has entered into indemnity agreements with each of its directors and executive officers, that require the Registrant to indemnify such persons against any and all costs and expenses (including attorneys', witness or other professional fees) actually and reasonably incurred by such persons in connection with any action, suit or proceeding (including derivative actions), whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director or officer or is or was acting or serving as an officer, director, employee or agent of the Registrant or any of its affiliated enterprises. Under these agreements, the Registrant is not required to provided indemnification for certain matters, including:

- indemnification beyond that permitted by the Delaware General Corporation Law;
- indemnification for any proceeding with respect to the unlawful payment of remuneration to the director or officer;
- indemnification for certain proceedings involving a final judgment that the director or officer is required to disgorge profits from the purchase or sale of the Registrant's stock;
- indemnification for proceedings involving a final judgment that the director's or officer's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct or a breach of his or her duty of loyalty, but only to the extent of such specific determination;
- indemnification for proceedings or claims brought by an officer or director against us or any of the Registrant's directors, officers, employees or agents, except for claims to establish a right of

indemnification or proceedings or claims approved by the Registrant's board of directors or required by law;

- indemnification for settlements the director or officer enters into without the Registrant's consent; or
- indemnification in violation of any undertaking required by the Securities Act or in any registration statement filed by the Registrant.

The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

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

The Registrant has an insurance policy in place that covers its officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") or otherwise.

The Registrant plans to enter into an underwriting agreement which provides that the underwriters are obligated, under some circumstances, to indemnify the Registrant's directors, officers and controlling persons against specified liabilities, including liabilities under the Securities Act.

Item 15. Recent sales of unregistered securities.

Set forth below is information regarding securities issued and options granted by us since January 1, 2010 that were not registered under the Securities Act. Also included is the consideration, if any, received by us for such securities and options and information relating to the Securities Act section, or rule of the SEC, under which exemption from registration was claimed.

(1) In December 2010, we issued convertible promissory notes in an aggregate principal amount of $7,500,000 to accredited investors pursuant to a note purchase agreement. These notes converted into 22,727,279 shares of Series A-1 convertible preferred stock in June 2013.

(2) In June 2013 and August 2013, pursuant to the Series A-1 Purchase Agreement, we issued and sold an aggregate of 5,586,510 shares of Series A-1 convertible preferred stock to accredited investors at a purchase price of $1.36 per share, for an aggregate purchase price of $7,597,654.

(3) From January 1, 2010 to date, we granted stock options under our 2010 Plan to purchase an aggregate of 1,363,631 shares of common stock at an exercise price of $0.19 per share and an aggregate of 1,556,443 shares of common stock at an exercise price of $1.37 per share to certain directors, officers, employees and consultants.

(4) In July 2010, our Board of Directors approved an option re-pricing program pursuant to which holders of existing stock options with exercise prices above $0.19 per share were offered the ability to exchange those stock options for new stock options with an exercise price of $0.19 per share.

The offers, sales and issuances of the securities described in paragraphs (1) and (2) were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) (or Regulation D promulgated thereunder), in that the issuance of securities to the accredited investors did not involve a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of

securities in these transactions was an accredited investor under Rule 501 of Regulation D. No underwriters were involved in these transactions.

The offers, sales and issuances of the securities described in paragraphs (3) and (4) were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were our employees, directors or bona fide consultants and received the securities under our 2010 Equity Plan.

Item 16. Exhibits and financial statement schedules.

(a) Exhibits.

Exhibit number	Description of document
1.1†	Form of Underwriting Agreement.
3.1	Sixth Amended and Restated Certificate of Incorporation, as currently in effect.
3.2†	Form of Amended and Restated Certificate of Incorporation to become effective upon the closing of this offering.
3.3	Bylaws, as currently in effect.
3.4†	Form of Amended and Restated Bylaws to become effective upon the closing of this offering.
4.1†	Form of Common Stock Certificate of the Registrant.
4.2	Third Amended and Restated Investor Rights Agreement, dated June 26, 2013, among the Registrant and certain of its stockholders.
5.1†	Opinion of Cooley LLP.
10.1+†	Form of Indemnity Agreement by and between the Registrant and its directors and officers.
10.2+	Xencor, Inc. 2010 Equity Incentive Plan and Forms of Option Agreement, Notice of Exercise and Stock Option Grant Notice thereunder.
10.3+†	Xencor, Inc. 2013 Equity Incentive Plan and Forms of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice thereunder.
10.4+†	Xencor, Inc. 2013 Employee Stock Purchase Plan.
10.5+†	Xencor, Inc. Non-Employee Director Compensation Policy.
10.6+	Second Amended and Restated Executive Employment Agreement, dated January 1, 2007, by and between the Registrant and Dr. Bassil I. Dahiyat.
10.7+	Offer Letter, dated January 12, 2010, by and between the Registrant and Dr. Edgardo Baracchini, Jr.
10.8+	Offer Letter, dated September 28, 2009, by and between the Registrant and Dr. Bruce Carter.
10.9+	Amendment to Offer Letter, dated November 18, 2010, by and between the Registrant and Dr. Bruce Carter.
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10.15+	Amended and Restated Change in Control Agreement, dated September 5, 2013, by and between the Registrant and John J. Kuch.
10.16+	Offer Letter, dated August 12, 2013, by and between the Registrant and Dr. Paul Foster.
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10.18*	Development and Manufacturing Services Agreement, dated September 15, 2005, by and between the Registrant and Catalent Pharma Solutions (formerly Cardinal Health PTS, LLC).
10.19*	Collaboration and License Agreement, dated June 27, 2010, by and between the Registrant and MorphoSys AG.
10.20*	First Amendment to the Collaboration and License Agreement, dated March 23, 2012, by and between the Registrant and MorphoSys AG.
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10.22*	Clinical Supply Agreement, dated October 1, 2012, by and between the Registrant and Cook Pharmica LLC.
10.23*	Option and License Agreement, dated January 28, 2013, by and between the Registrant and Alexion Pharmaceuticals, Inc.
10.24*	Collaboration Agreement, dated February 10, 2012, by and between the Registrant and Boehringer Ingelheim International GmbH.
10.25	Office Building Lease, dated May 12, 2000, by and between the Registrant and BF Monrovia, LLC, as amended on November 1, 2011.
23.1†	Consent of BDO USA LLP, an Independent Registered Public Accounting Firm.
23.2†	Consent of Cooley LLP. Reference is made to Exhibit 5.1.
24.1†	Power of Attorney. Reference is made to the signature page hereto.

† To be filed by amendment.

+ Indicates management contract or compensatory plan.

* Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

(b) Financial statement schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Monrovia, State of California, on the day of , 2013.

XENCOR, INC.

By: _____

Bassil I. Dahiyat, Ph.D.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Bassil I. Dahiyat, Ph.D. and John J. Kuch, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
_____ Bassil I. Dahiyat, Ph.D.	President, Chief Executive Officer and Member of the Board of Directors (Principal Executive Officer)	, 2013
_____ John J. Kuch	Vice President, Finance (Principal Financial and Accounting Officer)	, 2013
_____ Bruce L.A. Carter, Ph.D.	Chairman of the Board of Directors	, 2013
_____ Jonathan Fleming	Member of the Board of Directors	, 2013

Signature	Title	Date
Atul Saran	Member of the Board of Directors	, 2013
John S. Stafford III	Member of the Board of Directors	, 2013
Harold R. Werner	Member of the Board of Directors	, 2013

EXHIBIT INDEX

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24.1†	Power of Attorney. Reference is made to the signature page hereto.

† To be filed by amendment.

+ Indicates management contract or compensatory plan.

* Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

SIXTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
XENCOR, INC.

Bassil I. Dahiyat, Ph.D. hereby certifies that:

ONE: The original name of this corporation is Xencor, Inc. and the date of filing the original Certificate of Incorporation of this corporation with the Secretary of State of the State of Delaware was June 8, 2004.

TWO: He is the duly elected and acting President and Chief Executive Officer of Xencor, Inc., a Delaware corporation.

THREE: The Certificate of Incorporation of this corporation is hereby amended and restated to read as follows:

I.

The name of this corporation is **XENCOR, INC.** (the ***"Corporation"***).

II.

The address of the registered office of this Corporation in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware 19801, and the name of the registered agent of this Corporation in the State of Delaware at such address is The Corporation Trust Company.

III.

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law (the ***"DGCL"***).

IV.

A. The Corporation is authorized to issue two classes of stock to be designated, respectively, ***"Common Stock"*** and ***"Preferred Stock."*** The total number of shares which the Corporation is authorized to issue is 146,984,817 shares, 77,765,553 shares of which shall be Common Stock (the ***"Common Stock"***) and 69,219,264 shares of which shall be Preferred Stock (the ***"Preferred Stock"***). The Preferred Stock shall have a par value of $0.01 per share and the Common Stock shall have a par value of $0.01 per share.

B. 55,255,479 of the authorized shares of Preferred Stock are hereby designated "Series A-1 Preferred Stock" (the "***Series A-1 Preferred***") and 13,963,785 shares are hereby designated "Series A-2 Preferred Stock" (the "***Series A-2 Preferred***" and together with the Series A-1 Preferred, the "***Series Preferred***").

C. Effective immediately upon the date and time of filing (the ***"Filing Date"***) of this Amended and Restated Certificate of Incorporation (the ***"Restated Certificate"***), (1) each outstanding share of Series A Preferred Stock of the Corporation (the ***"Series A Preferred"***) shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into 0.035 of one share of Series A-1 Preferred, (2) each outstanding share of Series B Preferred Stock of the Corporation (the ***"Series B Preferred"***) shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into 0.040 of one share of Series A-1 Preferred, (3) each outstanding share of Series C Preferred Stock of the Corporation (the ***"Series C Preferred"***) shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into 0.045 of one share of Series A-1 Preferred, (4) each outstanding share of Series D Preferred Stock of the Corporation (the ***"Series D Preferred"***) shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into 0.050 of one share of Series A-1 Preferred, and (5) each outstanding share of Series E Preferred Stock of the Corporation (the ***"Series E Preferred"***) shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into 0.055 of one share of Series A-1 Preferred, in each case rounded down to the nearest whole share (such conversion to be referred to herein as the ***"Recapitalization"***). From and after the Filing Date, as a result of the Recapitalization, the Series A Preferred, the Series B Preferred, the Series C Preferred, the Series D Preferred and the Series E Preferred shall be deemed cancelled and shall no longer be authorized, issued or outstanding. The Corporation shall not issue any fractional shares of Series A-1 Preferred as a result of the Recapitalization, but shall instead pay to any stockholder of record of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred or Series E Preferred, as applicable, who would be entitled to receive any fractional share of Series A-1 Preferred as a result of the Recapitalization, a sum in cash equal to the fair market value of any such fractional share as determined by the Board of Directors of the Corporation (the ***"Board"***). All certificates representing shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred or Series E Preferred outstanding immediately prior to the Filing Date shall immediately upon the Filing Date represent a number of shares of Series A-1 Preferred as provided above. All share and dollar amounts in this Restated Certificate have been adjusted to reflect the Recapitalization.

D. The rights, preferences, privileges, restrictions and other matters relating to the Common Stock and the Series Preferred are as follows:

1. DIVIDEND RIGHTS.

(a) Holders of the Series Preferred, prior and in preference to the holders of Common Stock, shall be entitled to receive, when, as and if declared by the Board, but only out of funds that are legally available therefor, dividends (whether payable in cash, in property or in securities of the Corporation) at a rate of 6% of the Series Preferred Original Issue Price (as defined below) per annum on each outstanding share of Series Preferred. In the event dividends are paid to the holders of Series Preferred that are less than the full amounts to which such holders of Series Preferred are entitled pursuant to this Section 1(a), such dividends shall be distributed among the holders of Series Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(b) The ***"Series Preferred Original Issue Price"*** shall be $1.36 per share (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the Filing Date).

(c) So long as any shares of Series Preferred are outstanding, the Corporation shall not pay or declare any dividend, whether in cash or property, or make any other distribution on the Common Stock, or purchase, redeem or otherwise acquire for value any shares of Common Stock until all dividends as set forth in Section 1(a) above on the Series Preferred have been paid or declared and set apart, except for:

(i) acquisitions of Common Stock by the Corporation pursuant to agreements approved by the Board which permit the Corporation to repurchase such shares at cost (or the lesser of cost or fair market value) upon termination of services to the Corporation;

(ii) acquisitions of Common Stock in exercise of the Corporation's right of first refusal to repurchase such shares; or

(iii) distributions to holders of Common Stock in accordance with Section 3.

(d) In the event dividends are paid on any share of Common Stock, the Corporation shall pay an additional dividend on all outstanding shares of Series Preferred in a per share amount equal (on an as-converted to Common Stock basis) to the amount paid or set aside for each share of Common Stock.

(e) The provisions of Section 1 shall not apply to any repurchase of any outstanding securities of the Corporation that is approved by (i) the Board and (ii) the Series Preferred as may be required by this Restated Certificate.

(f) The holders of Common Stock and Series Preferred expressly waive their rights, if any, as described in California Corporations Code Sections 502, 503 and 506 as they relate to repurchases of shares of Common Stock upon termination of employment or service as a consultant or director.

2. VOTING RIGHTS.

(a) General Rights. Each holder of shares of Series Preferred shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Series Preferred could be converted (pursuant to Section 4 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent and shall have voting rights and powers equal to the voting rights and powers of the Common Stock and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Corporation (the ***"Bylaws"***). Except as otherwise provided herein or as required by law, the Series Preferred shall vote together with the Common Stock at any annual or special meeting of the stockholders and not as a separate class, and may act by written consent in the same manner as the Common Stock.

(b) Separate Vote of Series Preferred. For so long as 500,000 shares of Series Preferred (subject to adjustment for any stock split, reverse stock split or other similar event affecting the Series Preferred Stock after the Filing Date) remain outstanding, in addition to any other vote or consent required herein or by law, the prior vote or prior written consent of the holders of at least 70% (hereinafter, the ***"Requisite Majority"***) of the outstanding shares of Series Preferred, voting together as a single class on an as-converted basis, shall be necessary for effecting the following actions:

(i) any transfer, lease, exclusive license or disposal by the Corporation or a subsidiary thereof, of, in any 12-month period, other than in the ordinary course of business, any material assets (including any exclusive license of substantially all of the Corporation's intellectual property rights) with a value in excess of the greater of (A) $100,000 and (B) an amount equal to 10% of the Corporation's budgeted revenues for the year in which such transaction would occur reflected in a current budget for the Corporation previously approved by the Board;

(ii) any amendment, alteration or repeal of any provision of the Restated Certificate or the Bylaws (including any filing of a Certificate of Designation) that alters or changes the voting or other powers, preferences, or other special rights, privileges or restrictions of the Series Preferred so as to affect them adversely or that decreases or increases the number of authorized shares of Series Preferred;

(iii) any payment or declaration of a dividend (whether payable in cash, in property or in securities of the Corporation) or any other distribution (whether payable in cash, in property or in securities of the Corporation), directly or indirectly, on the Common Stock or the Series Preferred;

(iv) any authorization or any designation, whether by reclassification or otherwise, of any new class or series of stock or any other securities convertible into equity securities of the Corporation ranking on a parity with or senior to the Series Preferred in right of redemption, liquidation preference, voting or dividend rights or any increase in the authorized or designated number of any such new class or series;

(v) any redemption, repurchase, payment or declaration of dividends or other distributions with respect to Common Stock (except for acquisitions of Common Stock by the Corporation permitted by Section 1(c) hereof);

(vi) any loan or advance to, assumption or guarantee of the obligations of any person (other than a wholly-owned subsidiary of the Corporation) by the Corporation or a subsidiary thereof the amount of which at any one time exceeds $50,000, except as approved by a majority of the members of the Board who are disinterested in respect of such transaction (including a majority of the members elected by the holders of the Series Preferred);

(vii) any investment by the Corporation or a subsidiary thereof in any person (other than a wholly-owned subsidiary of the Corporation) the amount of which when aggregated with all other similar investments by the Corporation in the 12 months prior thereto equals or exceeds $50,000;

(viii) any issuance of any equity security of any subsidiary of the Corporation to any person other than the Corporation;

(ix) any liquidation or dissolution of the Corporation or reclassification of its outstanding capital stock;

(x) any change of the authorized number of directors of the Corporation from the number set forth in Section 2(c) below;

(xi) any issuance of any equity security of the Corporation in connection with the acquisition of another corporation, limited liability company, partnership or other entity by the Corporation whether such acquisition is accomplished by way of a merger, consolidation, combination, exclusive license, joint venture, collaboration, purchase of all or substantially all of the assets of such other entity or other reorganization;

(xii) any Liquidation Event (as defined below) including any merger or consolidation of the Corporation into or with another corporation in which the stockholders of the Corporation in the aggregate shall own less than a majority of the voting securities of the surviving corporation, or an Asset Sale (as defined below);

(xiii) any initial public offering of any of the Corporation's equity securities;

(xiv) any material change in the nature of the Corporation's business from a biotechnology research, development and commercialization company; or

(xv) other than transactions in the ordinary course of business involving less than (A) $100,000 in any single transaction (or series of related transactions) or (B) $250,000 in the aggregate among all such transactions, enter into any transaction, with any officer, director or affiliate of the Corporation or any subsidiary thereof or any members of their immediate families, unless the transaction is approved in advance by a majority of the disinterested members of the Board.

(c) Election of Board of Directors.

(i) Series Preferred. For so long as at least 500,000 shares of Series Preferred remain outstanding (subject to adjustment for any stock split, reverse stock split or similar event affecting the Series Preferred after the Filing Date), the holders of Series Preferred, voting as a separate class on an as-converted basis, shall be entitled to elect six members of the Board (the ***"Series Preferred Directors"***) at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors, and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such directors.

(ii) Common Stock. The holders of Common Stock, voting together as a separate class, shall be entitled to elect one member of the Board at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors, and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such directors.

(iii) No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the time of such election, the Corporation is subject to Section 2115 of the California General Corporation Law (***"CGCL"***). During such time or times that the Corporation is subject to Section 2115(b) of the CGCL, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder desires. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

(iv) During such time or times that the Corporation is subject to Section 2115(b) of the CGCL, one or more directors may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote for that director as provided above; *provided, however*, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

(d) The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote (voting together as a single class on an as-converted basis).

3. LIQUIDATION RIGHTS.

(a) For purposes of this Restated Certificate, ***"Liquidation Event"*** shall mean: (i) any liquidation, dissolution or winding up of the Corporation, whether voluntary or not; or (ii) a Change of Control Transaction (as defined below). A ***"Change of Control Transaction"*** means (i) any merger, consolidation or similar transaction (or series of related transactions) involving (directly or indirectly) the Corporation if, immediately after the consummation of such merger, consolidation or similar transaction (or series of related transactions), the stockholders of the Corporation immediately prior thereto do not, in the aggregate, own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving entity in such merger,

consolidation or similar transaction or (B) outstanding voting securities representing more than 50% of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction; or (ii) any sale, lease, exclusive license, assignment, transfer, conveyance or disposal of all or substantially all of the consolidated assets of the Corporation and its subsidiaries in a transaction (or series of related transactions), other than a sale, lease, exclusive license, assignment, transfer, conveyance or disposal of all or substantially all of the consolidated assets of the Corporation and its subsidiaries to an

entity, more than 50% of the combined voting power of the voting securities of which are owned by stockholders of the Corporation in substantially the same proportion as their ownership of the Corporation immediately prior to such sale, lease, exclusive license or other disposition (an ***"Asset Sale"***); *provided, however*, that in no case shall a Change of Control Transaction include issuances of securities by the Corporation the primary purposes of which are to raise capital for the Corporation (as determined in good faith by the Board).

(b) Upon a Liquidation Event, before any distribution or payment shall be made to the holders of any Series A-2 Preferred or Common Stock, the holders of Series A-1 Preferred shall be entitled to be paid out of the assets of the Corporation legally available for distribution, an amount per share of Series A-1 Preferred equal to the quotient obtained by dividing (i) $150,000,000, which shall increase commencing as of the Filing Date at a rate of 6% per annum compounded annually, by (ii) the total number of shares of Series Preferred outstanding immediately following the Rights Offering Closing (as defined in that certain Series A-1 Preferred Stock Purchase Agreement, dated on or about June 15, 2013, by and between the Corporation and the Purchasers named therein (the ***"Purchase Agreement"***) (the "***Series Preferred Liquidation Preference"***) plus all declared and unpaid dividends on each such share of Series A-1 Preferred. If, upon any such Liquidation Event, the assets of the Corporation shall be insufficient to make payment in full to all holders of Series A-1 Preferred of the liquidation preference set forth in this Section 3(b), then such assets (or consideration) shall be distributed among the holders of Series A-1 Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(c) After the payment of the full liquidation preference of the Series A-1 Preferred as set forth in Section 3(b) above, before any distribution or payment shall be made to the holders of any Common Stock, the holders of Series A-2 Preferred shall be entitled to be paid out of the assets of the Corporation legally available for distribution, an amount per share of Series A-2 Preferred equal to the Series Preferred Liquidation Preference plus all declared and unpaid dividends on each such share of Series A-2 Preferred. If, upon any such Liquidation Event, the assets of the Corporation shall be insufficient to make payment in full to all holders of Series A-2 Preferred of the liquidation preference set forth in this Section 3(c), then such assets (or consideration) shall be distributed among the holders of Series A-2 Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise respectively be entitled.

(d) After the payment of the full liquidation preference of the Series Preferred as set forth in Sections 3(b) and 3(c) above, the remaining assets of the Corporation legally available for distribution, if any, shall be distributed ratably to the holders of Common Stock and Series Preferred on an as-converted to Common Stock basis.

4. CONVERSION RIGHTS.

The holders of the Series Preferred shall have the following rights with respect to the conversion of the Series Preferred into shares of Common Stock (the ***"Conversion Rights"***):

(a) Optional Conversion. Subject to and in compliance with the provisions of this Section 4, any shares of Series Preferred may, at the option of the holder, be converted at any time into fully-paid and nonassessable shares of Common Stock; *provided, however,* that no shares of Series Preferred shall be converted pursuant to this Section 4(a) during the time period beginning on the Filing Date and ending on the earlier of the Initial Closing Date (as defined below) or the date that is 30 days following the Filing Date. The number of shares of Common Stock to which a holder of Series Preferred shall be entitled upon conversion shall be the product obtained by multiplying the "Series Preferred Conversion Rate" then in effect (determined as provided in Section 4(b) below) by the number of shares of Series Preferred being converted.

(b) Series Preferred Conversion Rate. The conversion rate in effect at any time for conversion of the Series Preferred (the ***"Series Preferred Conversion Rate"***) shall be the quotient obtained by dividing the Original Issue Price of the Series Preferred by the "Series Preferred Conversion Price," calculated as provided in Section 4(c) below.

(c) Series Preferred Conversion Price. The conversion price for the Series Preferred (the ***"Series Preferred Conversion Price"***) shall initially be the Series Original Issue Price. Such initial Series Preferred Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series Preferred Conversion Price herein shall thereafter mean the Series Preferred Conversion Price as so adjusted.

(d) Mechanics of Optional Conversion. Each holder of Series Preferred who desires to convert the same into shares of Common Stock pursuant to this Section 4 shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or any transfer agent for the Series Preferred, and shall give written notice to the Corporation at such office that such holder elects to convert the same. Such notice shall state the number of shares of Series Preferred being converted. Thereupon, the Corporation shall promptly issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay (i) in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the Common Stock's fair market value determined by the Board as of the date of such conversion), any declared and unpaid dividends on the shares of Series Preferred being converted and (ii) in cash (at the Common Stock's fair market value determined by the Board as of the date of conversion) the value of any fractional share of Common Stock otherwise issuable to any holder of Series Preferred. Such conversion shall be deemed to have been made at the close of business on the date of such surrender of the certificates representing the shares of Series Preferred to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date.

(e) Adjustment for Stock Splits and Combinations. If at any time or from time to time on or after the Filing Date the Corporation effects a subdivision of the outstanding Common Stock without a corresponding subdivision of the Series Preferred, the Series Preferred Conversion Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if at any time or from time to time on or after the Filing Date the Corporation combines the outstanding shares of Common Stock into a smaller number of shares without a corresponding combination of the Series Preferred, the Series Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 4(e) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) Adjustment for Common Stock Dividends and Distributions. If at any time or from time to time on or after the Filing Date the Corporation pays to holders of Common Stock a dividend or other distribution in additional shares of Common Stock, the Series Preferred Conversion Price then in effect shall be decreased as of the time of such issuance, as provided below:

(i) The Series Preferred Conversion Price shall be adjusted by multiplying the Series Preferred Conversion price then in effect by a fraction equal to:

(A) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and

(B) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

(ii) If the Corporation fixes a record date to determine which holders of Common Stock are entitled to receive such dividend or other distribution, the Series Preferred Conversion Price shall be fixed as of the close of business on such record date and the number of shares of Common Stock shall be calculated immediately prior to the close of business on such record date; and

(iii) If such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Series Preferred Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series Preferred Conversion Price shall be adjusted pursuant to this Section 4(f) to reflect the actual payment of such dividend or distribution.

(g) Adjustment for Reclassification, Exchange, Substitution, Reorganization, Merger or Consolidation. If at any time or from time to time on or after the Filing Date, the Common Stock issuable upon the conversion of the Series Preferred is changed into the same or a different number of shares of any class or classes of stock, whether by

recapitalization, reclassification, merger, consolidation or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 4), in any such event each holder of Series Preferred shall then have the right to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification, merger, consolidation or other change by holders of the maximum number of shares of Common Stock into which such shares of Series Preferred could have been converted immediately prior to such recapitalization, reclassification, merger, consolidation or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of Series Preferred after the capital reorganization to the end that the provisions of this Section 4 (including adjustment of the Series Preferred Conversion Price then in effect and the number of shares issuable upon conversion of the Series Preferred) shall be applicable after that event and be as nearly equivalent as practicable.

(h) Sale of Shares Below Series Preferred Conversion Price.

(i) If at any time or from time to time after the Filing Date, the Corporation issues or sells, or is deemed by the express provisions of this Section 4(h) to have issued or sold, Additional Shares of Common Stock (as defined below), other than as provided in Sections 4(e), (f) or (g) hereof, for an Effective Price (as defined below), less than the Series Preferred Conversion Price (a ***"Qualifying Dilutive Issuance"***), then and in each such case, the then existing Series Preferred Conversion Price shall be reduced, as of the opening of the business day on the date of such issue or sale, to a price determined by multiplying the Series Preferred Conversion Price in effect immediately prior to such issuance or sale by a fraction:

(A) the numerator of which shall be (1) the number of shares of Common Stock deemed outstanding (as determined below) immediately prior to such issue or sale, plus (2) the number of shares of Common Stock that the Aggregate Consideration (as defined below) received or deemed received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such then-existing Series Preferred Conversion Price, and

(B) the denominator of which shall be the number of shares of Common Stock deemed outstanding (as determined below) immediately prior to such issue or sale plus the total number of Additional Shares of Common Stock so issued.

For the purposes of the preceding sentence and all other provisions of Section 4(h), the number of shares of Common Stock deemed to be outstanding as of a given date shall be the sum of (A) the number of shares of Common Stock outstanding, (B) the number of shares of Common Stock into which the then outstanding shares of Series Preferred could be converted if fully converted on the day immediately preceding the given date, and (C) the number of shares of Common Stock that are issuable upon the exercise or conversion of any other outstanding securities, Convertible Securities (as defined below) and all outstanding Rights (as defined below).

(ii) No adjustment shall be made to the Series Preferred Conversion Price in an amount less than $0.01. Any adjustment otherwise required by this Section 4(h) that is not required to be made due to the preceding sentence shall be included in any subsequent adjustment to the Series Preferred Conversion Price. Any adjustment required by this Section 4(h) shall be rounded to the first decimal for which such rounding represents less than 1% of the Series Preferred Conversion Price in effect after such adjustment.

(iii) For the purpose of making any adjustment required under this Section 4(h), the aggregate consideration received by the Corporation for any issue or sale of securities (the ***"Aggregate Consideration"***) shall be defined as: (A) to the extent it consists of cash, the gross amount of cash received by the Corporation before deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Corporation in connection with such issue or sale and without deduction of any expenses payable by the Corporation, (B) to the extent it consists of property other than cash, the fair market value of that property as determined in good faith by the Board, and (C) if Additional Shares of Common Stock, Convertible Securities or Rights to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Corporation for a consideration that covers both, the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Common Stock, Convertible Securities or Rights.

(iv) For the purpose of the adjustment required under this Section 4(h), if the Corporation issues or sells (A) Preferred Stock or other stock, options, warrants, purchase rights or other securities exercisable for or convertible into, Additional Shares of Common Stock (such convertible stock or securities being herein referred to as ***"Convertible Securities"***) or (y) rights or options for the purchase of Additional Shares of Common

Stock or Convertible Securities (such rights or options being hereinafter referred to as ***"Rights"***) and if the Effective Price of such Additional Shares of Common Stock is less than the Series Preferred Conversion Price, in each case the Corporation shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Corporation for the issuance of such Rights or Convertible Securities plus:

(A) in the case of such Rights, the minimum amounts of consideration, if any, payable to the Corporation upon the exercise of such Rights; and

(B) in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Corporation upon the conversion thereof (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities); provided that if the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, the Corporation shall be deemed to have received the minimum amounts of consideration without reference to such clauses.

(C) If the minimum amount of consideration payable to the Corporation upon the exercise or conversion of Rights or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of antidilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; *provided further*, that if the minimum amount of consideration payable to the Corporation upon the exercise or conversion of such Rights or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Corporation upon the exercise or conversion of such Rights or Convertible Securities.

(D) No further adjustment of the Series Preferred Conversion Price, as adjusted upon the issuance of such Rights or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock or the exercise of any such Rights or the conversion of any such Convertible Securities. If any such Rights or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Series Preferred Conversion Price as adjusted upon the issuance of such Rights or Convertible Securities shall be readjusted to the Series Preferred Conversion Price that would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such Rights or rights of conversion of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such Rights, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration, if any, actually received by the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities, provided that such readjustment shall not apply to prior conversions of Series Preferred.

(v) For the purpose of making any adjustment to the Conversion Price required under this Section 4(h), ***"Additional Shares of Common Stock"*** shall mean all shares of Common Stock, Convertible Securities or Rights for the purchase of Additional Shares of Common Stock or Convertible Securities issued by the Corporation or deemed to be issued pursuant to this Section 4(h) (including shares of Common Stock subsequently reacquired or retired by the Corporation), other than:

(A) shares of Common Stock issued pursuant to the conversion of Series Preferred;

(B) shares of Common Stock issued pursuant to the exercise of options, warrants or Convertible Securities outstanding as of the Filing Date;

(C) the issuance and sale of, or the grant of options to purchase shares of Common Stock, to employees, directors or officers of, or *bona fide* consultants to, the Corporation and its subsidiaries pursuant to stock plans or options or agreements adopted or approved by the Board (including shares issued or sold pursuant to the exercise of any stock option or purchased pursuant to a grant under the Corporation's stock option plans or stock purchase plans or pursuant to agreements entered into for employee compensation purposes prior to the Filing Date);

(D) securities or Rights issued to persons or entities with which the Corporation has business relationships as equity enhancements in bank financing, leasing or other similar transactions approved by the Board (including at least one of the Series Preferred Directors);

(E) securities issued pursuant to the acquisition of another corporation by the Corporation or issued in connection with any merger, consolidation, combination, purchase of all or substantially all of the assets or other reorganization approved by the Board (including at least one of the Series Preferred Directors);

(F) securities issued during any calendar year equal to less than 5% of the securities of the Corporation outstanding on a fully diluted basis in connection with any strategic alliance, license agreement, joint venture agreement or other agreement approved by the Board (including at least one of the Series Preferred Directors); and

(G) shares of Common Stock issued or issuable (1) as a dividend or distribution on any shares of Series Preferred or any shares of Common Stock issued pursuant to subsection (v)(A) above, or (2) pursuant to any event for which adjustments are made pursuant to Sections 4(e), 4(f) and 4(g) above.

For purposes of this Section 4(h), "on a fully diluted basis" shall mean, with respect to Common Stock, (A) all shares of Common Stock outstanding, (B) the number of shares of Common Stock into which the then outstanding shares of Series Preferred could be converted if fully converted on the day immediately preceding the given date, and (C) the number of shares of Common Stock that are issuable upon the exercise or conversion of any other outstanding securities, Convertible Securities and all outstanding Rights.

The ***"Effective Price"*** of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Corporation under this Section 4(h), into the Aggregate Consideration received, or

deemed to have been received by the Corporation for such issue under this Section 4(h), for such Additional Shares of Common Stock. In the event that the number of shares of Additional Shares of Common Stock or the Effective Price cannot be ascertained at the time of issuance, such Additional Shares of Common Stock shall be deemed issued immediately upon the occurrence of the first event that makes such number of shares or the Effective Price, as applicable, ascertainable.

(vi) In the event that the Corporation issues or sells, or is deemed to have issued or sold, Additional Shares of Common Stock in a Qualifying Dilutive Issuance (the ***"First Dilutive Issuance"***), then in the event that the Corporation issues or sells, or is deemed to have issued or sold, Additional Shares of Common Stock in a Qualifying Dilutive Issuance other than the First Dilutive Issuance as a part of the same transaction or series of related transactions as the First Dilutive Issuance (a ***"Subsequent Dilutive Issuance"***), then and in each such case upon a Subsequent Dilutive Issuance, the Series Preferred Conversion Price shall be reduced to the Series Preferred Conversion Price that would have been in effect had the First Dilutive Issuance and each Subsequent Dilutive Issuance all occurred on the closing date of the First Dilutive Issuance.

(i) Certificate of Adjustment. In each case of an adjustment or readjustment of the Series Conversion Price or the number of shares of Common Stock or other securities issuable upon conversion of the Series Preferred, if the change is greater than 1%, the Corporation, or independent public accountants selected by the Corporation, shall promptly compute such adjustment or readjustment in accordance with this Restated Certificate and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first-class mail, postage prepaid, to each registered holder of Series Preferred at the holder's address as shown on the Corporation's stock transfer books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (A) the Series Preferred Conversion Price at the time in effect, and (ii) the number of shares of Common Stock and the type and amount, if any, of other property which at the time would be received upon conversion of the Series Preferred. Failure to request or provide such notice shall have no effect on any such adjustment.

(j) Notices of Record Date. In the event that this Corporation shall propose at any time:

(i) to declare any distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;

(ii) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or

(iii) to voluntarily liquidate or dissolve or to enter into any transaction deemed to be a Liquidation Event;

then, in connection with each such event, this Corporation shall send to the holders of the Series Preferred simultaneously with any notice of such event sent to the holders of Common Stock, but in all events at least 10 days' prior written notice of the date on which a record shall be taken for such matter (and specifying the date on which the holders of Common Stock shall be entitled thereto and, if applicable, the amount and character of such matter) or for determining rights to vote in respect of the matters referred to in (ii) and (iii) above. Such written notice shall be given by first class mail (or express courier), postage prepaid, addressed to the holders of Series Preferred at the address for each such holder as shown on the books of the Corporation and shall be deemed given on the date such notice is mailed. The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the vote or written consent of the holders of a majority of the outstanding shares of Series Preferred, voting together as a single class.

(k) Automatic Conversion.

(i) Each share of Series Preferred shall automatically be converted into shares of Common Stock, based on the then-effective Series Preferred Conversion Rate, (A) at any time upon the affirmative election of the holders of the Requisite Majority, (B) immediately prior to the closing of a firm commitment underwritten public offering of Common Stock by the Corporation covering the offer and sale of Common Stock for the account of the

Corporation in which the gross cash proceeds to the Corporation (before underwriting discounts, commissions and fees) are at least $25,000,000, provided that that Common Stock is approved for quotation on the Nasdaq Stock Market, the New York Stock Exchange or the American Stock Exchange immediately following the consummation thereof, and (C) upon the effective date of a Registration Statement (as defined in the Purchase Agreement).

(ii) Upon the occurrence of any of the events specified in Section 4(k)(i) above, the outstanding shares of Series Preferred shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; *provided, however*, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of Series Preferred are either delivered to the Corporation or its transfer agent as provided below, or the holder of such shares notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the Series Preferred, the holders of such shares shall surrender the certificates representing such shares at the office of the Corporation or any transfer agent for the Series Preferred. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Series Preferred surrendered were convertible on the date on which such automatic conversion occurred.

(l) Special Mandatory Conversion.

(i) For purposes of this Article IV, Section D.4(l), the following definitions shall apply:

(A) An ***"Affiliate"*** of any Major Investor shall mean (1) any general or limited partner or retired general or limited partner of any Major Investor which is a partnership, (2) any member or former member of any Major Investor which is a limited liability company, (3) any family member or trust for the benefit of any individual Major Investor or (4) any affiliated venture capital fund of a Major Investor.

(B) The ***"Initial Closing"*** shall have the meaning set forth in the Purchase Agreement.

(C) The ***"Initial Closing Date"*** shall have the meaning set forth in the Purchase Agreement.

(D) A ***"Major Investor"*** shall mean, any holder of Series E Preferred, who, as of immediately prior to the Filing Date, owned together with such holder's Affiliates, at least 1,000,000 shares of Series E Preferred. For purposes of determining the number of shares of Series E Preferred held by any Major Investor under any provision of this Section D.4(l), all shares of Series E Preferred held by any of its Affiliates shall be aggregated with such Major Investor's shares of Series E Preferred.

(E) A Major Investor's ***"Pro Rata Allocation"*** shall mean the product of $10,000,000 multiplied by such Major Investor's Pro Rata Share.

(F) A Major Investor's ***"Pro Rata Share"*** shall mean, immediately prior to the Initial Closing, the ratio expressed as a fraction, (1) the numerator of which is the number of outstanding shares of Series A-1 Preferred held by such Major Investor, and (2) the denominator of which is the total number of shares of Series A-1 Preferred then outstanding.

(G) The ***"Series A-1 Financing"*** shall mean the issuance by the Corporation of Series A-1 Preferred pursuant to the Purchase Agreement.

(ii) In the event that:

(A) the Corporation proposes to consummate the Series A-1 Financing pursuant to the Purchase Agreement;

(B) the Corporation delivers a notice to the Major Investors not less than five business days prior to the Initial Closing Date that (1) states the Corporation's intention to consummate the Series A-1 Financing pursuant to the Purchase Agreement, (2) indicates the material terms upon which the Corporation proposes to consummate the Series A-1 Financing, (3) specifies such Major Investor's Pro Rata Allocation, and (4) offers such Major Investor the right to invest such Major Investor's Pro Rata Allocation in the Initial Closing of the Series A-1 Financing pursuant to the Purchase Agreement; and

(C) such Major Investor, together with any Affiliates of such Major Investor, fail to collectively invest at least the Pro Rata Allocation of such Major Investor in the Initial Closing of the Series A-1 Financing pursuant to the Purchase Agreement;

then, each share of Series A-1 Preferred held by such Major Investor as of the Initial Closing Date, after giving effect to the provisions of Article IV.C. of this Restated Certificate (the ***"Converted Series A-1 Preferred"***), shall automatically and without further action on the part of such Major Investor be converted, effective as of the Initial Closing Date, into 0.333 of one share of Series A-2 Preferred (the ***"Special Mandatory Conversion"***). The Corporation shall not issue any fractional shares of Series A-2 Preferred as a result of the Special Mandatory Conversion, but shall instead pay to each Major Investor whose shares of Converted Series A-1 Preferred were automatically converted into shares of Series A-2 Preferred pursuant to this Article IV, Section D.4(l) who would be entitled to receive any fractional share of Series A-2 Preferred as a result of the Special Mandatory Conversion, a sum in cash equal to the fair market value of any such fractional share as determined by the Board.

(iii) Following the Initial Closing Date, the Corporation shall provide written notice to each Major Investor whose shares of Converted Series A-1 Preferred were automatically converted into shares of Series A-2 Preferred pursuant to this Article IV, Section D.4(l). Such notice shall be sent by first class or registered mail, postage prepaid, to each such Major Investor at such Major Investor's address last shown on the records of the Corporation's transfer agent (or the records of the Corporation, if it serves as its own transfer

agent). Upon receipt of such notice, each such Major Investor shall surrender his or its certificate or certificates for all such shares so converted to the Corporation, and shall thereafter receive certificates for the number of shares of Series A-2 Preferred to which such Major Investor is entitled. Immediately upon such automatic conversion, all rights with respect to the Converted Series A-1 Preferred so converted shall immediately cease and terminate, except only for the rights of the holders thereof, upon surrender of their certificate or certificates therefor, to receive certificates for the number of shares of Series A-2 Preferred into which such shares of Converted Series A-1 Preferred have been converted; and provided that declared but unpaid dividends, if any, with respect to the Converted Series A-1 Preferred so converted as of the date of such conversion shall be forfeited. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his or its attorney duly authorized in writing. As soon as practicable after the Initial Closing Date and following the surrender of the duly endorsed certificate or certificates for Converted Series A-1 Preferred, the Corporation shall cause to be issued and delivered to such holder, or on his or its written order, a certificate or certificates for the number of full shares of Series A-2 Preferred issuable on such conversion in accordance with the provisions hereof.

(iv) All certificates evidencing shares of Converted Series A-1 Preferred which are required to be surrendered in accordance with the provisions hereof shall, from and after the date of their automatic conversion, be deemed to have been retired and canceled, and all applicable shares of Converted Series A-1 Preferred shall be deemed to have been converted into Series A-2 Preferred for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates. The Corporation may, after the Initial Closing Date, take such appropriate action (without the need for stockholder actions) as may be necessary to reduce the authorized shares of Series A-1 Preferred and increase the number of authorized shares of Series A-2 Preferred accordingly.

(m) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect a conversion of all outstanding shares of the Series Preferred, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series Preferred, the Corporation shall promptly seek such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose. In the event of the consolidation or merger of the Corporation with another corporation where the Corporation is not the surviving corporation, effective provision shall be made in the certificate or articles of incorporation, documents of merger or consolidation,

or otherwise, of the surviving corporation so that such corporation will at all times reserve and keep available a sufficient number of shares of Common Stock or other equivalent securities or property to provide for the conversion of Series Preferred in accordance with the provisions of this Section 4.

(n) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of any shares of Series Preferred. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series Preferred by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Corporation shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the fair market value of one share of Common Stock (as determined in good faith by the Board) on the date of conversion.

(o) Notices. Any notice required by the provisions of this Section 4 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile, in each case if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with verification of receipt. All notices shall be addressed to each holder of record at the address of such holder appearing on the books of the Corporation.

(p) Payment of Taxes. The Corporation will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Series Preferred, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series Preferred so converted were registered.

(q) Waiver of Adjustment to Series Preferred Conversion Price. Notwithstanding anything contained in this Restated Certificate to the contrary, no adjustment in the Series Preferred Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives notice from the holders of a majority of the then outstanding shares of Series Preferred agreeing that no such adjustment shall be made to the Series Preferred Conversion Price for such series as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

(r) No Impairment. The Corporation will not through any reorganization, transfer of assets, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Series Preferred against impairment.

5. NO REISSUANCE OF SERIES PREFERRED.

No shares of Series Preferred acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued.

V.

The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of the Preferred Stock as set forth in this Restated Certificate. Each share of Common Stock shall have the same relative rights as and be identical in all respects to all the other shares of Common Stock. Each holder of shares of Common Stock shall be entitled to attend all special and annual meetings of the stockholders of the Corporation and, share for share and without regard to class, together with the holders of all other classes of stock entitled to attend such meetings and to vote (except any class or series of stock having special voting rights), to cast one vote for each outstanding share of Common Stock so held upon any matter or thing (including, without limitation, the election of one or more directors) properly considered and acted upon by the stockholders. Except for and subject to those rights expressly granted to the holders of Series Preferred, or except as may be provided by the laws of the State of Delaware, the holders of Common Stock shall have all other rights of stockholders.

VI.

A. The Corporation shall indemnify each of the Corporation's directors and officers in each and every situation where, under Section 145 of the DGCL (***"Section 145"***), the Corporation is permitted or empowered to make such indemnification. The Corporation may, in the sole discretion of the Board, indemnify any other person who may be indemnified pursuant to Section 145 to the extent the Board deems advisable, as permitted by Section 145. The Corporation shall promptly make or cause to be made any determination required to be made pursuant to Section 145.

B. No person shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as director; *provided, however*, that the foregoing shall not eliminate or limit the liability of a director (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL or (4) for any transaction from which the director has derived an improper personal benefit. If the DGCL is subsequently amended to further eliminate or limit the liability of a director, then a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall not be liable to the fullest extent permitted by the amended DGCL. For purposes of this Article VI, "fiduciary duty as a director" shall include any fiduciary duty arising out of serving at the Corporation's request as a director of another corporation, partnership, joint venture or other enterprise, and "personal liability to the Corporation or its stockholders" shall include any liability to such other corporation, partnership, joint venture, trust or other enterprise, and any liability to the corporation in its capacity as a security holder, joint venturer, partner, beneficiary, creditor or investor of or in any such other corporation, partnership, joint venture, trust or other enterprise.

C. The Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the CGCL) for breach of duty to the Corporation and its stockholders through bylaw provisions or through agreements with the agents, or through stockholder resolutions, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the CGCL, subject, at any time or times that the Corporation is subject to Section 2115(b) of the CGCL, to the limits on such excess indemnification set forth in Section 204 of the CGCL.

D. Any repeal or modification of this Article VI or the adoption of any provision of this Restated Certificate inconsistent with this Article VI shall only be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any action or omission to act giving rise to liability.

VII.

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board. The number of directors which shall constitute the whole Board shall be fixed by the Board in the manner provided in the Bylaws, subject to any restrictions which may be set forth in this Restated Certificate.

B. The Board is expressly empowered to adopt, amend or repeal the Bylaws. The stockholders shall also have the power to adopt, amend or repeal the Bylaws; *provided, however*, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Restated Certificate, the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws.

C. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

VIII.

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of the DGCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such matter as the said court directs. If a majority in number representing 75% in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, such compromise or arrangement and such reorganization shall, if sanctioned by the court to which such application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

IX.

The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An ***"Excluded Opportunity"*** is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Series Preferred or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, ***"Covered Persons"***), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation.

FOUR: This Sixth Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors of the Corporation.

FIVE: This Sixth Amended and Restated Certificate of Incorporation was approved by the holders of the requisite number of shares of said corporation in accordance with Section 228 of the DGCL. This Sixth Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL by the stockholders of the Corporation.

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IN WITNESS WHEREOF, XENCOR, INC. has caused this Sixth Amended and Restated Certificate of Incorporation to be signed by its President and Chief Executive Officer this 12th day of June, 2013.

XENCOR, INC.

Signature: /s/ Bassil I. Dahiyat

Print Name: Bassil I. Dahiyat

Title: President and Chief Executive Officer

Exhibit 3.3

BYLAWS

OF

XENCOR, INC.
(A DELAWARE CORPORATION)

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BYLAWS

OF

XENCOR, INC.
(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington County of New Castle.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

CORPORATE SEAL

Section 3. Corporate Seal. The Board of Directors may adopt a corporate seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III

STOCKHOLDERS' MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the Delaware General Corporation Law ("DGCL").

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of

stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the DGCL, (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90^{th}) day nor earlier than the close of business on the one hundred twentieth (120^{th}) day prior to the first anniversary of the preceding year's annual meeting; *provided, however,* that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120^{th}) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90^{th}) day prior to such annual meeting or the tenth (10^{th}) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-4(d) thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the

notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(c) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10^{th}) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(f) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive

Officer, (iii) the President, (iv) the Board of Directors pursuant to a resolution adopted by at least two of the directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption), or (v) by the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting, and shall be held at such place, on such date, and at such time as the Board of Directors shall fix. At any time or times that the corporation is subject to Section 2115(b) of the California General Corporation Law ("CGCL"), stockholders holding five percent (5%) or more of the outstanding shares shall have the right to call a special meeting of stockholders as set forth in Section 18(b) herein.

(b) If a special meeting is properly called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by certified or registered mail, return receipt requested, or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, the President or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

Section 7. Notice of Meetings. Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at any such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be

adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law or by applicable stock exchange or Nasdaq rules, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of a majority of shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the outstanding shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares present in person, by remote communication, if applicable, or represented by proxy. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2)

or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, and the vote is not evenly split on any particular matter, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 13. Action Without Meeting.

(a) Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, or by electronic transmission setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent or electronic transmission shall bear the date of signature of each stockholder who signs the consent, and no written consent or electronic transmission shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner herein required, written consents or electronic transmissions signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing or by electronic transmission and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been

the date that written consents signed by a sufficient number of stockholders to take action were delivered to the corporation as provided in Section 228(c) of the DGCL. If the action which is consented to is such as would have required the filing of a certificate under any section of the DGCL if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the DGCL.

(d) A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this

section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery to its registered office in the state of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the corporation or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the board of directors of the corporation. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are

necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

Section 15. Number and Term of Office. Unless otherwise provided in the Certificate of Incorporation, the authorized number of directors of the corporation shall be fixed by the Board of Directors from time to time. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient.

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 17. Term of Directors.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, directors shall be elected at each annual meeting of stockholders for a term of one year. Each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the time of such election, the corporation is subject to Section 2115(b) of the CGCL. During such time or times that the corporation is subject to Section 2115(b) of the CGCL, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice to cumulate votes, all stockholders may

cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

Section 18. Vacancies.

(a) Unless otherwise provided in the Certificate of Incorporation, and subject to the rights of the holders of any series of Common Stock or Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

(b) At any time or times that the corporation is subject to §2115(b) of the CGCL, if, after the filling of any vacancy, the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then

(i) any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(ii) the Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of the stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL, the term of office of any director shall terminate upon that election of a successor.

Section 19. Resignation. Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. Unless otherwise provided in the Certificate of Incorporation, when one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 20. Removal.

(a) Subject to any limitations imposed by applicable law (and assuming the corporation is not subject to Section 2115 of the CGCL), unless otherwise provided in the Certificate of Incorporation, the Board of Directors or any director may be removed from office at any time (i) with cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of voting stock of the corporation entitled to vote at an election of directors or (ii) without cause by the affirmative vote of the holders of sixty-six and two-thirds percent (66-2/3%) of the voting power of all then-outstanding shares of voting stock of the corporation, entitled to vote at an election of directors.

(b) Unless otherwise provided in the Certificate of Incorporation, during such time or times that the corporation is subject to Section 2115(b) of the CGCL, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; *provided, however,* that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

Section 21. Meetings

(a) Annual Meetings. The annual meeting of the Board of Directors shall be held immediately before or after the annual meeting of the stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for a regular meeting of the Board of Directors.

(c) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any two of the directors.

(d) Meetings by Electronic Communications Equipment.

(1) Meetings of the Board of Directors. Except as otherwise authorized in writing by the Chairman of the Board of Directors in advance of any meeting of the

Board of Directors, members of the Board of Directors and guests of the Board of Directors (including persons with observation or similar rights) must participate in meetings of the Board of Directors by presence in person at such meeting and may not participate in a meeting of the Board of Directors by means of conference telephone or other communications equipment. The Chairman of the Board of Directors Board of Directors, or, if a Chairman has not been appointed, the President, may authorize in writing in advance of any particular meeting participation in such meeting by some or all members of the Board of Directors and guests of the Board of Directors (including persons with observation or similar rights) by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(2) Meetings of the Committees of the Board of Directors. Any member of any committee of the Board of Directors may participate in a meeting of such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) Notice of Special Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least forty-eight (48) hours before the date and time of the meeting. If notice is sent by US mail, it shall be sent by first class mail, postage prepaid at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director

attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; *provided, however,* at any meeting, whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or writings or transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee.

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Bylaw, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any

committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, (if a director) or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one

person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 28. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) Duties of Vice Presidents. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving notice in writing or by electronic transmission notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 32. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 33. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

Section 34. Form and Execution of Certificates. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 35. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost,

stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 36. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

Section 37. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however,* that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is

received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to

consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 38. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

Section 39. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; *provided, however,* that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer

who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

Section 40. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 41. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

Section 42. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

Section 43. Indemnification of Directors, Officers, Employees and Other Agents.

(a) Directors and Executive Officers. The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, "executive officers" shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent not prohibited by the DGCL or any other applicable law; *provided, however,* that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers; and, *provided, further,* that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the

proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Other Officers, Employees and Other Agents. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding, *provided, however,* that, if the DGCL requires, an advancement of expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 43 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation, in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification or advances granted by this Bylaw to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or

(ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL or any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, executive officer, other officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL, or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(h) Amendments. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged

occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not

have been invalidated, or by any other applicable law. If this Section 43 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an

employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Bylaw.

ARTICLE XII

NOTICES

Section 44. Notices.

(a) Notice to Stockholders. Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by United States mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) Notice to Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), or as provided for in Section 21 of these Bylaws. If such notice is not delivered personally, it shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(e) Notice to Person with Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(f) Notice to Stockholders Sharing an Address. Except as otherwise prohibited under DGCL, any notice given under the provisions of DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall have been deemed to have been given if such stockholder fails to object in writing to the corporation within 60 days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

(g) Notice to Person with Undeliverable Address. Whenever notice is required to be given under any provision of law or the Certificate of Incorporation or Bylaws of the corporation to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

ARTICLE XIII

AMENDMENTS

Section 45. Amendments. Except as otherwise provided in the Certificate of Incorporation, the Bylaws of the corporation may be amended or repealed by the Board of Directors or the holders of a majority of the outstanding shares of the corporation's capital stock entitled to vote thereon voting on an as-converted basis.

ARTICLE XIV

RIGHT OF FIRST REFUSAL

Section 46. Right of First Refusal. No stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of **common** stock, of the corporation or any right or interest therein, whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this bylaw:

(a) If the stockholder desires to sell or otherwise transfer any of his shares of common stock, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the number of shares to be transferred, the proposed consideration, and all other terms and conditions of the proposed transfer.

(b) For thirty (30) days following receipt of such notice, the corporation shall have the option to purchase all (or a lesser portion of) the shares specified in the notice at the price and upon the terms set forth in such notice. In the event of a gift, property settlement or other transfer in which the proposed transferee is not paying the full price for the shares, and that is not otherwise exempted from the provisions of this Section 46, the price shall be deemed to be the fair market value of the stock at such time as determined in good faith by the Board of Directors. In the event the corporation elects to purchase all of the shares or, with consent of the stockholder, a lesser portion of the shares, it shall give written notice to the transferring stockholder of its election and settlement for said shares shall be made as provided below in paragraph (d).

(c) The corporation may assign its rights hereunder.

(d) In the event the corporation and/or its assignee(s) elect to acquire any of the shares of the transferring stockholder as specified in said transferring stockholder's notice, the Secretary of the corporation shall so notify the transferring stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said transferring stockholder's notice; provided that if the terms of payment set forth in said transferring stockholder's notice were other than cash against delivery, the corporation and/or its assignee(s) shall pay for said shares on the same terms and conditions set forth in said transferring stockholder's notice.

(e) In the event the corporation and/or its assignees(s) do not elect to acquire all of the shares specified in the transferring stockholder's notice, said transferring stockholder may, within the sixty-day period following the expiration of the option rights granted to the corporation and/or its assignees(s) herein, transfer the shares specified in said transferring stockholder's notice which were not acquired by the corporation and/or its assignees(s) as specified in said transferring stockholder's notice. All shares so sold by said transferring stockholder shall continue to be subject to the provisions of this bylaw in the same manner as before said transfer.

(f) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this bylaw:

(1) A stockholder's transfer of any or all shares held either during such stockholder's lifetime or on death by will or intestacy to such stockholder's immediate family or to any custodian or trustee for the account of such stockholder or such stockholder's immediate family or to any limited partnership of which the stockholder, members of such stockholder's immediate family or any trust for the account of such stockholder or such stockholder's immediate family will be the general of limited partner(s) of such partnership. "Immediate family" as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such transfer.

(2) A stockholder's bona fide pledge or mortgage of any shares with a commercial lending institution, provided that any subsequent transfer of said shares by said institution shall be conducted in the manner set forth in this bylaw.

(3) A stockholder's transfer of any or all of such stockholder's shares to the corporation or to any other stockholder of the corporation.

(4) A stockholder's transfer of any or all of such stockholder's shares to a person who, at the time of such transfer, is an officer or director of the corporation.

(5) A corporate stockholder's transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of shares or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder.

(6) A corporate stockholder's transfer of any or all of its shares to any or all of its stockholders.

(7) A transfer by a stockholder which is a limited or general partnership to any or all of its partners or former partners.

In any such case, the transferee, assignee, or other recipient shall receive and hold such stock subject to the provisions of this bylaw, and there shall be no further transfer of such stock except in accord with this bylaw.

(g) The provisions of this bylaw may be waived with respect to any transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those shares to be transferred by the transferring stockholder). This bylaw may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation.

(h) Notwithstanding anything to the contrary in this Section 46, the corporation shall be permitted to enter into separate agreements with any of its stockholders providing for a right of first refusal, the terms of which agreements, if any, so long as they shall remain in effect, shall supersede the terms of the right of first refusal set forth in this Section 46.

(i) Any sale or transfer, or purported sale or transfer, of securities of the corporation shall be null and void unless the terms, conditions, and provisions of this bylaw are strictly observed and followed.

(j) The foregoing right of first refusal shall terminate on either of the following dates, whichever shall first occur:

(1) On May 15, 2014.

(2) Upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

(k) The certificates representing shares of stock of the corporation shall bear on their face the following legend so long as the foregoing right of first refusal remains in effect:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE CORPORATION AND/OR ITS ASSIGNEE(S), AS PROVIDED IN THE BYLAWS OF THE CORPORATION."

ARTICLE XV

LOANS TO OFFICERS

Section 47. Loans to Officers. Except as otherwise prohibited under applicable law, the corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE XVI

MISCELLANEOUS

Section 48. Annual Report.

(a) Subject to the provisions of paragraph (b) of this Bylaw, the Board of Directors shall cause an annual report to be sent to each stockholder of the corporation not later than one hundred twenty (120) days after the close of the corporation's fiscal year. Such report shall include a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accounts or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. When there are more than 100 stockholders of record of the corporation's shares, as determined by Section 605 of the CGCL, additional information as required by Section 1501(b) of the CGCL shall also be contained in such report, provided that if the corporation has a class of securities registered under Section 12 of the 1934 Act, the 1934 Act shall take precedence. Such report shall be sent to stockholders at least fifteen (15) days prior to the next annual meeting of stockholders after the end of the fiscal year to which it relates.

(b) If and so long as there are fewer than one hundred (100) stockholders of record of the corporation's shares, the requirement of sending of an annual report to the

stockholders of the corporation contained in Section 1501 of the CGCL, as may be amended from time to time, is hereby expressly waived.

XENCOR, INC.
THIRD AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT

THIS THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (the ***"Agreement"***) is entered into as of June 26, 2013, by and among **XENCOR, INC.**, a Delaware corporation (the ***"Company"***), and the investors listed on **EXHIBIT A** hereto (referred to herein individually as an ***"Investor"*** and collectively as the ***"Investors"***) and amends and restates in its entirety that certain Second Amended and Restated Investor Rights Agreement, dated October 12, 2007, by and among the Company and the Investors (as amended, the ***"Prior Agreement"***).

RECITALS

WHEREAS, the Investors are holders of the Company's outstanding Series A-1 Preferred Stock (the ***"Series A-1 Preferred"***) and Series A-2 Preferred Stock (the ***"Series A-2 Preferred"*** and together with the Series A-1 Preferred, the ***"Preferred Stock"***).

WHEREAS, certain of the Investors are (i) purchasing additional shares of Series A-1 Preferred pursuant to that certain Series A-1 Preferred Stock Purchase Agreement (the ***"Purchase Agreement"***) of even date herewith (the ***"Series A-1 Financing"***) and (ii) acquiring additional shares of Series A-1 Preferred upon the conversion of certain outstanding Convertible Promissory Notes pursuant to that certain Note Conversion Agreement (the ***"Note Conversion Agreement"***) of even date herewith (the ***"Note Conversion"***);

WHEREAS, the obligations in the Purchase Agreement and the Note Conversion Agreement are conditioned upon the execution and delivery of this Agreement;

WHEREAS, the parties to this Agreement desire to amend and restate the Prior Agreement in its entirety as set forth herein; and

WHEREAS, in connection with the consummation of the Series A-1 Financing and the Note Conversion, the Company and the Investors have agreed to enter into this Agreement in order to grant registration rights, information rights and other rights to the Investors as set forth below.

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

AGREEMENT

SECTION 1. GENERAL.

1.1 Definitions. As used in this Agreement the following terms shall have the following respective meanings:

(a) ***"Affiliate"*** shall mean a Person that, directly or indirectly, controls or is controlled by, or is under common control with, any Person. For purposes of this paragraph, "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. In addition, in the case of each Holder, an "Affiliate" of such Holder shall include partners and members thereof.

(b) ***"Charter"*** means the Company's Sixth Amended and Restated Charter, as amended from time-to-time.

(c) ***"Common Stock"*** means the common stock of the Company.

(d) ***"Direct Competitor"*** means any Person involved in a business substantially similar to the business of the Company. For purposes of clarification, and not limitation, the term "Direct Competitor" shall not include Novo Nordisk A/S or any member of the MedImmune Group, the HCV Group, the OBP Group or the Merlin Group.

(e) ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended.

(f) ***"Form S-3"*** means such form under the Securities Act as in effect on the date hereof or any successor or similar registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(g) ***"HCV Group"*** means collectively, (i) HealthCare Ventures VIII, L.P. (***"HCV VIII"***); (ii) any venture capital limited partnership now existing or hereafter formed which is affiliated with or under common control with one or more general partners of any general partner of HCV VIII (an ***"HCV Fund"***); or (iii) any limited partners or affiliates of HCV VIII or any other HCV Fund; and (iv) any successors or permissible assigns of any of the foregoing.

(h) ***"Holder"*** means any Person owning of record Registrable Securities or any assignee of record of such Registrable Securities in accordance with Section 2.9 hereof in each case that have not been sold to the public.

(i) ***"Initial Offering"*** means the Company's first firm commitment underwritten public offering of Common Stock registered under the Securities Act.

(j) ***"Major Holder"*** means any Holder that (with its Affiliates) owns at least 1,000,000 shares of Registrable Securities, but shall exclude any Holder that is a Direct Competitor.

(k) ***"MedImmune"*** means MedImmune Ventures, Inc., a Delaware corporation.

(l) ***"MedImmune Director"*** means the member of the Company's Board of Directors (the ***"Board"***) designated by MedImmune pursuant to Section 1.1(b)(i) of that certain Third Amended and Restated Voting, Right of First Refusal and Co-Sale Agreement, dated of

even date herewith, by and among the Company and the parties thereto (the ***"Voting Agreement"***).

(m) ***"MedImmune Group"*** means MedImmune, Inc., a Delaware corporation, and any wholly-owned direct or indirect subsidiary of MedImmune, Inc.

(n) ***"Merlin Group"*** means collectively, (i) Merlin Nexus II, L.P. (***"Merlin"***), (ii) Nexus Gemini, L.P. (***"Nexus"***); (iii) any venture capital limited partnership now existing or hereafter formed which is affiliated with or under common control with one or more general partners of any general partner of Merlin or Nexus (each, a ***"Merlin Fund"***); or (iv) any limited partners or affiliates of Merlin or Nexus or any Merlin Fund; and (v) any successors or permissible assigns of any of the foregoing.

(o) ***"OBP Group"*** means collectively, (i) Oxford Bioscience Partners V L.P. (***"OBPV"***), (ii) mRNA V L.P. (***"MRNA"***); (iii) any venture capital limited partnership now existing or hereafter formed which is affiliated with or under common control with one or more general partners of any general partner of OBPV or MRNA (each, an ***"OBP Fund"***); or (iv) any limited partners or affiliates of OBPV or MRNA or any OBP Fund; and (iv) any successors or permissible assigns of any of the foregoing.

(p) ***"Period of Distribution"*** means (i) in an underwritten offering, until each underwriter has completed the distribution of all securities purchased by it, and (ii) in any other registration, until the earlier of the sale of all Covered Registrable Securities covered thereby or 90 days following the effective date thereof.

(q) ***"Person"*** means any individual, corporation, general or limited partnership, limited liability company, firm, joint venture, association, enterprise, joint stock company, trust, unincorporated organization or other entity.

(r) ***"Qualified Initial Offering"*** means the Company's first firm commitment underwritten public offering of Common Stock covering the offer and sale of Common Stock for the account of the Company with gross proceeds to the Company of at least $25 million, *provided that* the Common Stock is approved for quotation on the Nasdaq Stock Market, the New York Stock Exchange or the American Stock Exchange immediately following the consummation thereof.

(s) ***"Register," "registered,"*** and ***"registration"*** refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(t) ***"Registrable Securities"*** means (i) Common Stock issuable or issued upon conversion of the Shares, (ii) shares of Common Stock acquired by or held by an Investor and (iii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities (x) sold by a Person to the public either pursuant to a registration statement or Rule 144, (y) sold in a private transaction in

which the transferor's rights under Section 2 of this Agreement are not assigned or (z) held by a Holder (together with its Affiliates) if the Company has completed its Initial Offering and all shares of Common Stock of the Company issuable or issued upon conversion of the Shares held by and issuable to such Holder (and its Affiliates) may be sold pursuant to Rule 144 during any 90-day period.

(u) ***"Registrable Securities then outstanding"*** shall be the number of shares of Common Stock that are Registrable Securities and either (i) are then issued and outstanding or (ii) are issuable pursuant to then exercisable or convertible securities.

(v) ***"Registration Expenses"*** shall mean all expenses incurred by the Company in complying with Sections 2.2, 2.3 and 2.4 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements not to exceed $50,000 of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

(w) ***"SEC"*** or ***"Commission"*** means the Securities and Exchange Commission.

(x) ***"Securities Act"*** shall mean the Securities Act of 1933, as amended.

(y) ***"Selling Expenses"*** shall mean all underwriting discounts and selling commissions applicable to the sale.

(z) ***"Shares"*** shall mean the shares of Preferred Stock held from time to time by the Investors listed on **EXHIBIT A** hereto and their permitted assigns.

(aa) ***"Special Registration Statement"*** shall mean (i) a registration statement relating to any employee benefit plan, (ii) with respect to any corporate reorganization or transaction under Rule 145 of the Securities Act, any registration statements related to the issuance or resale of securities issued in such a transaction or (iii) a registration related to stock issued upon conversion of debt securities.

SECTION 2. REGISTRATION; RESTRICTIONS ON TRANSFER.

2.1 Restrictions on Transfer.

(a) Each Holder agrees not to make any disposition of all or any portion of the Shares or Registrable Securities unless and until:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) (A) The transferee has agreed in writing to be bound by the terms of this Agreement, (B) such Holder shall have notified the Company of the proposed disposition

and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (C) if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such shares under the Securities Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144, except in unusual circumstances. After its Initial Offering, the Company will not require any transferee pursuant to Rule 144 to be bound by the terms of this Agreement if the shares so transferred do not remain Registrable Securities hereunder following such transfer.

(b) Notwithstanding the provisions of subsection (a) above, no such restriction shall apply to a transfer by a Holder that is (i) a partnership transferring to its partners or former partners in accordance with partnership interests, (ii) a corporation transferring to a wholly-owned subsidiary or a Person that owns all of the capital stock of the Holder, (iii) in the case of MedImmune, to any other member of the MedImmune Group, (iv) in the case of HCV VIII, to any other member of the HCV Group, (v) in the case of OBPV or MRNA, to any other member of the OBP Group, (vi) in the case of Merlin or Nexus, to any other member of the Merlin Group, (vii) a limited liability company transferring to its members or former members in accordance with their interest in the limited liability company, or (viii) an individual transferring to the Holder's family member or trust for the benefit of an individual Holder's family member; *provided that* in each case the transferee will agree in writing to be subject to the terms of this Agreement to the same extent as if such transferee were an original Holder hereunder.

(c) Each certificate representing Shares or Registrable Securities shall be stamped or otherwise imprinted with legends substantially similar to the following (in addition to any legend required under applicable state securities laws):

> "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE ***"ACT"***) AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.
>
> THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN INVESTOR RIGHTS AGREEMENT BY AND BETWEEN THE STOCKHOLDER AND THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY."

(d) The Company shall be obligated to reissue promptly unlegended certificates at the request of any Holder thereof if the Company has completed its Initial Offering and the Holder shall have obtained an opinion of counsel (which counsel may be counsel to the Company) reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification and legend, *provided that* the second legend listed above shall be removed only at such time as the Holder of such certificate is no longer subject to any restrictions hereunder.

(e) Any legend endorsed on an instrument pursuant to applicable state securities laws and the stop-transfer instructions with respect to such securities shall be removed upon receipt by the Company of an order of the appropriate blue sky authority authorizing such removal.

(f) For purposes of clarification, and not limitation, nothing contained in this Section 2.1 shall amend, limit or modify any Holder's obligations under the Voting Agreement.

2.2 Demand Registration.

(a) Subject to the conditions of this Section 2.2, if the Company shall receive a written request from the Holders of at least 25% of the Registrable Securities (the ***"Initiating Holders"***) that the Company file a registration statement under the Securities Act covering the registration of at least 25% of the Registrable Securities then outstanding, then the Company shall, within 10 business days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2.2, effect, as expeditiously as reasonably possible, the registration under the Securities Act of all Registrable Securities that all Holders request to be registered in the manner specified by the Initiating Holders.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request (the ***"Covered Registrable Securities"***) by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.2 or any request pursuant to Section 2.4 and the Company shall include such information in the written notice referred to in Section 2.2(a) or Section 2.4(a), as applicable. In such event, the right of any Holder to include its Covered Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Covered Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Covered Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Holders of a majority of the Covered Registrable Securities held by all Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.2 or Section 2.4, if the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) then the Company shall so advise all Holders of Covered Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Covered Registrable Securities on a *pro rata* basis based on the number of Covered Registrable Securities held by all such Holders. Any Covered

Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 2.2:

(i) In any jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(ii) During the period starting with the date 60 days prior to the Company's good faith estimated date of filing of, and ending on the date 180 days immediately following the effective date of any registration statement pertaining to securities of the Company (other than a registration of securities pursuant to a Special Registration Statement); *provided that* the Company is actively employing its best efforts to cause such registration statement to become effective;

(iii) After the Company has effected two such registrations pursuant to this Section 2.2, and such registrations have been declared or ordered effective and pursuant to which at least 51% of the Covered Registrable Securities have been sold or remain sellable; *provided, however*, that if any such registration statement is terminated or withdrawn at the request of the Holders holding a majority of the outstanding Registrable Securities pursuant to a registration initiated under Section 2.2(a), prior to such registration statement being declared or ordered effective, then the Company shall have been deemed to have effected a registration pursuant to Section 2.2(a); *provided further, however*, that if the Holders holding a majority of the outstanding Registrable Securities elect to withdraw a registration statement pursuant to Section 2.2(a) as a result of the material adverse change in the business, assets, prospects, or operations of the Company, such registration shall not be counted as a demand for purposes of Section 2.2(a); or

(iv) if the Company shall furnish to the Initiating Holders, a certificate signed on behalf of the Board by the Chairman of the Board stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, in which event the Company shall have the right to defer such filing for a period of not more than 90 days (the ***"Delay Period"***) after receipt of the request of the Initiating Holders; *provided that*, such right to delay a request shall be exercised by the Company no more than twice as to a registration demand under this Section 2.2 in any rolling one-year period; *provided further*, that the Company may delay any such additional requests pursuant to Section 2.2 received during the Delay Period until the termination of the Delay Period.

(d) Except for registration statements on Form S-4 or registrations relating solely to employee benefit plans on Forms S-1 or S-8 or any successors thereto, the Company will not file with the Commission any other registration statement with respect to its Common Stock, whether for its own account or that of other stockholders, from the date of receipt of a notice from the Initiating Holders requesting sale pursuant to an underwritten offering pursuant

to this Section 2.2 until the earlier to occur of (i) 90 days following the effectiveness of such registration statement or (ii) the completion of the Period of Distribution of the registration contemplated thereby.

2.3 Piggyback Registrations. The Company shall notify all Holders of Registrable Securities in writing at least 15 days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding Special Registration Statements) and will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within 15 days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in such registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to this Section 2.3. In such event, the right of any such Holder to include Registrable Securities in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall (together with the Company and other holders distributing their Registrable Securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Section 2.3, if the managing underwriter for the offering advises the Company in writing that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter may reduce to whatever extent necessary (including (i) excluding all Registrable Securities from the Company's initial public offering and (ii) limiting the Registrable Securities to 30% of any other such registration (the ***"Minimum Participation Percentage"***)) the number of Registrable Securities to be included in the registration and underwriting by reducing the number of Registrable Securities included on behalf of the Holders on a *pro rata* basis based on the total number of Registrable Securities entitled to registration held by each Holder at the time of such registration; *provided, however*, that all reductions pursuant this Section 2.3(a)(ii) will be *pro rata* to an amount not less than 30% of the total number of shares included in the offering only after all other shares held by stockholders who are not Holders hereunder have been eliminated in their entirety from the registration, and; *provided, further* that any registration where the number of Registrable Securities is cut back to less than the Minimum Participation Percentage shall not be considered as a registration effected by the Company. The Company shall advise all Holders of Registrable Securities that would otherwise be registered and underwritten pursuant hereto of any such limitations. If any Holder disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written

notice to the Company and the underwriter. Any Registrable Securities excluded or withdrawn from such underwriting shall not be included in such registration. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.3 before it becomes effective whether or not any Holder has elected to include securities in such registration, and shall promptly notify any Holder that has elected to include shares in such registration of such termination or withdrawal. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.5 hereof.

2.4 Form S-3 Registration. In case the Company shall receive from any Holder or Holders of Registrable Securities (the ***"Initiating S-3 Holders"***) a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; *provided, however*, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.4:

(i) if Form S-3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $1,000,000;

(iii) if within 30 days of receipt of a written request from any Holder or Holders pursuant to this Section 2.4, the Company gives notice to such Holder or Holders of the Company's intention to make a public offering within 90 days, other than pursuant to a Special Registration Statement;

(iv) if the Company shall furnish to the Initiating S-3 Holders a certificate signed on behalf of the Board by the Chairman of the Board stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, in which event the Company shall have the right to defer such filing for a period of not more than 90 days after receipt of the request of the Holders;

provided that, so long as such request by the Initiating S-3 Holders is provided not more than once in any 90-day period, such right to delay a request shall be exercised by the Company no more than twice in any one-year period;

(v) if the Company has, within the 12-month period preceding the date of such request, already effected four registrations on Form S-3 for the Holders pursuant to this Section 2.4; or

(vi) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service of process in such jurisdiction and except as may otherwise be required by the Securities Act.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the requests of the Holders. Registrations effected pursuant to this Section 2.4 hereof shall not be counted as demands for registration or registrations effected pursuant to Section 2.2 hereof.

2.5 Expenses of Registration. Except as specifically provided herein, all Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 2.2, 2.3 or 2.4 herein shall be borne by the Company; *provided, however*, that in connection with any registration of securities, the Company shall only be responsible for the reasonable fees and costs of one counsel for the Holders, in an amount not to exceed $50,000. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered *pro rata* on the basis of the number of shares so registered. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 2.2 or 2.4, the request of which has been subsequently withdrawn by the Initiating Holders or Initiating S-3 Holders, respectively, unless (a) the withdrawal is based upon material adverse information concerning the Company of which such Initiating Holders or Initiating S-3 Holders, respectively, were not aware at the time of such request or (b) the Holders of a majority of the Covered Registrable Securities agree to deem such registration to have been effected as of the date of such withdrawal for purposes of determining whether the Company shall be obligated pursuant to Section 2.2 or 2.4(b)(v), as applicable, to undertake any subsequent registration, in which event such right shall be forfeited by all Holders). If the Holders are required to pay the Registration Expenses, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to clause (a) above, then such registration shall not be deemed to have been effected for purposes of determining whether the Company shall be obligated pursuant to Section 2.2(c) or 2.4(b), as applicable, to undertake any subsequent registration.

2.6 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities (advance draft copies of which shall be furnished to the holders of any Covered Registrable Securities and their counsel at least five business days prior to filing with the SEC) and use all reasonable efforts to cause such registration statement to become effective and keep such registration statement effective for the Period of Distribution contemplated thereby and promptly provide counsel to the holders of any Covered Registrable Securities copies of all SEC comment letters or other written SEC communications received with respect thereto; *provided, however*, that at any time, upon written notice to the participating Holders and for a period not to exceed 60 days thereafter (the ***"Suspension Period"***), the Company may delay the filing or effectiveness of any registration statement or suspend the use or effectiveness of any registration statement (and the Initiating Holders and Initiating S-3 Holders hereby agree not to offer or sell any Registrable Securities pursuant to such registration statement during the Suspension Period) if the Company reasonably believes that there is or may be in existence material nonpublic information or events involving the Company, the failure of which to be disclosed in the prospectus included in the registration statement could result in a Violation (as defined below). In the event that the Company shall exercise its right to delay or suspend the filing or effectiveness of a registration hereunder, the applicable time period during which the registration statement is to remain effective shall be extended by a period of time equal to the duration of the Suspension Period. The Company may extend the Suspension Period for an additional consecutive 60 days with the consent of the holders of a majority of the Covered Registrable Securities registered under the

applicable registration statement, which consent shall not be unreasonably withheld. If so directed by the Company, all Holders registering shares under such registration statement shall (i) not offer to sell any Registrable Securities pursuant to the registration statement during the period in which the delay or suspension is in effect after receiving notice of such delay or suspension, and (ii) use their best efforts to deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holders' possession, of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. Notwithstanding the foregoing, the Company shall not be required to file, cause to become effective or maintain the effectiveness of any registration statement other than a registration statement on Form S-3 that contemplates a distribution of securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement (advance draft copies of which shall be furnished to the holders of any Covered Registrable Securities and their counsel at least five business days prior to filing with the SEC) as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in subsection (a) above including such amendments and supplements as may be necessary to reflect the intended method of disposition from time-to-time of the holders of the Covered Registrable Securities or to correct or update any misstatements or commissions which, if not corrected or updated, would reasonably be expected to cause the registration statement or the prospectuses used in connection therewith to fail to comply with applicable disclosure requirements and promptly provide counsel to the holders of any Covered Registrable Securities copies of all SEC comment letters or other written SEC communications received with respect thereto.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; *provided that* the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions unless the Company is already subject to service in such jurisdiction and except as may otherwise be required by the Securities Act.

(e) List such Registrable Securities on any national securities exchange on which any shares of the Common Stock are listed or, if the Common Stock is not listed on a national securities exchange, use its commercially reasonable efforts to qualify such Covered Registrable Securities for inclusion on the automated quotation system of the National Association of Securities Dealers, Inc., or on a national securities exchange.

(f) Provide a CUSIP number, transfer agent and registrar for all such Covered Registrable Securities not later than the effective date of such registration statement.

(g) Enter into such customary agreements and take all such other customary actions as the holders of a majority of the Covered Registrable Securities being sold reasonably request in order to expedite or facilitate the disposition of such Covered Registrable Securities.

(h) Subject to the execution of confidentiality agreements in customary form and substance reasonably satisfactory to the Company, make available upon reasonable notice and during normal business hours, for inspection by the holders of Covered Registrable Securities holding such Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by the stockholders or underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement.

(i) Permit any holder of Covered Registrable Securities who, in the reasonable judgment of the Company upon advice of counsel, might be deemed to be an underwriter or controlling person of the Company, to participate in the preparation of such registration statement.

(j) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(k) Notify each Holder of Covered Registrable Securities promptly after the Company receives notice, or obtains knowledge of, the issuance of any stop order by the Commission suspending the effectiveness of such registration statement or the initiation or written threat of any proceeding for such issuance and promptly use reasonable efforts to prevent the issuance of such stop order or to obtain its withdrawal.

(l) Notify each Holder of Covered Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing. The Company will use reasonable efforts to amend or supplement such prospectus in order to cause such prospectus not to include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(m) Use its reasonable efforts to furnish, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter, dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering addressed to the underwriters.

2.7 Delay of Registration; Furnishing Information.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.2, 2.3 or 2.4 hereof that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be reasonably required to effect the registration of their Registrable Securities.

(c) The Company shall have no obligation with respect to any registration requested pursuant to Section 2.2 or Section 2.4 if the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.2 or Section 2.4 hereof, whichever is applicable.

2.8 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.2, 2.3 or 2.4 hereof:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law (including statutes and common law), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a ***"Violation"***) by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement or incorporated reference therein, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, member, officer, director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, member, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers and each Person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any Person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any of the following statements: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement or incorporated reference therein, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated

therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act (collectively, a ***"Holder Violation"***), in each case to the extent (and only to the extent) that such Holder Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Holder Violation; *provided, however*, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; *provided further*, that in no event shall any indemnity under this Section 2.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; *provided, however*, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses thereof to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8 to the extent, and only to the extent, prejudicial to its ability to defend such action, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) If the indemnification provided for in this Section 2.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) or Holder Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified

party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; *provided that* in no event shall any contribution by a Holder hereunder exceed the proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 2.8 shall survive completion of any offering of Registrable Securities in a registration statement and, with respect to liability arising from an offering to which this Section 2.8 would apply that is covered by a registration filed before termination of this Agreement, such termination. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(f) The Company and the Holders agree that it would not be just and equitable if contributions pursuant to this Section 2.8 were determined by pro rata allocation or by any other method of allocation which does not take into account equitable considerations referred to in Section 2.8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities or actions in respect thereof shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2, no prospective seller shall be required to contribute any amount in excess of the net proceeds from the sale of the prospective seller's Covered Registrable Securities in the offering. No Person guilty of fraudulent misrepresentations (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

2.9 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to a transferee or assignee of Registrable Securities (for so long as such shares remain Registrable Securities) that (a) is a subsidiary, parent, general partner, limited partner, retired partner, member or retired member, or stockholder of a Holder that is a corporation, partnership or limited liability company (including, (i) with respect to MedImmune, to any member of the MedImmune Group, (ii) with respect to HCV VIII, to any member of the HCV Group, (iii) with respect to either MRNA or OBPV, to any member of the OBP Group, and (iv) with respect to either Merlin or Nexus, to any member of the Merlin Group, (b) is a Holder's family member or trust for the benefit of an individual Holder, or (c) holds or acquires pursuant to the transfer or assignment at least 20% of the outstanding Registrable Securities (as adjusted for stock splits and combinations) held by such transferor on the date hereof; *provided, however*, (i) the transferor shall, within 10 days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned (provided that the failure to provide notice within such 10-day period shall not prejudice the right of the transferor to assign his, her or its registration rights hereunder) and (ii) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.10 Limitation on Subsequent Registration Rights. Other than as provided in Section 5.11 hereof, after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of 70% of the Registrable Securities then outstanding (the

"Requisite Holders"), enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder rights to demand the registration of shares of the Company's capital stock, or to include such shares in a registration statement that would reduce the number of shares includable by the Holders or that are otherwise more favorable than or *pari passu* with the rights set forth in this Section 2.

2.11 "Market Stand-Off" Agreement. If requested in writing by the underwriters for the Initial Offering of the Company's securities, each Holder hereby agrees that such Holder shall not sell, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed 180 days following the effective date of a registration statement of the Company filed under the Securities Act for the Company's Initial Offering; *provided that* all officers and directors of the Company and all holders of 1% or more of the Common Stock (calculated on an as-converted basis) enter into and remain bound by similar agreements and, *provided further, however,* that the lock-up agreement shall provide that if the managing underwriter releases any shares from the lock-up with respect to such offering prior to the scheduled expiration date, the managing underwriter shall contemporaneously release a pro rata portion of the Registrable Shares from such lock-up.

2.12 Agreement to Furnish Information. Each Holder agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter that are consistent with the Holder's obligations under this Section 2 or that are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall use its commercially reasonable efforts to provide, within 10 days of such request, such information as may be reasonably required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in Section 2.11 and this Section 2.12 shall not apply to a Special Registration Statement. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said day period. Each Holder agrees that any transferee of any shares of Registrable Securities shall be bound by Sections 2.11 and 2.12. The underwriters of the Company's stock are intended third party beneficiaries of Sections 2.11 and 2.12 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

2.13 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company filed with the Commission; and such other reports

and documents as a Holder may reasonably request in connection with availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

2.14 Termination. Notwithstanding the termination of any other provision of this Agreement, the provisions of this Section 2 shall not terminate for as long as there are any shares of Registrable Securities outstanding.

SECTION 3. COVENANTS OF THE COMPANY.

3.1 Basic Financial Information and Reporting. Without limiting any other covenants and provisions hereof, the Company covenants and agrees that it will deliver to each Major Holder the following:

(a) Promptly following the end of each quarter, and in any event within 15 days thereafter, a current capitalization table of the Company certified by the Chief Financial Officer of the Company.

(b) As soon as practicable after the end of each fiscal year of the Company, and in any event within 120 days thereafter, an audited consolidated balance sheet of the Company and any subsidiaries, as at the end of such fiscal year, an audited consolidated statement of income, an audited statement of cash flows and an audited statement of changes in stockholders' equity of the Company and any subsidiaries, for such year, all prepared in accordance with generally accepted accounting principles consistently applied (except as noted therein or as disclosed to the recipients thereof) and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail. Such financial statements shall be accompanied by a report and opinion thereon by independent public accountants selected by the Board.

(c) As soon as practicable after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, and in any event within 45 days thereafter, a balance sheet of the Company as of the end of each such quarterly period, and a statement of income and a statement of cash flows of the Company for such period and for the current fiscal year to date and in each case setting forth in comparative form the corresponding figures for the corresponding period of the preceding year and a summary discussion of the Company's principal functional areas, all in reasonable detail and duly certified by the Company's chief financial officer as having been prepared in accordance with generally accepted accounting principles consistently applied (except as noted therein or as disclosed to the recipients thereof), with the exception that no notes need be attached to such statements and customary year-end audit adjustments may not have been made.

(d) As soon as practicable following approval by the Board, but in no event less than 30 days prior to the end of each fiscal year, a comprehensive operating budget forecasting the Company's revenues, expenses and cash position on a month-to-month basis for the upcoming fiscal year.

3.2 Affirmative Covenants of the Company. Without limiting any other covenants and provisions hereof and without limiting any duty of obligation of the Company or right of an Investor under applicable statute, regulation or common law, and except to the extent that the following provisions of this Section 3.2 are waived by the Requisite Holders, the Company covenants and agrees that it will perform and observe the following covenants and will cause each subsidiary, if and when such subsidiary exists, to perform and observe such of the following covenants.

(a) Maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied (except as noted therein or as disclosed to the recipients thereof), and will set aside on its books all such proper accruals and reserves as shall be required under generally accepted accounting principles consistently applied.

(b) Each Major Holder shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such information as is reasonably requested all at such reasonable times and as often as may be reasonably requested; *provided, however,* that the Company shall not be obligated under this Section 3.2(b) with respect to a Direct Competitor or with respect to information which the Board determines in good faith is confidential or attorney-client privileged and should not, therefore, be disclosed or with respect to any information the disclosure of which the Board determines in good faith would cause material competitive harm to the Company.

(c) At all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

(d) Require all employees and consultants and each Person now or hereafter with access to confidential information of the Company to execute and deliver a customary Proprietary Information and Inventions Agreement substantially in a form approved by the Board.

(e) Pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of the Company; *provided*, *however*, that the Company shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by appropriate proceedings if the Company shall have set aside on its books sufficient reserves, if any, with respect thereto.

(f) Maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is customarily carried by similarly situated companies engaged in similar businesses and owning similar properties in the same general areas in which the Company operates (including maintaining Directors and Officers and Errors and Omissions insurance in amounts and on terms acceptable to a majority of the Board), but in any event in amounts sufficient to prevent the Company from becoming a co-insurer.

(g) Preserve and maintain, and, unless the Company deems it not to be in its best interests its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary or desirable in view of its business and operations or the ownership or lease of its properties.

(h) Use its commercially reasonable efforts to secure, preserve and maintain all licenses and other rights to use Intellectual Property Rights (as defined in the Purchase Agreement) owned or possessed by it and deemed by the Company to be material and necessary to the conduct of its business.

(i) Not later than 30 days prior to the commencement of each fiscal year, prepare and submit to, and obtain the approval of a majority of the Board, a business plan and monthly operating budgets in detail for the upcoming fiscal year, including capital and operating expense budgets, cash flow projections and profit and loss projections, all itemized in reasonable detail (including itemization of provisions for officers' compensation). Review the budget and business plan, and resubmit all changes therein and all material deviations therefrom to the Board.

(j) Provide prompt notice to each Major Holder (i) after the Company becomes aware of the commencement of any material action, suit, litigation or proceeding against the Company or receives any written threat to commence the same, (A) affecting any of its properties or assets, or (B) against any key employee, officer or director of the Company, relating to such Person's performance of duties for the Company or otherwise relating to the business of the Company or (ii) in the event that the Board determines in good faith that there has been a material adverse change in the operations or financial condition of the Company that the Board determines in good faith is significant enough that the stockholders of the Company should be notified.

(k) In the event that the Company pays any compensation to any MedImmune Director in recognition of his or her service on the Board, such compensation (including any equity compensation otherwise payable to the MedImmune Director (defined herein) shall, upon the direction of such director, be paid directly to MedImmune Ventures, Inc.

(l) Unless otherwise agreed by a majority of the Board, hold meetings of the Board not less than four times a year on a quarterly basis and promptly reimburse in full, each director of the Company who is not an employee of the Company for all of his reasonable out-of-pocket documented expenses incurred in attending each meeting of the Board or any committee thereof. The Board shall maintain both a compensation and audit committee and at least one Series Preferred Director (as defined in the Charter) shall serve on each such

committee at all times; *provided, however,* that any director designated by MedImmune shall not be permitted to serve on such committees without MedImmune's prior written consent.

(m) Use the proceeds of the Series A-1 Financing solely for (i) research and operations, (ii) hiring additional staff, (iii) developing drug candidates including therapeutic antibodies and proteins, and (iv) for general corporate purposes.

(n) Unless otherwise approved by the Board, all stock option plans or stock purchase agreements involving employees, directors or consultants of the Company adopted by the Company from time to time shall provide that each option granted or restricted stock purchased thereunder shall vest (i) with respect to 25% of the shares subject to such grant or purchase, one year after the date of such grant or purchase and (ii) with respect to the remaining shares subject to such grant or purchase, on a monthly basis over a period of three years thereafter.

3.3 Confidentiality of Records. Each Investor agrees to use the same degree of care as such Investor uses to protect its own confidential information to keep confidential any information furnished to such Investor by or on behalf of the Company pursuant to Section 3, or otherwise, and that the Company identifies as being confidential or proprietary (so long as such information is not in the public domain), except that such Investor may disclose such proprietary or confidential information: (i) to any partner, subsidiary, parent or adviser of such Investor as long as such partner, subsidiary, adviser or parent has a need to know such information in order to evaluate the Investor's investment in the Company and is advised of and agrees or has agreed to be bound by the confidentiality provisions of this Section 3.3 or comparable restrictions; (ii) at such time as it enters the public domain through no fault of such Investor; (iii) that is communicated to it free of any obligation of confidentiality; (iv) that is developed by Investor or its agents independently of and without reference to any confidential information communicated by the Company (and the genesis of which can be established, if necessary); or (v) as required by applicable law. Each Investor shall use such confidential information only to the extent required to in order to evaluate the Investor's investment in the Company. Proprietary information shall not be reproduced in any form except as required to accomplish the foregoing purpose.

3.4 Termination of Covenants. All covenants of the Company contained in Section 3 of this Agreement other than the provisions of Section 3.3 (and which obligations of each Investor to the Company under Section 3.3 shall survive), shall expire and terminate as to each Investor upon the earlier of (a) the effective date of the registration statement pertaining to a Qualified Initial Offering or a Registration Statement (as defined in the Purchase Agreement), or (b) upon a Liquidation Event (as defined in the Charter).

SECTION 4. PARTICIPATION RIGHTS.

4.1 Subsequent Offerings. Subject to applicable securities laws, each Major Holder shall have a right of first refusal to purchase its *pro rata* share of all Equity Securities, as defined below, that the Company may, from time to time, propose to sell and issue after the date of this Agreement, other than the Equity Securities excluded by Section 4.6 hereof. Each Major Holder's *pro rata* share is equal to the ratio of (a) the number of shares of Common Stock (including all shares of Common Stock issuable or issued upon conversion of the Shares or upon

the exercise of outstanding warrants or options) of which such Major Holder is deemed to be a holder immediately prior to the issuance of such Equity Securities to (b) the total number of shares of outstanding Common Stock (including all shares of Common Stock issued or issuable upon conversion of the Shares or upon the exercise of any outstanding warrants or options) immediately prior to the issuance of the Equity Securities. Subject to Section 4.6 hereof, the term ***"Equity Securities"*** shall mean (i) any Common Stock, Preferred Stock or other security of the Company, (ii) any security (including any debt security) convertible into or exercisable or exchangeable for, with or without consideration, any Common Stock, Preferred Stock or other security (including any option to purchase such a convertible security), (iii) any security (including any debt security) carrying any warrant or right to subscribe to or purchase any Common Stock, Preferred Stock or other security or (iv) any such warrant or right.

4.2 Exercise of Rights. If the Company proposes to issue any Equity Securities, it shall give each Major Holder written notice of its intention, describing the Equity Securities, the price and the terms and conditions upon which the Company proposes to issue the same. Each Major Holder shall have 30 days from the giving of such notice to agree to purchase its *pro rata* share of the Equity Securities for the price and upon the terms and conditions specified in the notice by giving written notice to the Company and stating therein the quantity of Equity Securities to be purchased. Notwithstanding the foregoing, the Company shall not be required to offer or sell such Equity Securities to any Major Holder who would cause the Company to be in violation of applicable federal securities laws by virtue of such offer or sale.

4.3 Issuance of Equity Securities to Other Persons. If not all of the Major Holders elect to purchase their full pro rata share of the Equity Securities, then the Company shall promptly notify in writing each Major Holder who does so elect (the ***"Participating Investor"***) and shall offer such Major Holder the right to acquire such unsubscribed shares on a in proportion to their *pro rata* portion so subscribed. The Participating Investors shall have five days after receipt of such notice to notify the Company of its election to purchase all or a portion thereof of the unsubscribed shares. The Company shall have 100 days thereafter to sell the Equity Securities in respect of which the Major Holders' rights were not exercised, at a price not lower and upon general terms and conditions not materially more favorable to the purchasers thereof than specified in the Company's notice to the Major Holders pursuant to Section 4.2 hereof. If the Company has not sold such Equity Securities within 100 days of the notice provided pursuant to Section 4.2, the Company shall not thereafter issue or sell any Equity Securities, without first offering such securities to the Major Holders in the manner provided above.

4.4 Closing. Upon the closing, which shall include full payment to the Company, of the sale to such other Person or Persons of all or less than all the Equity Securities for which the Major Holders have not subscribed, the Participating Investors shall purchase from the Company, and the Company shall sell to the Participating Investors, the number of Equity Securities for which the Participating Investors have subscribed upon the terms and conditions specified in the offer. The purchase by the Participating Investors of any Equity Securities is subject in all cases to the preparation, execution and delivery by the Company and the Participating Investors of a purchase agreement relating to such Equity Securities reasonably satisfactory in form and substance to the Participating Investors and their respective counsel.

4.5 Termination and Waiver of Rights of First Refusal. The rights of first refusal established by this Section 4 shall not apply to, and shall terminate upon the earlier of (a) the effective date the registration statement pertaining to the Qualified Initial Offering or a Registration Statement (as defined in the Purchase Agreement), or (b) upon a Liquidation Event. Notwithstanding Section 5.6 hereof, the rights of first refusal established by this Section 4 may be amended, or any provision waived with and only with the written consent of the Company and the Requisite Holders, or as permitted by Section 5.6 hereof.

4.6 Excluded Securities. The rights of first refusal established by this Section 4 shall have no application to any of the following Equity Securities:

(a) the issuance and sale of, or the grant of options to purchase shares of Equity Securities, to employees, directors or officers of, or *bona fide* consultants to, the Company and its subsidiaries pursuant to stock plans or options or agreements adopted or approved by the Board (including shares issued or sold pursuant to the exercise of any stock option or purchased pursuant to a grant under the Company's stock option plans or stock purchase plans or pursuant to agreements entered into for employee compensation purposes prior to the date hereof);

(b) any Equity Securities issued upon the conversion of the Preferred Stock;

(c) any Equity Securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition or similar business combination approved by the Board;

(d) any Equity Securities issued in connection with any stock split, stock dividend or recapitalization by the Company;

(e) any Equity Securities issued to Persons or entities with which the Company has business relationships as equity enhancements in bank financing, leasing or other similar transactions approved by the Board (including at least one of the Series Preferred Directors);

(f) any Equity Securities that are issued by the Company pursuant to a registration statement filed under the Securities Act;

(g) any Equity Securities issued in connection with strategic transactions involving the Company and other entities, including, without limitation (i) joint ventures, manufacturing, marketing or distribution arrangements or (ii) technology transfer or development arrangements; *provided that* the issuance of shares therein has been approved by the Board (including at least one of the Series Preferred Directors) and such shares equal less than 5% of the Equity Securities of the Company (calculated on a fully-diluted basis) outstanding immediately prior to such strategic transaction;

(h) any Equity Securities issued pursuant to the acquisition of another Person by the Company or issued in connection with any merger, consolidation, combination, purchase of all or substantially all of the assets or other reorganization approved by the Board (including at least one of the Series Preferred Directors); or

(i) any Equity Securities issued by the Company pursuant to the Purchase Agreement.

SECTION 5. MISCELLANEOUS.

5.1 Governing Law. This Agreement will be governed by and construed in accordance with the domestic laws of the State of Delaware, without giving effect to any choice of law or conflicting provision or rule (whether of the State of Delaware, or any other jurisdiction) that would cause the laws of any jurisdiction other than the State of Delaware to be applied. In furtherance of the foregoing, the internal law of the State of Delaware will control the interpretation and construction of this Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

5.2 Jurisdiction; Venue. With respect to any disputes arising out of, or related to this Agreement, the parties consent to the exclusive jurisdiction of, and venue in, the state courts of the State of Delaware (or in the event of exclusive federal jurisdiction, the federal courts of the State of Delaware).

5.3 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors, transferees assigns, heirs, executors, and administrators and shall inure to the benefit of and be enforceable by each Person who shall be a holder of Registrable Securities from time to time; *provided, however*, that prior to the receipt by the Company of reasonably adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the Person listed as the holder of such shares in its records as the absolute owner and holder of such shares for all purposes.

5.4 Entire Agreement. This Agreement, the exhibits and schedules hereto, the Purchase Agreement and the other Related Agreements (as defined in the Purchase Agreement) and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and supersedes any prior understanding, agreements or representations by or among the parties hereto, written or oral, that may have been related in any way to the subject matter of this Agreement or any Related Agreements.

5.5 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

5.6 Amendment and Waiver.

(a) Except as otherwise expressly provided, this Agreement may be amended or modified, and the obligations of the Company and the rights of the Holders under this

Agreement may be waived, only upon the written consent of (i) the Company, and (ii) the Requisite Holders.

(b) For the purposes of determining the number of Holders entitled to vote or exercise any rights hereunder, the Company shall be entitled to rely solely on the list of record holders of its stock as maintained by or on behalf of the Company.

(c) Any such amendment, waiver, discharge or termination effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement and outstanding at the time of such amendment (including any securities into which such securities have been converted or exchanged for or which securities have been exercised) and each future holder of all such securities. Each Holder acknowledges that amendments adopted pursuant to this Section 5.6 may have the effect of diminishing or elimination of all rights of such Holder under this Agreement.

5.7 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any party's part of any breach, default or noncompliance under the Agreement or any waiver on such party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

5.8 Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail, with verification of receipt, or facsimile, in either case if sent during normal business hours of the recipient; if not, then on the next business day; (c) three days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent (i) if to an Investor, at such Investor's address set forth on the signature pages hereto or at such other address, electronic or otherwise, as such Investor shall designate by 10 days' advance written notice to the Company, or (ii) if to any other holder or offeree of any shares of capital stock of the Company, at such address, electronic or otherwise, as such holder or offeree shall have furnished to the Company in writing, and, if such holder has not furnished an address to the Company, then to and at the address of the last holder of such capital stock that has so furnished an address to the Company, or (iii) if to the Company, at its address set forth on the signature page hereof addressed to the attention of the Corporate Secretary, or at such other address as the Company shall designate by 10 days' advance written notice to the Investors and any other holder of capital stock of the Company.

5.9 Attorneys' Fees. In the event that any suit or action is instituted under or in relation to this Agreement, including without limitation to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party

all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

5.10 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

5.11 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company shall issue additional shares of Series A-1 Preferred pursuant to the Purchase Agreement, any purchaser of such shares of Series A-1 Preferred shall become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed an "*Investor*," a "*Holder*" and a party hereunder.

5.12 Counterparts. 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. Signatures delivered via facsimile or other electronic transmission shall be as effective as original signatures.

5.13 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement. Without limiting the foregoing, (a) all shares of Registrable Securities held or acquired by any member of the HCV Group shall be aggregated for the purpose of determining any member of the HCV Group's rights under this Agreement including the rights under Section 4, and each such member shall have such rights, (b) all shares of Registrable Securities held or acquired by any member of the OBP Group shall be aggregated for the purpose of determining any member of the OBP Group's rights under this Agreement including the rights under Section 4, and each such member shall have such rights, and (c) all shares of Registrable Securities held or acquired by any member of the Merlin Group shall be aggregated for the purpose of determining any member of the Merlin Group's rights under this Agreement including the rights under Section 4, and each such member shall have such rights.

5.14 Interpretation. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require. Accounting terms used herein but not otherwise defined shall have the meanings given to them under GAAP. The word "including" shall be read in each instance to include the words "without limitation" (or words of similar import).

5.15 Amendment of Prior Agreement. The Prior Agreement is hereby amended and superseded in its entirety by this Agreement. Such amendment and restatement is effective upon the execution of this Agreement by the Company and the parties required for an amendment pursuant to Section 5.6(a) of the Prior Agreement. Upon such execution, all provisions of, rights granted and covenants made in the Prior Agreement are hereby waived, released and superseded in their entirety by the provisions hereof and shall have no further force or effect.

5.16 Exculpation Among Investors. Each party agrees that no Investor nor the respective controlling Persons, officers, directors, partners, agents, or employees of any Investor shall be liable to any other party for any action heretofore taken or omitted to be taken by any of

them in connection with this Agreement and the transactions contemplated hereunder. Any liability of an Investor for breach hereof shall be limited to such Investor and shall not be joint and several among the other Investors, nor shall knowledge by one Investor be attributed to any other Investor because of such Person's status as an Investor.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this **THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

COMPANY:

XENCOR, INC.

By: **/s/ Bassil Dahiyat, Ph.D.**

Name: Bassil Dahiyat, Ph.D.

Title: President and CEO

Address: 111 West Lemon Avenue
Monrovia, CA 91016

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have executed this **THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof

INVESTOR:

[Signature Block for Individuals]

/s/ John Stafford III
Signature

John Stafford III
Printed Name

Street Address of Residence

Telephone Number

Fax Number

[Signature Block for Entities]

Name of Entity

By:
Name:
Title:

Street Address of Principal Office

Telephone Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

/s/ John Stafford Jr.
Signature

John Stafford Jr.
Printed Name

Street Address of Residence

Telephone Number

Fax Number

[Signature Block for Entities]

Name of Entity

By:
Name:
Title:

Street Address of Principal Office

Telephone Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

/s/ James Stafford
Signature

James Stafford
Printed Name

Street Address of Residence

Telephone Number

Fax Number

[Signature Block for Entities]

Name of Entity

By:
Name:
Title:

Street Address of Principal Office

Telephone Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

Signature

Printed Name

Street Address of Residence

Telephone Number

Fax Number

[Signature Block for Entities]

Kimberly Susan Stafford 2005 Trust
Name of Entity

By: /s/ Susan Stafford
Name: Susan Stafford
Title: Trustee

Street Address of Principal Office

Telephone Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

Signature

Printed Name

Street Address of Residence

Telephone Number

Fax Number

[Signature Block for Entities]

MedImmune Ventures
Name of Entity

By: /s/ Ron Loufer
Name: Ron Loufer
Title: Sr. Managing Director

Street Address of Principal Office

Telephone Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

[Signature Block for Entities]

Signature

Oxford Bioscience Partners V L.P.
Name of Entity
By: OBP Management V L.P.

Printed Name

By: /s/ Johnathan Fleming
Name: Jonathan Fleming
Title: General Partner

Street Address of Residence

Street Address of Principal Office

Telephone Number

Telephone Number

Fax Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

[Signature Block for Entities]

Signature

MRNA Fund V L.P.
Name of Entity
By: OBP Management V L.P.

Printed Name

By: /s/ Johnathan Fleming
Name: Jonathan Fleming
Title: General Partner

Street Address of Residence

Street Address of Principal Office

Telephone Number

Telephone Number

Fax Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have executed this **THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof

INVESTOR:

[Signature Block for Individuals]

[Signature Block for Entities]

HealthCare Ventures VIII, L.P.

Signature

Printed Name

Street Address of Residence

Telephone Number

Fax Number

Name of Entity

By: /s/ Jeffrey Steinberg
Name: Jeffrey Steinberg
Title: Administrative Officer

Street Address of Principal Office

Telephone Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

Signature

Printed Name

Street Address of Residence

Telephone Number

Fax Number

[Signature Block for Entities]

Merlin Nexus II, LP
Name of Entity

By: /s/ Dominique Semon
Name: Dominique Semon
Title: Managing Member, GP

Street Address of Principal Office

Telephone Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

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INVESTOR:

[Signature Block for Individuals]

Signature

Printed Name

[Signature Block for Entities]

Permal Nexus Gemini, Ltd.
Name of Entity

By: /s/ Dominique Semon
Name: Dominique Semon

Title: Investment Advisor Manager

Street Address of Residence

Street Address of Principal Office

Telephone Number

Telephone Number

Fax Number

Fax Number

[SIGNATURE PAGE TO THIRD A&R INVESTOR RIGHTS AGREEMENT]

EXHIBIT A

INVESTORS

NAME

Novo Nordisk A/S
MedImmune Ventures, Inc.
Healthcare Ventures, Inc.
225 Northfield Associates, LLC
Angell Investments L.L.C.
Anthony Ricchiuto
Ben Schwartz
Bernard Schwartz
Brett Averick
Brian E. Sirois
Brian S. Hinrichs
Carter E. Lamberson
The Patrick J. Kelly 1986 Family Trust
The Thomas N. Kelly 1986 Family Trust
The Laura K. McGrath 1988 Family Trust
Catherine Carolin
Charles F. Dickson
Charles K. Stewart
Chicago Capital Markets LLC
Christopher Reid Carolin
Christopher Drake Carolin Trust
Christopher Revord
Colby Lamberson
Craig Karsen
Craige Bertero
Cynthia Benzaquen Revocable Trust
Dale S. Scales
Daniel C. Malone
David A. Bryant
David A. Proctor
David W. Fennema
David Chase Sheridan
David Kahn
David Revord
First Regional Bank IRA FBO David Wayne Fennema
David Walthour
Dawson Family Partnership
Dawson Irrevocable Trust
Dirk LaBorne
Drogheda, LLC
Ed Berman

NAME

Edmund J. Sweeney
Egan Family Partnership, LP
Elizabeth Bent Pasquesi
Daniel Asher
Enterprise Capital Management, LLC
Favia Inc. Profit Sharing Plan & Trust
FMT Co Cust. IRA Rollover FBO John Kuch

Francis V. Cook
Fred Goldman
Fred S. Shaffer
Fredrick Williamson
George A. Joseph
Gerard G. Sullivan
Gerson I. Fox
Gordon C. & Khristine L. Holteman Living Trust
Gordon Reid Carolin Trust
GT Investments, LLC
Gullivers Partners, LLC
H. Patrick Hackett Jr.
HFP Venture
HMM Investors LLC
Stifel Nicolaus Custodian for James Fox IRA (AC # 33198043)
James Coudal
James Prendergast
James M. Stafford
James T. Feehan
James T. Feehan Annuity Trust # 1
James M. Valenti
Jeffrey S. Kerins
Jeffrey A. Proeh
Jeffrey A. Sveinsson
J.L. Fox Employee Pension Fund
J.L. Fox Employee Profit Sharing Fund
Joseph C. Almon
John K & Marjorie A. Kerr JTWROS
John Morse
John S. Stafford III
John J. Mistretta
John Jay Prizant —Keogh
John Kuch
John LaRocque
Jonathan A. Proeh
Joseph Valenti Jr Trust
JT, LLC
Judy K. Mistretta

NAME

K&S Investments LLC
Katherine Tanaka
Kellner Family, LP
Kendall Partners LLC
Kimberly Susan Stafford 2005 Irrevocable Trust
Kinmount LP
Krista Benn
KMK & Associates, LLC
Larry S. Beebe
Leigh J. Condon Jr.
Lee E Tenzer
Louis J. Werman
Luke G. O'Donnell Jr.
Mantle LLC
Marguerite E. Galin
Mark A. Harmon
Mark A. Prete-Declaration of Trust
Martin Fiascone
Matt Mendelsohn
Merlin Nexus II, L.P.
Michael A. Depinto
Michael A. Tzannes
Michael Bernard
Michael Brophy
Michael Gumbel
Michael Kamen
Michael O'Keefe
MLPF&S CUST FBO Michael Brophy IRA
Michael J. Golden & Mary Jane Golden JTWROS
Michael J. Golden custodian for Matthew W. Golden
Matthew W. Golden
Michael J. Zolik
Moore Macro Fund, LP
mRNA V L.P.
Nexus Gemini, L.P.

Norman B. Williamson Trust
Norman D. Friedman
Novon III, L.P.
Objective Investments LLC
Oxford Bioscience Partners V L.P.
Patrick G. Rooney
Paul E. Pazdan, Inc.
Paul E. Pazdan, Inc. Pension Plan B
Paul Robinson
Perry P. Bazianos

NAME

Peter Morse and Marcia L. Ellis
Peter Schulte
Prudential Securities C/F Bernard Schwartz IRA
Randy L. Emer
Richard Angell
Richard E. Tobin
Richard J. Bertero
Naegele Revocable Trust
Richard Trecartin
Richard Friedman
Richard P. Schneider
Robert T. Schwartz
Robert J. Tobin
Robert Kayyem and Millie Kayyem
Robert M. Carver Jr.
Robin Silva
Rock Aker
Ryan Condon
Sands Brothers Venture Capital II, LLC
Scott Adams
Scott Schwartz
Scott Southwood
Scott Turban
Shannon Halligan
Shaun H. Stiles
Stephen Mayo
Sterling Trust Co F/B/O Joseph C. Almon, Account 35453
Sterling Trust Company, Trustee FBO Daniel J. Lesiniski
Stephen D. Friend
Steven J. Balz
Steven Tumen
The Stewart's Children's Trust
Stifel Nicolaus Cust for Thomas S. Hermes IRA
Stifel Nicolaus Cust for James Fox IRA
Stifel Nicolaus Cust for William Sexton IRA
Tadao and Judy Tanaka
The Girls LLC
The Jon F. Kayyem and Paige Gates-Kayyem Family Trust
The Deborah A. Coaker Revocable Living Trust
The Levine Family Trust
The Richard & Daphne C. Bertero Living trust
Tomahawk Ventures LLC
Thomas J. Ciszewiski
Thomas S. Hermes
Todd A. Koster

NAME

Todd Emert
Todd M. Renneckar
TTC Trust
Neuberger Berman LLC Custodian FBO Francis Cook IRA
Union Bank of California: FBO Richard Trecartin
Union Street Financial LLC
Victor Proeh
Whitney Lamberson
The Lee E Tenzer FLITE Trust dtd. 11/15/02
William M. Sexton
William McNulty
Zen Investments LLC (formerly Stafford Investments LLC)
Shadow Investments LLC

XENCOR, INC.

2010 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: FEBRUARY 18, 2010
APPROVED BY THE STOCKHOLDERS: DECEMBER 17, 2010
AMENDED BY THE BOARD OF DIRECTORS: JUNE 12, 2013
APPROVED BY THE STOCKHOLDERS: JUNE 12, 2013

1. GENERAL.

(a) Successor to Prior Plan. The Plan is intended as the successor to the Prior Plan. Following the Effective Date, no additional stock awards shall be granted under the Prior Plan. Any shares remaining available for issuance pursuant to the exercise of options or settlement of stock awards under the Prior Plan shall become available for issuance pursuant to Stock Awards granted hereunder, as provided in Section 3(a) hereof. Any shares subject to outstanding stock awards granted under the Prior Plan that expire or terminate for any reason prior to exercise or settlement shall become available for issuance pursuant to Stock Awards granted hereunder. All outstanding stock awards granted under the Prior Plan shall remain subject to the terms of the Prior Plan.

(b) Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are Employees, Directors and Consultants.

(c) Available Stock Awards. The Plan provides for the grant of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights, (iv) Restricted Stock Awards, and (v) Restricted Stock Unit Awards.

(d) Purpose. The Company, by means of the Plan, seeks to secure and retain the services of the group of persons eligible to receive Stock Awards as set forth in Section 1(a), to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate, and to provide a means by which such eligible recipients may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Stock Awards.

2. ADMINISTRATION.

(a) Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan shall be granted Stock Awards; (B) when and how each Stock Award shall be granted; (C) what type or combination of types of Stock Award shall be granted; (D) the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive cash or Common Stock pursuant to a Stock Award; (E) the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan or Stock Award fully effective.

(iii) To settle all controversies regarding the Plan and Stock Awards granted under it.

(iv) To accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(v) To suspend or terminate the Plan at any time. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or to bring the Plan or Stock Awards granted under the Plan into compliance therewith, subject to the limitations, if any, of applicable law. However, except as provided in Section 9(a) relating to Capitalization Adjustments, to the extent required by applicable law, stockholder approval shall be required for any amendment of the Plan that either (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Stock Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (D) materially extends the term of the Plan, or (E) expands the types of Stock Awards available for issuance under the Plan. Except as provided above, rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 422 of the Code regarding Incentive Stock Options.

(viii) To approve forms of Stock Award Agreements for use under the Plan and to amend the terms of any one or more Stock Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Stock Award Agreement, subject to

any specified limits in the Plan that are not subject to Board discretion; *provided however,* that, the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the affected Participant, and (ii) such Participant consents in writing. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, and without the affected Participant's consent, the Board may amend the terms of any one or more Stock Awards if necessary to maintain the qualified status of the Stock Award as an Incentive Stock Option or to bring the Stock Award into compliance with Section 409A of the Code.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Stock Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.

(xi) To effect, at any time and from time to time, with the consent of any adversely affected Participant, (A) the reduction of the exercise price (or strike price) of any outstanding Option or SAR under the Plan, (B) the cancellation of any outstanding Option or SAR under the Plan and the grant in substitution therefore of (1) a new Option or SAR under the Plan or another equity plan of the Company covering the same or a different number of shares of Common Stock, (2) a Restricted Stock Award, (3) a Restricted Stock Unit Award, (4) cash and/or (5) other valuable consideration (as determined by the Board, in its sole discretion), or (C) any other action that is treated as a repricing under generally accepted accounting principles; *provided, however*, that no such reduction or cancellation may be effected if it is determined, in the Company's sole discretion, that such reduction or cancellation would result in any such outstanding Option becoming subject to the requirements of Section 409A of the Code.

(c) Delegation to Committee. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

(d) Delegation to an Officer. The Board may delegate to one or more Officers of the Company the authority to do one or both of the following: (i) designate Officers and Employees of the Company or any of its Subsidiaries to be recipients of Options and Stock Appreciation

Rights (and, to the extent permitted by applicable law, other Stock Awards) and the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Officers and Employees; *provided, however,* that the Board resolutions regarding such delegation shall specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Notwithstanding the foregoing, the Board may not delegate authority to an Officer to determine the Fair Market Value pursuant to Section 13(t) below.

(e) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

3. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve. Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards beginning on the Effective Date shall not exceed 4,912,614 shares (the "***Share Reserve***"). Furthermore, if a Stock Award (i) expires or otherwise terminates without having been exercised in full or (ii) is settled in cash (*i.e.*, the holder of the Stock Award receives cash rather than stock), such expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares of Common Stock that may be issued pursuant to the Plan. Such Share Reserve consists of the unallocated shares remaining available for issuance under the Prior Plan as of the expiration date of the Prior Plan. For clarity, the limitation in this Section 3(a) is a limitation in the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a). The Share Reserve as set forth in this Section 3(a) also shall be increased from time to time by a number of shares equal to the number of shares of Common Stock that (i) were issuable pursuant to options outstanding or were issued and outstanding but remained subject to the Company's right of repurchase under the Prior Plan as of expiration date of the Prior Plan and (ii) but for the expiration of the Prior Plan would otherwise have reverted to the share reserve of the Prior Plan pursuant to the provisions thereof.

(b) Reversion of Shares to the Share Reserve. If any shares of Common Stock issued pursuant to a Stock Award are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares which are forfeited shall revert to and again become available for issuance under the Plan. Also, any shares reacquired by the Company pursuant to Section 8(g) or as consideration for the exercise of an Option shall again become available for issuance under the Plan. Notwithstanding the provisions of this Section 3(b), any such shares shall not be subsequently issued pursuant to the exercise of Incentive Stock Options.

(c) Incentive Stock Option Limit. Notwithstanding anything to the contrary in this Section 3(c), subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options shall be 9,353,906 shares of Common Stock.

(d) Source of Shares. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. ELIGIBILITY.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to employees of the Company or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and (f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; *provided, however*, Nonstatutory Stock Options and SARs may not be granted to Employees, Directors and

Consultants who are providing Continuous Service only to any "parent" of the Company, as such term is defined in Rule 405, unless the stock underlying such Stock Awards is treated as "service recipient stock" under Section 409A of the Code because the Stock Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Stock Awards comply with the distribution requirements of Section 409A of the Code.

(b) Ten Percent Stockholders. A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Consultants. A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, either the offer or the sale of the Company's securities to such Consultant is not exempt under Rule 701 because of the nature of the services that the Consultant is providing to the Company, because the Consultant is not a natural person, or because of any other provision of Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions**.**

5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Option Agreement or Stock Appreciation Right Agreement shall conform to (through incorporation of provisions hereof by reference in the applicable Stock Award Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Stock Award Agreement.

(b) Exercise Price. Subject to the provisions of Section 4(b) regarding Incentive Stock Options granted to Ten Percent Stockholders, the exercise price (or strike price) of each Option or SAR shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Option or SAR is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise price (or strike price) lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR if such Option or SAR is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Sections 409A and 424(a) of the Code (whether or not such Stock Awards are Incentive Stock Options). Each SAR will be denominated in shares of Common Stock equivalents.

(c) Consideration for Options. The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board shall have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if the Option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however,* that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; *provided, further,* that shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are reduced to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations;

(v) according to a deferred payment or similar arrangement with the Optionholder; *provided, however*, that interest shall compound at least annually and shall be charged at the minimum rate of interest necessary to avoid (A) the imputation of interest income to the Company and compensation income to the Optionholder under any applicable provisions

of the Code, and (B) the classification of the Option as a liability for financial accounting purposes; or

(vi) in any other form of legal consideration that may be acceptable to the Board.

(d) Exercise and Payment of a SAR. To exercise any outstanding Stock Appreciation Right, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the Stock Appreciation Right) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such Stock Appreciation Right, and with respect to which the Participant is exercising the Stock Appreciation Right on such date, over (B) the strike price that will be determined by the Board at the time of grant of the Stock Appreciation Right. The appreciation distribution in respect to a Stock Appreciation Right may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right.

(e) Transferability of Options and SARs. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board shall determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs shall apply:

(i) Restrictions on Transfer. An Option or SAR shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant; *provided, however*, that the Board may, in its sole discretion, permit transfer of the Option or SAR to such extent as permitted by Rule 701 and in a manner consistent with applicable tax and securities laws upon the Participant's request.

(ii) Domestic Relations Orders. Notwithstanding the foregoing, an Option or SAR may be transferred pursuant to a domestic relations order; *provided, however,* that if an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Notwithstanding the foregoing, the Participant may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company and any broker designated by the Company to effect Option exercises, designate a third party who, in the event of the death of the Participant, shall thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant's estate shall be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise.

(f) Vesting Generally. The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of performance goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) Termination of Continuous Service. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, in the event that a Participant's Continuous Service terminates (other than for Cause or upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Stock Award as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the Stock Award Agreement, which period shall not be less than thirty (30) days if necessary to comply with applicable state laws unless such termination is for Cause) or (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Stock Award Agreement (as applicable), the Option or SAR shall terminate.

(h) Extension of Termination Date. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, if the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause or upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR shall terminate on the earlier of (i) the expiration of a period of three (3) months after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Stock Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, in the event that a Participant's Continuous Service terminates as a result of the Participant's Disability, the

Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Stock Award Agreement, which period shall not be less than six (6) months if necessary to comply with applicable state laws), or (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Stock Award Agreement (as applicable), the Option or SAR shall terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, in the event that (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Stock Award Agreement after the termination of the Participant's Continuous Service for a reason other than death, then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Stock Award Agreement, which period shall not be less than six (6) months if necessary to comply with applicable state laws), or (ii) the expiration of the term of such Option or SAR as set forth in the Stock Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the time specified herein or in the Stock Award Agreement (as applicable), the Option or SAR shall terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in a Participant's Stock Award Agreement, if a Participant's Continuous Service is terminated for Cause, the Option or SAR shall terminate upon the termination date of such Participant's Continuous Service, and the Participant shall be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

(l) Non-Exempt Employees. No Option or SAR granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option or SAR. Notwithstanding the foregoing, consistent with the provisions of the Worker Economic Opportunity Act, in the event of the Participant's death or Disability, upon a Corporate Transaction or a Change in Control in which the vesting of such Options or SARs accelerates, or upon the Participant's retirement (as such term may be defined in the Participant's Stock Award Agreement or in another applicable agreement or in accordance with the Company's then current employment policies and guidelines) any such vested Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay.

(m) Early Exercise of Options. An Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Subject to the "Repurchase Limitation" in Section 8(l), any unvested shares of Common Stock so purchased may be subject to a repurchase right in favor of the Company or to any other restriction the Board determines to be appropriate. Provided that the "Repurchase Limitation" in Section 8(l) is not violated, the Company shall not be required to exercise its repurchase right until at least six (6) months (or such longer or shorter period of time required to avoid classification of the Option as a liability for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option Agreement.

(n) Right of Repurchase. Subject to the "Repurchase Limitation" in Section 8(l), the Option or SAR may include a provision whereby the Company may elect to repurchase all or any part of the vested shares of Common Stock acquired by the Participant pursuant to the exercise of the Option or SAR.

(o) Right of First Refusal. The Option or SAR may include a provision whereby the Company may elect to exercise a right of first refusal following receipt of notice from the Participant of the intent to transfer all or any part of the shares of Common Stock received upon the exercise of the Option or SAR. Such right of first refusal shall be subject to the "Repurchase Limitation" in Section 8(l). Except as expressly provided in this Section 5(o) or in the Stock Award Agreement, such right of first refusal shall otherwise comply with any applicable provisions of the Bylaws of the Company.

6. PROVISIONS OF RESTRICTED STOCK AWARDS AND RESTRICTED STOCK UNITS.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. To the extent consistent with the Company's Bylaws, at the Board's election, shares of Common Stock may be (x) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (y) evidenced by a certificate, which certificate shall be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical; *provided, however*, that each Restricted Stock Award Agreement shall conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash or cash equivalents, (B) past or future services actually or to be rendered to the Company or an Affiliate, or (C) any other form of legal consideration that may be acceptable to the Board in its sole discretion and permissible under applicable law.

(ii) Vesting. Subject to the "Repurchase Limitation" in Section 8(l), shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right, any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board shall determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

(v) Dividends. A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) Restricted Stock Unit Awards. Each Restricted Stock Unit Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical, *provided, however,* that each Restricted Stock Unit Award Agreement shall conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board in its sole discretion and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that

delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all the terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(vii) Compliance with Section 409A of the Code. Notwithstanding anything to the contrary set forth herein, any Restricted Stock Unit Award granted under the Plan that is not exempt from the requirements of Section 409A of the Code shall contain such provisions so that such Restricted Stock Unit Award will comply with the requirements of Section 409A of the Code. Such restrictions, if any, shall be determined by the Board and contained in the Restricted Stock Unit Award Agreement evidencing such Restricted Stock Unit Award. For example, such restrictions may include, without limitation, a requirement that any Common Stock that is to be issued in a year following the year in which the Restricted Stock Unit Award vests must be issued in accordance with a fixed pre-determined schedule.

7. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock reasonably required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however,* that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant shall not be eligible for the grant of a Stock Award or the subsequent issuance of Common Stock pursuant to the Stock Award if such grant or issuance would be in violation of any applicable securities law.

(c) No Obligation to Notify. The Company shall have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

8. MISCELLANEOUS.

(a) Use of Proceeds from Sales of Common Stock. Proceeds from the sale of shares of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Stock Awards. Corporate action constituting a grant by the Company of a Stock Award to any Participant shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Stock Award is communicated to, or actually received or accepted by, the Participant.

(c) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms, if applicable, and (ii) the issuance of the Common Stock subject to such Stock Award has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Stock Award Agreement or any other instrument executed thereunder or in connection with any Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(f) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances

satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (x) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (y) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(g) Withholding Obligations. Unless prohibited by the terms of a Stock Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to a Stock Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award; *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding payment from any amounts otherwise payable to the Participant; (iv) withholding cash from a Stock Award settled in cash; or (v) by such other method as may be set forth in the Stock Award Agreement.

(h) Electronic Delivery. Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically or posted on the Company's intranet.

(i) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Stock Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Stock Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(j) Compliance with Section 409A. To the extent that the Board determines that any Stock Award granted hereunder is subject to Section 409A of the Code, the Stock Award Agreement evidencing such Stock Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Stock Award Agreements shall be interpreted in accordance with Section 409A of the Code.

(k) Compliance with Exemption Provided by Rule 12h-1(f). If: (i) the aggregate of the number of Optionholders and the number of holders of all other outstanding compensatory employee stock options to purchase shares of Common Stock equals or exceeds five hundred (500), and (ii) the assets of the Company at the end of the Company's most recently completed fiscal year exceed $10 million, then the following restrictions shall apply during any period during which the Company does not have a class of its securities registered under Section 12 of the Exchange Act and is not required to file reports under Section 15(d) of the Exchange Act: (A) the Options and, prior to exercise, the shares of Common Stock acquired upon exercise of the Options may not be transferred until the Company is no longer relying on the exemption provided by Rule 12h-1(f) promulgated under the Exchange Act ("***Rule 12h-1(f)***"), except: (1) as permitted by Rule 701(c) promulgated under the Securities Act, (2) to a guardian upon the disability of the Optionholder, or (3) to an executor upon the death of the Optionholder (collectively, the "***Permitted Transferees***"); *provided, however*, the following transfers are permitted: (i) transfers by the Optionholder to the Company, and (ii) transfers in connection with a change of control or other acquisition involving the Company, if following such transaction, the Options no longer remain outstanding and the Company is no longer relying on the exemption provided by Rule 12h-1(f); *provided further*, that any Permitted Transferees may not further transfer the Options; (B) except as otherwise provided in (A) above, the Options and shares of Common Stock acquired upon exercise of the Options are restricted as to any pledge, hypothecation, or other transfer, including any short position, any "put equivalent position" as defined by Rule 16a-1(h) promulgated under the Exchange Act, or any "call equivalent position" as defined by Rule 16a-1(b) promulgated under the Exchange Act by the Optionholder prior to exercise of an Option until the Company is no longer relying on the exemption provided by Rule 12h-1(f); and (C) at any time that the Company is relying on the exemption provided by Rule 12h-1(f), the Company shall deliver to Optionholders (whether by physical or electronic delivery or written notice of the availability of the information on an internet site) the information required by Rule 701(e)(3), (4), and (5) promulgated under the Securities Act every six (6) months, including financial statements that are not more than one hundred eighty (180) days old; *provided, however*, that the Company may condition the delivery of such information upon the Optionholder's agreement to maintain its confidentiality.

(l) Repurchase Limitation. The terms of any repurchase right shall be specified in the Stock Award Agreement. The repurchase price for vested shares of Common Stock shall be the Fair Market Value of the shares of Common Stock on the date of repurchase. The repurchase price for unvested shares of Common Stock shall be the lower of (i) the Fair Market Value of the shares of Common Stock on the date of repurchase or (ii) their original purchase price. However, the Company shall not exercise its repurchase right until at least six (6) months (or such longer or shorter period of time necessary to avoid classification of the Stock Award as a

liability for financial accounting purposes) have elapsed following delivery of shares of Common Stock subject to the Stock Award, unless otherwise specifically provided by the Board.

(m) Change in Control. If any payment or benefit a Participant would receive pursuant to a Change in Control from the Company or otherwise ("***Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment shall be equal to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including

the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in such Participant's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: reduction of cash payments; cancellation of accelerated vesting of Stock Awards; reduction of employee benefits. In the event that acceleration of vesting of Stock Award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of such Participant's Stock Awards (*i.e.*, earliest granted Stock Award cancelled last).

(i) The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.

(ii) The accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to such Participant and the Company within fifteen (15) calendar days after the date on which Participant's right to a Payment is triggered (if requested at that time by Participant or the Company) or such other time as requested by Participant or the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish Participant and the Company with an opinion reasonably acceptable to Participant that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon such Participant and the Company.

9. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of

securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), and (iii) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive.

(b) Dissolution or Liquidation. Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) shall terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service, *provided, however,* that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) Corporate Transaction. The following provisions shall apply to Stock Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Stock Award or any other written agreement between the Company or any Affiliate and the holder of the Stock Award or unless otherwise expressly provided by the Board at the time of grant of a Stock Award. Except as otherwise stated in the Stock Award Agreement, in the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board shall take one or more of the following actions with respect to Stock Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board shall determine (or, if the Board shall not determine such a date, to the date that is five (5) days prior to the effective date of the Corporate Transaction), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction;

(iv) arrange for the lapse of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the holder of the Stock Award would have received upon the exercise of the Stock Award, over (B) any exercise price payable by such holder in connection with such exercise.

The Board need not take the same action with respect to all Stock Awards or with respect to all Participants.

(d) Change in Control. A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration shall occur.

10. TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless sooner terminated by the Board pursuant to Section 2, the Plan shall automatically terminate on the day before the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the stockholders of the Company. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant.

11. EFFECTIVE DATE OF PLAN.

This Plan shall become effective on the Effective Date.

12. CHOICE OF LAW.

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

13. DEFINITIONS. As used in the Plan, the following definitions shall apply to the capitalized terms indicated below:

(a) "***Affiliate***" means, at the time of determination, any "parent" or "majority-owned subsidiary" of the Company, as such terms are defined in Rule 405 of the Securities Act. The

Board shall have the authority to determine the time or times at which "parent" or "majority-owned subsidiary" status is determined within the foregoing definition.

(b) "***Board***" means the Board of Directors of the Company.

(c) "***Capitalization Adjustment***" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards No. 123 (revised). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a Capitalization Adjustment.

(d) "***Cause***" shall have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means with respect to a Participant, the occurrence of any of the following events: (i) such Participant's failure to satisfactorily perform his or her duties to the Company; (ii) such Participant's commission of an act of misconduct or dishonesty that injures or is potentially injurious to the business, reputation or business relationships of the Company; (iii) such Participant's conviction of, or pleading guilty or nolo contendere to, a felony; (iv) such Participant's commission of any act of fraud against the Company or such Participant's use or misappropriation for his or her personal use or benefit of any funds or properties of the Company; (v) such Participant's refusal or failure to follow lawful directions of the Company after written notice thereof; or (vi) such Participant's engaging or in any manner participating in any activity which is directly competitive with or injurious or potentially injurious to the Company or which violates any material provisions of such Participant's Proprietary Information and Inventions Agreement or similar agreement with the Company after written notice thereof. The determination that a termination is for Cause shall be made by the affirmative vote of a majority of the Board, in its sole, good faith and exclusive judgment and discretion. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Stock Awards held by such Participant shall have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(e) "***Change in Control***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's

securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities or (C) solely because the level of Ownership held by any Exchange Act Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur, except for a liquidation into a parent corporation; or

(iv) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition.

Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant shall supersede the foregoing definition with respect to Stock Awards subject to such agreement; *provided, however,* that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply.

(f) "***Code***" means the Internal Revenue Code of 1986, as amended, as well as any applicable regulations and guidance thereunder.

(g) "***Committee***" means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(h) "***Common Stock***" means the common stock of the Company.

(i) "***Company***" means Xencor, Inc., a Delaware corporation.

(j) "***Consultant***" means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, shall not cause a Director to be considered a "Consultant" for purposes of the Plan.

(k) "***Continuous Service***" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director, or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, shall not terminate a Participant's Continuous Service; *provided, however*, if the Entity for which a Participant is rendering service ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant's Continuous Service shall be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an employee of the Company to a consultant of an Affiliate or to a Director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(l) "***Corporate Transaction***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) the consummation of a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) the consummation of a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) the consummation of a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) the consummation of a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(m) "***Director***" means a member of the Board.

(n) "***Disability***" means the inability of a Participant to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code and shall be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(o) "***Effective Date***" means the effective date of this Plan, which is the earlier of (i) the date that this Plan is first approved by the Company's stockholders, or (ii) the date this Plan is adopted by the Board.

(p) "***Employee***" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an "Employee" for purposes of the Plan.

(q) "***Entity***" means a corporation, partnership, limited liability company or other entity.

(r) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(s) "***Exchange Act Person***" means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" shall not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities.

(t) "***Fair Market Value***" means, as of any date, the value of the Common Stock determined by the Board in compliance with Section 409A of the Code or, in the case of an Incentive Stock Option, in compliance with Section 422 of the Code.

(u) "***Good Reason***" will mean, with respect to a particular Participant, the Participant's resignation from all positions he or she then holds with the Company, in a manner that constitutes a "separation from service" under Treasury Regulation Section 1.409A-1(h), as a result of the occurrence of any of the following events, conditions or actions taken by the Company without Cause and without such Participant's consent: (i) any material reduction of such Participant's duties, authority and responsibilities, relative to such Participant's duties, authority and responsibilities at the Company as in effect immediately prior to such reduction, (ii) a material reduction in such Participant's level of base salary other than in connection with a comparable reduction affecting all employees, or (iii) a relocation of such Participant's principal place of employment that increases the Participant's one-way commute by more than fifty (50) miles from the location at the time of the Corporate Transaction (other than reasonable business travel required as part of the job duties associated with such Participant's position); provided, however, that the Participant must (1) provide the Company with written notice of the occurrence of such event or condition within thirty (30) days after such event first occurs, (2) allow the Company thirty (30) days to cure such event, and (3) if the Company does not cure such event within such period, the resignation is effective not later than sixty (60) days after the conclusion of such cure period.

(v) "***Incentive Stock Option***" means an option that qualifies as an "incentive stock option" within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(w) "***Nonstatutory Stock Option***" means an Option that does not qualify as an Incentive Stock Option.

(x) "***Officer***" means any person designated by the Company as an officer.

(y) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(z) "***Option Agreement***" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(aa) "***Optionholder***" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(bb) "***Own***," "***Owned***," "***Owner***," "***Ownership***" A person or Entity shall be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(cc) "***Participant***" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(dd) "***Plan***" means this Xencor, Inc. 2010 Equity Incentive Plan.

(ee) "***Prior Plan***" means the Xencor, Inc. Amended and Restated 2000 Stock Incentive Plan, as amended through the Effective Date.

(ff) "***Restricted Stock Award***" means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(gg) "***Restricted Stock Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award. Each Restricted Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(hh) "***Restricted Stock Unit Award***" means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(ii) "***Restricted Stock Unit Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement shall be subject to the terms and conditions of the Plan.

(jj) "***Rule 405***" means Rule 405 promulgated under the Securities Act.

(kk) "***Rule 701***" means Rule 701 promulgated under the Securities Act.

(ll) "***Securities Act***" means the Securities Act of 1933, as amended.

(mm) "***Stock Appreciation Right***" or "***SAR***" means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(nn) "***Stock Appreciation Right Agreement***" means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement shall be subject to the terms and conditions of the Plan.

(oo) "***Stock Award***" means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, or a Stock Appreciation Right.

(pp) "***Stock Award Agreement***" means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(qq) "***Subsidiary***" means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by

reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) .

(rr) "***Ten Percent Stockholder***" means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.

XENCOR, INC.
STOCK OPTION GRANT NOTICE
(2010 EQUITY INCENTIVE PLAN)

Xencor, Inc. (the "***Company***"), pursuant to its 2010 Equity Incentive Plan (the "***Plan***"), hereby grants to Optionholder an option to purchase the number of shares of the Company's Common Stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in the Option Agreement, the Plan, and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety.

Optionholder:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	_____

Type of Grant: ☐ Incentive Stock Option(1) ☐ Nonstatutory Stock Option

Exercise Schedule: ☐ Same as Vesting Schedule ☐ Early Exercise Permitted

Vesting Schedule: **[**1/4th of the shares vest one year after the Vesting Commencement Date; the balance of the shares vest in a series of thirty-six (36) successive equal monthly installments measured from the first anniversary of the Vesting Commencement Date.]

Payment: By one or a combination of the following items (described in the Option Agreement):

☐ By cash or check
☐ Pursuant to a Regulation T Program if the Shares are publicly traded
☐ By delivery of already-owned shares if the Shares are publicly traded
☐ By net exercise if the company has established procedures for net exercise(2)

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Stock Option Grant Notice, the Option Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Stock Option Grant Notice, the Option Agreement, and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: _____

(1) If this is an Incentive Stock Option, it (plus other outstanding Incentive Stock Options) cannot be first *exercisable* for more than $100,000 in value (measured by exercise price) in any calendar year. Any excess over $100,000 is a Nonstatutory Stock Option.
(2) An Incentive Stock Option may not be exercised by a net exercise arrangement.

XENCOR, INC. **OPTIONHOLDER:**

By: _____ _____
Signature Signature

Title: _____ Date: _____

Date: _____

ATTACHMENTS: Option Agreement, 2010 Equity Incentive Plan and Notice of Exercise

Attachment I

OPTION AGREEMENT

XENCOR, INC.
2010 EQUITY INCENTIVE PLAN

OPTION AGREEMENT
(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice ("***Grant Notice***") and this Option Agreement, Xencor, Inc. (the "***Company***") has granted you an option under its 2010 Equity Incentive Plan (the "***Plan***") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments.

3. EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES. In the event that you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (*i.e.*, a "***Non-Exempt Employee***"), you may not exercise your option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant specified in your Grant Notice, notwithstanding any other provision of your option. Notwithstanding the foregoing, consistent with the provisions of the Worker Economic Opportunity Act, in the event of your death or Disability, upon a Corporate Transaction or a Change in Control in which the vesting of your Option accelerates, you may exercise any vested Options earlier than six months following the Date of Grant specified in your Grant Notice.

4. EXERCISE PRIOR TO VESTING ("EARLY EXERCISE"). If permitted in your Grant Notice (*i.e.*, the "Exercise Schedule" indicates "Early Exercise Permitted") and subject to the provisions of your option, you may elect at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the unvested portion of your option; *provided, however,* that:

(a) a partial exercise of your option shall be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(b) any shares of Common Stock so purchased from installments that have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Company's form of Early Exercise Stock Purchase Agreement;

(c) you shall enter into the Company's form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if no early exercise had occurred; and

(d) if your option is an Incentive Stock Option, then, to the extent that the aggregate Fair Market Value (determined at the time of grant) of the shares of Common Stock with respect to which your option plus all other Incentive Stock Options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), your option(s) or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

5. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash, by check, bank draft or money order payable to the Company, or in any other manner ***permitted by your Grant Notice,*** which may include one or more of the following:

a. Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

b. Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(c) if your option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price of your option; *provided, however,* that the Company shall accept a cash or other payment from you to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be

issued; *provided, further,* that shares of Common Stock will no longer be outstanding under your option and will not be exercisable thereafter to the extent that (i) shares issuable upon exercise are reduced to pay the exercise price pursuant to the "net exercise," (ii) shares are delivered to you as a result of such exercise, and (iii) shares are withheld to satisfy tax withholding obligations; or

(d) in any other form of legal consideration that may be acceptable to the Board.

6. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

7. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

8. TERM. You may not exercise your option before the commencement or after the expiration of its term. The term of your option commences on the Date of Grant and expires upon the earliest of the following:

a. immediately upon the termination of your Continuous Service for Cause;

b. three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three (3) month period your option is not exercisable solely because of the condition set forth in the section above relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

c. twelve (12) months after the termination of your Continuous Service due to your Disability;

d. eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates;

e. the Expiration Date indicated in your Grant Notice; or

f. the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an Incentive Stock Option, note that to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the

date of grant of your option and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or your permanent and total disability, as defined in Section 22(e)(3) of the Code. (The definition of disability in Section 22(e)(3) of the Code is different from the definition of the Disability under the Plan.) The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment with the Company or an Affiliate terminates.

9. EXERCISE.

a. You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

b. By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

c. If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

d. By exercising your option you agree that you shall not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by you, for a period of one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period, not to exceed 34 days, as necessary to permit compliance with NASD Rule 2711 or NYSE Member Rule 472 and similar or successor rules and regulations (the "***Lock-Up Period***"); *provided, however*, that nothing contained in this section shall prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock-Up Period. You further agree to execute and deliver such other agreements as may be reasonably requested by the

Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period. The underwriters of the Company's stock are intended third party beneficiaries of this

Section 9(d) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

10. TRANSFERABILITY.

a. Restrictions on Transfer. Your option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during your lifetime only by you; *provided, however,* that the Board may, in its sole discretion, permit you to transfer your option to such extent as permitted by Section 260.140.41(c) of Title 10 of the California Code of Regulations at the time of the grant of the option and in a manner consistent with applicable tax and securities laws upon your request. Additionally, if your option is an Incentive Stock Option, the Board may permit you to transfer your option only to the extent permitted by Sections 421, 422 and 424 of the Code and the regulations and other guidance thereunder.

b. Domestic Relations Orders. Notwithstanding the foregoing, your option may be transferred pursuant to a domestic relations order; *provided, however*, that if your option is an Incentive Stock Option, your option shall be deemed to be a Nonstatutory Stock Option as a result of such transfer.

c. Beneficiary Designation. Notwithstanding the foregoing, you may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company, designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option and receive the Common Stock or other consideration resulting from an Option exercise. In the absence of such a designation, the executor or administrator of your estate shall be entitled to exercise the Option and receive the Common Stock or other consideration resulting from an Option exercise.

11. RIGHT OF FIRST REFUSAL. Shares of Common Stock that you acquire upon exercise of your option are subject to any right of first refusal that may be described in the Company's bylaws in effect at such time the Company elects to exercise its right; *provided, however,* that if your option is an Incentive Stock Option and the right of first refusal described in the Company's bylaws in effect at the time the Company elects to exercise its right is more beneficial to you than the right of first refusal described in the Company's bylaws on the Date of Grant, then the right of first refusal described in the Company's bylaws on the Date of Grant shall apply. The Company's right of first refusal shall expire on the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on a national securities exchange or quotation system.

12. RIGHT OF REPURCHASE. To the extent provided in the Company's bylaws in effect at such time the Company elects to exercise its right, the Company shall have the right to repurchase all or any part of the shares of Common Stock you acquire pursuant to the exercise of your option. The Company shall not exercise its repurchase right until at least six (6) months (or such longer or shorter period of time necessary to avoid classification of your option as a liability for financial accounting purposes) have elapsed following delivery of shares of Common Stock subject to your option, unless otherwise specifically provided by the Board.

13. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

14. WITHHOLDING OBLIGATIONS.

a. At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

b. Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of your option as a liability for financial accounting purposes). If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

c. You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein unless such obligations are satisfied.

15. TAX CONSEQUENCES. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You shall not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your option or your other

compensation. In particular, you acknowledge that this option is exempt from Section 409A of the Code only if the exercise price per share specified in the Grant Notice is at least equal to the "fair market value" per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the option. Because the Common Stock is not traded on an established securities market, the Fair Market Value is determined by the Board, perhaps in consultation with an independent valuation firm retained by the Company. You acknowledge that there is no guarantee that the Internal Revenue Service will agree with the valuation as determined by the Board, and you shall not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates in the event that the Internal Revenue Service asserts that the valuation determined by the Board is less than the "fair market value" as subsequently determined by the Internal Revenue Service.

16. NOTICES. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

17. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

Attachment II

2010 EQUITY INCENTIVE PLAN

Attachment III

NOTICE OF EXERCISE

XENCOR, INC.

Date of Exercise:

Ladies and Gentlemen:

This constitutes notice under my stock option that I elect to purchase the number of shares of Xencor, Inc. (the "***Company***") for the price as set forth below.

Type of option (check one):	Incentive ☐	Nonstatutory ☐
Stock option dated:		
Number of shares as to which option is exercised:		
Certificates to be issued in name of:		
Total exercise price:	$	
Value of payment delivered herewith:	$	
Form of payment:	☐ By cash or check ☐ By bank draft or money order payable to the Company ☐ Pursuant to a Regulation T program if the Shares are publicly traded ☐ By delivery of already-owned shares if the Shares are publicly traded(3) ☐ By net exercise if the Company has established a procedure for net exercise at the time of such exercise	

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the 2010 Equity Incentive Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option, and

(3) Shares must meet the public trading requirements set forth in the option. Shares must be valued in accordance with the terms of the option being exercised and must be owned free and clear of any liens, claims, encumbrances or security interests. Certificates must be endorsed or accompanied by an executed assignment separate from certificate.

(iii) if this exercise relates to an incentive stock option, to notify you in writing within fifteen (15) days after the date of any disposition of any of the shares of Common Stock issued upon exercise of this option that occurs within two (2) years after the date of grant of this option or within one (1) year after such shares of Common Stock are issued upon exercise of this option.

I am aware of the Company's business affairs and financial condition and have acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the shares of Common Stock of the Company listed above (the "***Shares***"). I hereby make the following certifications and representations with respect to the Shares, which are being acquired by me for my own account upon exercise of this Option as set forth above:

I acknowledge that the Shares have not been registered under the Securities Act of 1933, as amended (the "***Securities Act***"), and are deemed to constitute "restricted securities" under Rule 701 and Rule 144 promulgated under the Securities Act. I warrant and represent to the Company that I have no present intention of distributing or selling the Shares, except as permitted under the Securities Act and any applicable state securities laws. I understand that (i) the Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available and (ii) the Company has no obligation to register the Shares.

I further acknowledge that I will not be able to resell the Shares for at least ninety (90) days after the stock of the Company becomes publicly traded (i.e., subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934) under Rule 701 and that more restrictive conditions apply to affiliates of the Company under Rule 144.

I further acknowledge that all certificates representing any of the Shares subject to the provisions of this Option shall have endorsed thereon appropriate legends reflecting the foregoing limitations, as well as any legends reflecting restrictions pursuant to the Company's Certificate of Incorporation, Bylaws and/or applicable securities laws.

I further agree that I will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale with respect to, any shares of Common Stock or other securities of the Company held by me, for a period of one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as necessary to permit compliance with NASD Rule 2711 and similar or successor regulatory rules and regulations (the "***Lock Up Period***"); *provided, however*, that nothing contained in this paragraph shall prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock Up Period. I further agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to my shares of Common Stock until the end of such period.

Very truly yours,

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XENCOR

SECOND AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT
for
Dr. Bassil Dahiyat

This Second Amended and Restated Executive Employment Agreement ("Agreement") is entered into as of January 1, 2007, by and between **Dr. Bassil Dahiyat** ("Executive") and **Xencor**, a California corporation (the "Company"). This Agreement shall replace and supersede that certain Amended and Restated Executive Employment Agreement between Executive and the Company entered into as of June 4, 2004.

WHEREAS, Executive currently serves as the President and Chief Executive Officer ("CEO") of the Company and has served in such capacity pursuant to an employment agreement and related amendments that are superceded and replaced in their entirety by this Agreement; and

WHEREAS, the Company desires to continue to employ Executive to provide personal services to the Company in that capacity, and wishes to provide Executive with certain compensation and benefits in return for his services, and Executive wishes to be so employed and to receive such compensation and benefits; and

WHEREAS, the Company and Executive wish to enter into this Agreement to define their mutual rights and duties with respect to Executive's continued employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

1. EMPLOYMENT BY THE COMPANY.

1.1 Effective Date. The effective date of this Agreement shall be January 1, 2007 (the "Effective Date").

1.2 Employment of Executive. Executive shall have the title of President and CEO of the Company. Executive's employment with the Company is subject to the terms and conditions of this Agreement. During Executive's employment with the Company, Executive will devote his best efforts and all of his business time and attention to the business of the Company (subject to Section 4.1 hereof and except for vacation periods as set forth herein, reasonable periods of illness or other incapacity in accordance with the Company's general employment policies and applicable law).

1.3 Executive's Duties. Executive shall serve in an executive capacity as the Company's President and CEO and shall perform such duties as are customarily associated with that title, consistent with the Bylaws of the Company and as required by the Company's Board of Directors (the "Board").

1.4 Employment Policies. The employment relationship between the parties shall also be governed by the general employment policies and practices of the Company, including those relating to protection of confidential information and assignment of inventions, except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control.

1.5 At-will Employment. The Company and Executive acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause, subject to the provisions of Section 5 herein. This at-will employment relationship cannot be changed except in a writing signed by both Executive and a majority of the Board. Any rights of Executive to additional payments or other benefits from the Company upon any such termination of employment shall be governed exclusively by Section 5 of this Agreement.

2. COMPENSATION.

2.1 Salary. Executive shall receive for services to be rendered hereunder an annualized base salary of $350,000, payable in installments in accordance with the Company's standard payroll practices (the "Base Salary"). Executive's Base Salary shall be reviewed at least annually by the Board, and in the Board's sole discretion, may be increased at any time. Such Base Salary may be decreased by the Board at any time, but only if the Board shall have decided in good faith that such action is justified in connection with the Board's determination that (i) the Company has less than six (6) months of cash and equivalents on hand to meet its anticipated operating expenses; (ii) the Company will effect a reduction in force of not less than twenty-five percent (25%) of the Company's workforce; or (iii) the Company will reduce the salaries of all officers of the Company by at least the same percentage amount by which Executive's salary is to be reduced.

2.2 Standard Company Benefits. Executive shall be entitled to all rights and benefits for which he is eligible under the terms and conditions of the standard Company benefits and compensation practices that may be in effect from time to time and provided by the Company to its employees generally. Executive shall likewise be eligible to participate in any additional benefits programs that may be in effect from time to time and provided by the Company to its executive employees generally. Notwithstanding the foregoing, Executive shall not be entitled to participate in any cash or stock bonus program or stock option or other equity incentive program, whether or not generally available to executive or other employees of the Company, unless the Board shall specifically so determine.

2.3 Performance Bonus. Executive shall be eligible for an annual performance bonus of up to 25% of Executive's Base Salary, less standard deductions and withholdings (the "Performance Bonus"). The amount of Executive's Performance Bonus will be determined by the Board, in its sole discretion, based on certain performance metrics to be mutually determined by Executive and the Board (or a committee thereof) in writing within 120 days of the Effective Date. Executive's Performance Bonus will be

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determined by the Board for subsequent years based on performance metrics to be designated by the Board (or a committee thereof), with due regard to such metrics as Executive may propose, within 90 days of the commencement of each such subsequent calendar year. Any Performance Bonus earned by Executive will be paid out in accordance with the Company's standard practice. Executive must remain an active employee through the end of the year to earn a

Performance Bonus for that year; provided, however, that a pro rated Performance Bonus will be paid to executive if (i) Executive is terminated without Cause (as defined below) or (ii) Executive voluntarily terminates his employment for Good Reason (as defined below). Any pro rated Performance Bonus shall be calculated by multiplying the bonus (as earned in the current bonus year through the date of termination) by the ratio of the number of full months that Executive was an active employee in the bonus year divided by twelve. For purposes of this Agreement, each bonus year will begin in January 1st and end on the following December 31st. Within ten (10) days of the execution of this Agreement by Executive and the Company, the Company shall pay to Executive the sum of one-hundred fifty thousand dollars ($150,000), less standard deductions and withholdings, which sum represents i) the agreed Performance Bonus earned by the Executive for the years 2004 and 2005 and ii) an agreed pro rata Performance Bonus for the first six months of 2006. Subject to terms of this Section 2.3, Executive shall be eligible to receive an additional Performance Bonus for the second six months of 2006 of up to thirty-seven thousand five hundred dollars ($37,500), less standard deductions and withholdings, if (i) Company signs a definitive agreement with Organon concerning DN-TNF program on or before January 31, 2007 (50% of Performance Bonus allocated to this metric) or (ii) Company hires a Vice President of Business Development on or before January 31, 2007 (50% of Performance Bonus allocated to this metric).

2.4 Expense Reimbursement. Executive shall be entitled to receive prompt reimbursement of all reasonable expenses incurred by Executive in performing Company services. Executive agrees to furnish the Company reasonably adequate records and other documentary evidence of such expenses for which Executive seeks reimbursement. Such expenses shall be accounted for under the policies and procedures established by the Company and consistent with California law.

2.5 Retention Option Award. Subject to the approval of the Board, the Company will grant to Executive an option to purchase 875,600 shares of the Company's common stock, at an exercise price not less than the fair market value of the Company's common stock on the date of grant. The exercise price of the option will be determined by the Board in a manner consistent with the Company's standard option grant practices. Such option shall be an incentive stock option to the maximum extent permitted under applicable U.S. tax laws. The option will be subject to the terms and conditions of the Company's Amended and Restated 2000 Stock Incentive Plan and the form of option agreement previously approved by the Board for options granted under the Plan. The option will vest and become exercisable for 1/4th of the shares on the one year anniversary of the grant date and 1/48th of the shares shall vest and become exercisable monthly thereafter over the next three years, subject in each case to Executive's continued service with the Company as of the applicable vesting dates. Additionally, the option shall immediately fully vest and become exercisable with respect to all the shares immediately

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prior to but contingent upon a Change of Control of the Company (as defined in Section 5.4 below), subject to Executive's continued service with the Company through the date of the Change of Control.

2.6 Performance Option Award.

(a) Subject to the approval of the Board, the Company will grant to Executive an option to purchase 300,000 shares of the Company's common stock, at an exercise price not less than the fair market value of the Company's common stock on the date of grant. The exercise price of the option will be determined by the Board in a manner consistent with the Company's standard option grant practices. Such option shall be an incentive stock option to the maximum extent permitted under applicable U.S. tax laws. The option will be subject to the terms and conditions of the Company's Amended and Restated 2000 Stock Incentive Plan and the form of option agreement previously approved by the Board for options granted under the Plan.

(b) The option will vest and become exercisable with respect to 75,000 shares effective as of December 31, 2007, provided that Executive achieves the performance metrics applicable to receive a Performance Bonus for 2007, as determined by the Board. The option will vest and become exercisable with respect to 75,000 shares effective as of December 31, 2008, provided that Executive achieves the performance metrics applicable to receive a Performance Bonus for 2008, as determined by the Board. The option will vest and become exercisable with respect to 75,000 shares effective as of December 31, 2009, provided that Executive achieves the performance metrics applicable to receive a Performance Bonus for 2009, as determined by the Board. The option will vest and become exercisable with respect to 75,000 shares effective as of December 31, 2010, provided that Executive achieves the performance metrics applicable to receive a Performance Bonus for 2010, as determined by the Board. The Board shall make such determinations within thirty (30) days following each of December 31, 2007, December 31, 2008, December 31, 2009 and December 31, 2010 as applicable, and such determination shall be binding and conclusive on all parties, including Executive. Additionally, the option will vest and become exercisable with respect to any then unvested shares, if applicable, on the fifth anniversary of the date of grant. In each case, Executive must be in the continued service of the Company as of the applicable vesting dates set forth above in order for such shares to vest and become exercisable.

2.7 Interest on Outstanding Executive Loans. Any unpaid interest on the following promissory notes that has accrued prior to the Effective Date, such unpaid interest calculated on a pro-rata basis through the Effective Date, is hereby forgiven by the Company as of the Effective Date: (a) Promissory Note between Executive and the Company dated May 1, 2000 in the principal amount of $77,332.80, and (b) Promissory Note between Executive and the Company dated June 4, 2004 in the principal amount of $75,000.

3. PROPRIETARY INFORMATION OBLIGATIONS.

In partial consideration of the payments and other obligations of the Company to Executive under this Agreement, Executive agrees to continue to abide by the Proprietary Information and Inventions Agreement (the "PIIA") attached hereto as **Exhibit A**, and further agrees that his obligations under the PIIA shall be effective from October 7, 1997, the commencement date of Executive's employment by the Company. The parties agree that, for so long as this Agreement shall be in effect, this Agreement shall supersede paragraphs 10, 18 and 19.2 of the PIIA. Executive's obligations under the PIIA shall survive termination of this Agreement and shall remain in full force and effect regardless of whether Executive continues to be employed by the Company.

4. OUTSIDE ACTIVITIES.

4.1 Limitation on Certain Activities. Except with the prior written consent of the Board, which shall not unreasonably be withheld, while employed by the Company, Executive will not undertake or engage in any other employment, occupation or business enterprise, other than those in which Executive is a passive investor. In no event shall Executive undertake any such activities that would detract from his ability to devote substantially full-time effort as an employee of the Company, consistent with his title and responsibilities. Executive may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of his duties hereunder.

4.2 Competing Entities. While employed by the Company, except on behalf of the Company as directed by the Board, Executive will not directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, representative, consultant or in any capacity whatsoever engage in,

become financially interested in, be employed by or have any business connection with any other person, corporation, firm, partnership or other entity whatsoever which was or should have been known by him to compete directly with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that anything above to the contrary notwithstanding, he may own, as a passive investor, securities of any publicly owned competitor corporation, so long as his direct holdings in any such corporation shall not in the aggregate constitute more than one percent (1%) of the voting stock of such corporation.

5. TERMINATION OF EMPLOYMENT.

5.1 Voluntary Termination.

(a) Executive may voluntarily terminate his employment with the Company at any time, after the effective date of which no further compensation will be paid to Executive. At the sole discretion of the Company, Executive's voluntary termination will have immediate effect if the Company pays Executive his salary and benefits in lieu of any notice period he may give to the Company.

(b) In the event Executive voluntarily terminates his employment, he will not be entitled to severance pay or reimbursement of health care coverage under COBRA except as provided in Sections 5.2 and 5.3 below.

5.2 Termination without Cause or upon Change of Control.

(a) The Company shall have the right to terminate Executive's employment with the Company at any time without Cause (as defined below), Executive shall not be eligible for any severance or benefits, except as required by law, following his last day of employment.

(b) In the event Executive's employment is terminated by the Company without Cause, or Executive resigns for Good Reason (as defined below) within thirteen (13) months after a Change of Control (as defined below), the Company shall pay Executive (i) an amount equivalent to Executive's then applicable Base Salary for twelve (12) months (but in no event less than $350,000 on an annualized basis), in a lump sum, less standard deductions and withholding, within ten (10) days of the Effective Date of the Release (as defined in **Exhibit B**), and (ii) payment of premiums for continued health care coverage under COBRA for twelve (12) months after termination of Company-provided group health benefits, provided Executive timely elects and is eligible for coverage under COBRA.

(c) Application of Internal Revenue Code Section 409A. If the Company determines that any of the Severance Benefits payments fail to satisfy the distribution requirement of Section 409A(a)(2)(A) of the Internal Revenue Code as a result of Section 409A(a)(2)(B)(i) of the Internal Revenue Code, the payment of such benefit shall be accelerated to the minimum extent necessary so that the benefit is not subject to the provisions of Section 409A(a)(1) of the Internal Revenue Code. (It is the intention of the preceding sentence to apply the short-term deferral provisions of Section 409A of the Internal Revenue Code, and the regulations and other guidance thereunder, to the Severance Benefits payments, and the payments schedule as revised after the application of the preceding sentence shall be referred to as the "***Revised Payment Schedule***".) However, if there is no Revised Payment Schedule that would avoid the application of Section 409A(a)(1) of the Internal Revenue Code, the payment of such benefits shall not be paid pursuant to a Revised Payment Schedule and instead shall be delayed to the minimum extent necessary so that such benefits are not subject to the provisions of Section 409A(a)(1) of the Internal Revenue Code. The Board may attach conditions to or adjust the amounts paid pursuant to this Section 5.2(c) to preserve, as closely as possible, the economic consequences that would have applied in the absence of this Section 5.2(c); *provided however*, that no such condition or adjustment shall result in the payments being subject to Section 409A(a)(1) of the Internal Revenue Code.

5.3 Termination for Cause.

(a) The Company shall have the right to terminate Executive's employment with the Company at any time for Cause, in which case the Company agrees to limit its and its employees' responses to any inquiry regarding Executive's employment to (1) the dates of Executive's employment, (2) Executive's salary, and (3) Executive's position.

(b) "Cause" for termination shall mean: (a) indictment or conviction of any felony or of any crime involving moral turpitude or dishonesty; (b) participation in any fraud against the Company; (c) material breach of Executive's duties to the Company, including persistent unsatisfactory performance or habitual neglect of job duties; (d) refusal to follow the Company's lawful written directions or material failure to perform Executive's duties (other than by reason of physical or mental disability); or (e) material breach of the Company's written policies or the Proprietary Information and Inventions Agreement; provided, however, that in the event that any of the foregoing events under clauses (c), (d) or (e) is capable of being cured, the Company shall provide written notice to Executive describing in reasonable detail the nature of such event and Executive shall thereafter have twenty (20) days to cure such event.

(c) In the event Executive's employment is terminated at any time with Cause, he will not be entitled to severance pay, pay in lieu of notice or payment of health care coverage premiums under COBRA.

5.4 Change of Control. For purposes of this Agreement, a "Change of Control" means (A) any sale, merger, consolidation, tender offer or similar acquisition of shares, or other transaction or series of related transactions (each a "Transaction") as a result of which at least a majority of the voting power of the Company is not held, directly or indirectly, by the persons or entities who held the Company's securities with voting power before such Transaction (provided, however, that any person who acquired voting securities of the Company in contemplation of the Transaction and who immediately after such Transaction possesses direct or indirect ownership of at least ten percent (10%) of the securities of the Company or the surviving entity (or if the Company or the surviving entity is a controlled affiliate of another entity, then of such controlling entity) shall not be included in the group of those persons or entities who held the Company's securities with voting power before such Transaction); (B) a sale or other disposition of all or a substantial part of the Company's assets, whether in one transaction or a series of related transactions; or (C) individuals who on the effective date of this Agreement constitute the Board and any new director (other than a director designated by a person or entity who has entered into an agreement to effect a transaction described in clause (A) or (B) above) whose nomination and/or election to the Board was approved by a vote of at least a majority of the directors then still in office who either were directors on the effective date hereof or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board.

5.5 Resignation for Good Reason. For purposes of this Agreement, a resignation for "Good Reason" shall occur in connection with a Change in Control when Executive resigns within three (3) months of any of the following actions taken by the Company without Executive's express written consent: (i) the assignment to Executive of any duties or responsibilities which result in any material diminution of, or material change that is adverse to

Executive's position, status or circumstances of employment, provided that, the appointment of a new President and/or CEO shall not constitute Good Reason; (ii) a reduction by the Company in Executive's Base Salary; (iii) the taking of any action by the Company which would adversely affect Executive's participation in, or reduce Executive's benefits under, the Company's benefit plans (including equity benefits) as of

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the time this Agreement is executed, except to the extent the benefits of all other executive officers of the Company are similarly reduced; (iv) a relocation of Executive's principal office to a location more than two hundred (200) miles from the Company's present location in Monrovia, California; (v) any breach by the Company of any material provision of this Agreement; or (vi) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company. A resignation for Good Reason shall not occur unless Executive provides written notice describing in reasonable detail his objection to any of the above actions within twenty (20) days of such action and unless the Company fails to cure such action or breach within twenty (20) days of receiving such notice.

5.6 Release. Executive shall execute and make effective a release in a form determined by the Company but substantially similar to the release attached hereto as **Exhibit B** (the "Release"), as a condition of Executive's receipt of any payments or receipt of benefits under Section 5.2 of this Agreement.

6. NONINTERFERENCE.

While employed by the Company, and for one (1) year immediately following termination of Executive's employment by the Company, Executive agrees not to interfere with the business of the Company by directly or indirectly soliciting, attempting to solicit, inducing or otherwise causing any employee of the Company to terminate his or her employment in order to become an employee, consultant or independent contractor to or for any competitor of the Company. Executive agrees that this restriction is reasonably necessary to protect the Company's legitimate business interest in its substantial relationships with employees, consultants and independent contractors and its valuable confidential business information.

7. GENERAL PROVISIONS.

7.1 Notices. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by fax) or the third day after mailing by first class mail, to the Company at its primary office location or to Executive at his address as listed on the Company payroll.

7.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction. In that event, the parties intend that this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

7.3 Waiver. If either party should waive any breach of any provisions of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

7.4 Complete Agreement. This Agreement and the Exhibits hereto, including without limitation the PIIA and exhibits thereto, constitute the entire agreement between Executive and the Company, and are the complete, final and exclusive embodiment of their agreement with regard to the subject matter of hereof and thereof and superceded and replace the Employment Agreement dated December 1, 2001, and all related amendments thereto. This Agreement (including such Exhibits) is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in a writing signed by Executive and by an individual (other than Executive) authorized to sign such writing on behalf of the Company.

7.5 Counterparts. This Agreement may be executed by facsimile in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

7.6 Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

7.7 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not delegate any of his duties hereunder and he may not assign any of his rights hereunder without the written consent of the Company, which shall not be withheld unreasonably.

7.8 Attorney Fees. If either party hereto brings any action to enforce his or its rights hereunder, the prevailing party in any such action shall be entitled to recover his or its reasonable attorneys' fees and costs incurred in connection with such action.

7.9 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California, without regard to its conflict-of-laws rules.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of January 1, 2007.

XENCOR

By: */s/ John Stafford*

Name: John Stafford

Title: Chairman

Accepted and agreed as of
January 1, 2007

/s/ Dr. Bassil Dahiyat
Dr. Bassil Dahiyat

EXHIBIT A

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

XENOR

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

In consideration of my employment or continued employment by Xencor (the "Company"); (the definition of "Company" for the purposes of this Agreement shall include Xencor, its affiliates, and subsidiaries) and the compensation now and hereafter paid to me as set forth on Schedule A hereto, and access to Proprietary Information (defined below) being given to me by the Company, I hereby agree to this Proprietary Information and Inventions Agreement ("Agreement") as follows:

1. **Proprietary Information**. The term "Proprietary Information" shall mean trade secrets, research, inventions, confidential knowledge, data or any other information or materials that the Company treats or considers as proprietary, whether or not such Proprietary Information is patentable or copyrightable, however it is embodied and irrespective of whether it is labeled as "proprietary" or "confidential". By way of illustration but not limitation, "Proprietary Information" includes (a) inventions, mask works, trade secrets, know-how, ideas, confidential knowledge, improvements, discoveries, developments, processes, designs, techniques, formulas, formulations, source and object codes, data, programs, other works of authorship, organisms, plasmids, expression vectors, cell lines, and chemical. biological and other material and their progeny, clones and derivatives, including all genetically-engineered plant and animals (hereinafter the Proprietary Information found at paragraph 1 (a) shall collectively be referred to as "Inventions"): and (b) information regarding the Company's plans for research, development, manufacturing, engineering, new products, marketing and selling, the Company's business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and information regarding the skills and compensation of other employees of the Company.

2. **Recognition of Company's Rights; Nondisclosure**. I acknowledge that as a result of my responsibilities at the Company, I am likely to be exposed and given access to the Proprietary Information of the Company. I understand and agree that my access to the Proprietary Information is for the sole and exclusive purpose of producing technology and performing other work for the benefit of the Company and that the Company has a substantial ongoing investment in the development of such Proprietary Information which would be injured irreparably if this Agreement were breached, At all times during the term of my employment and thereafter, I will hold the Company's Proprietary Information in the strictest confidence and will not, except with the written permission of an officer of the Company, disclose (which term throughout this Agreement includes, but is not limited to, lecturing upon or publishing) any such Proprietary Information to anyone other than Company personnel who need to know such information in connection with their work for the Company or use such Proprietary information except in connection with any work for the Company.

I further acknowledge that Proprietary Information is solely the property of the Company and I agree that at no time either during the period of my employment nor thereafter will I challenge or engage in any other acts which question or impugn the validity or ownership of the Company's rights in any Proprietary Information. I further acknowledge that any and all improvements or modifications to Proprietary Information that I make, conceive, develop or reduce to practice or to specific form, whether alone or in conjunction with others, either during or after the period of my employment with the Company shall constitute Proprietary Information.

3. **Third Party Information**. I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold all Third Party Information in 'the strictest confidence and will not disclose (to anyone other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, any Third Party Information unless expressly authorized by an officer of the Company in writing.

4. **Assignment of Inventions.**

4.1 Except as provided below in paragraph 4(b) of this Agreement, I hereby assign to the Company all my right, title and interest "in and to any and all Inventions whether or not patentable or registrable under copyright or similar statutes, that I make or conceive or reduce to practice or reduce to specific form or learn, either alone or jointly with others, during or after my employment, whether developed in whole or in part using the company's equipment, supplies, facilities, or trade secret information: or relating at the time of conception or reduction to practice to the Company's business, or actual or demonstrably anticipated research or development of the Company; or resulting from any work performed by me for the Company. I recognize that this Agreement does not require assignment of any invention which qualifies fully for protection under Section 2870 of the California Labor Code (hereinafter "Section 2870"), which provides as follows:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in art invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

(c) I have set forth on Exhibit A attached hereto, a complete list of all restrictions, express or implied. which would prevent me from complying with all of the requirements of paragraph 4(a) of this Agreement in whole or in part. If disclosure of such restrictions, express or implied, in Exhibit A would cause me to violate any prior confidentiality agreement. I understand that I am not to list such restrictions but am to inform the Company that such restrictions exist and have not been listed. Exhibit A is incorporated into this Agreement by reference as if fully set forth herein. I will promptly inform the Company in writing of any such restrictions that arise between the time I sign this Agreement and the time my employment with the Company commences.

(d) I also assign to or assign as directed by the Company all my right, title and interest in and to all Inventions, full title to which is required to be in the United States by a contract between the Company and the United States or any of its agencies.

(e) I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act (17 U.S.C., Section 101).

(f) If I am not an "employee" within the meaning of the Copyright Act, I agree that all original works of authorship that the Company specially orders or commissions me to make (solely or jointly with others) which (i) are protectable by copyright and (ii) are eligible to be a "work made for hire" under § 101 of the Copyright Act are "works made for hire." As to any original works of authorship that the Company specially orders or commissions me to make (solely or jointly with others) that are protectable by copyright but which are riot eligible to be "works made for hire" under § 101 of the Copyright Act, I hereby agree to and do assign all my right, title and interest in such works, including but not limited to my copyright interest, to the Company or its designee.

5. **Enforcement of Proprietary Rights**. To assist the Company in exercising its ownership rights to all Proprietary Information that I make, conceive, reduce to practice or to specific form, alter or modify. I will, if requested by the Company, execute, verify and deliver assignments of all rights in the United States and elsewhere, including but not limited to patent and copyright rights, in such Proprietary Information to the Company or its designees, I will also assist the Company in every proper way to obtain and from time to time enforce its United States and foreign rights relating to Proprietary Information in any and all countries, irrespective of whether I had any role in the development or modification of such Proprietary Information. To that end, I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting,

evidencing, sustaining and enforcing such proprietary rights and the assignment thereof to the Company. My obligation to assist the Company with respect to all its rights in Proprietary Information in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company's request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in Section 5 hereof, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph thereon with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any proprietary rights assigned hereunder to the Company.

6. **Obligation to Keep Company Informed**. I will promptly disclose to the Company fully and in writing and will hold in trust for the sole right and benefit of the Company any and all Inventions that I make, conceive, develop or reduce to practice or to specific form, whether alone or in conjunction with others, either during or after the period of my employment with the Company. In addition, after any termination of my employment, I will promptly disclose to the Company fully and In writing, the full particulars of all patent applications filed by me which disclose or claim Proprietary Information.

I will also promptly disclose to the Company fully and in writing any inventions that I believe fully qualify for protection under Section 2870; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief, I understand that the Company will keep in confidence and will not disclose to third parties without my consent any proprietary information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under the provisions of Section 2870. I will preserve the confidentiality of any Invention that does not fully qualify for protection under Section 2870.

7. **Prior inventions**. The term "Prior Inventions" shall mean any and all trade secrets, know-how, ideas, confidential knowledge, improvements, discoveries, developments, processes, designs, techniques, formulas, formulations, source and object codes, data, programs, other works of authorship, organisms, plasmids, expression vectors, cell lines, and chemical, biological and other material and their progeny, clones and derivatives, including all genetically-engineered plant and animals, patented or unpatented, which I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company. To preclude any possible uncertainty over what is a Prior Invention, I have set forth on Exhibit B attached hereto a complete list of all Prior Inventions that I consider to be in whole or part my property or the property of third parties, and that I wish to have excluded from the scope of this Agreement. If disclosure of any such Prior Invention on Exhibit B would cause me to violate any prior confidentiality

agreement, I understand that I am not to list such Prior Inventions in Exhibit B but am to inform the Company that all such Prior Inventions have not been listed for that reason. Exhibit B is incorporated into this Agreement as if fully set forth herein, I will promptly inform the Company in writing of any Prior Inventions that occur between the time I sign this Agreement and the time my employment with the Company commences.

8. **Unauthorized Use or Disclosure**. I shall immediately notify my supervisor or any officer of the Company if I learn of any possible unauthorized use or disclosure of Proprietary Information and shall cooperate fully with the Company to enforce the provisions of this Agreement.

9. **Authorized Disclosure**. Should I be subject to any governmental, administrative or court order or action purporting to require or authorize the disclosure of any Proprietary Information, in whole or in part, I will immediately notify the Company's legal department and will immediately provide the Company with all documents and other pertinent information in my possession or control to permit the Company to take such steps as it deems necessary in its sole discretion to block or pursue the confidentiality of such disclosure,

10. **Additional Activities**. I agree that during the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or business activity other' than for the Company. and for the period of my employment by the Company and for one (1) year after the date of termination of my employment by the Company I will not (i) induce any employee of the Company to leave the employ of the Company or (ii) solicit the business of any client or customer of the Company (other than on behalf of the Company) with whom I had contact during the course of my employment with the Company.

11. **No Improper Use of Materials**. I acknowledge that the Company forbids me to use or disclose any information that is proprietary to any competitor of the Company or' to any other third party. Therefore, during my employment by the Company, I will not use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person. To preclude any possible uncertainty, I have set forth on Exhibit C attached hereto, a complete list of all devices, materials, and documents of a former employer or other person or institution to whom I have an obligation of confidentiality that may be used in providing services to the Company pursuant to the express written authorization of my former employer or such other person. I will promptly notify the Company in writing of any devices, materials. and documents that are called for in Exhibit C that arise between the time I sign this Agreement and the time my employment with the Company commences. Exhibit C is incorporated into this Agreement by reference as if fully set forth herein. In addition, I will not seek nor knowingly use any information from job applicants, Company employees or other third parties, including but not limited to vendors, that is confidential to

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the present or former employers of such applicants or former employers of the employees or to such third parties.

12. **No Conflicting Obligation**. I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have riot entered into, and I agree will not enter into, any agreement either written or oral in conflict herewith.

13. **Return of Company Materials**. When I leave the employ of the Company, I will deliver to the Company any and all copies and originals of drawings, notes, memoranda, lab notebooks, specifications, correspondence (including quickmail messages), devices, equipment, formulas, molecules, cells, documents, and chemical, biological and other material and their progeny, clones and derivatives including all genetically-engineered plants and animals, and any other material containing or disclosing any Inventions, Proprietary Information or Third Party Information. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, quickmail, voicemail, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or' without notice. Prior to leaving, I will cooperate with the Company in completing and signing the Company's documentation for separating staff members.

14. **Name and License**. I hereby grant to the Company a non-exclusive worldwide license to use my name and likeness on or in connection with any advertising and promotional materials distributed by or on behalf of the Company in any medium.

15. **Potential Liability**. I have been informed and acknowledge that the unauthorized taking of the Company's trade secrets (a) could result in civil liability under California Civil Code Section 3426, and that, if willful, could result in an award for triple the amount of the Company's damages and attorneys' fees: and (b) is a crime under California Penal Code Section 499(c), punishable by imprisonment for a time not exceeding one year, or by a fine not exceeding five thousand dollars ($5,000), or by both.

16. **Legal and Equitable Remedies**. Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, and due to the irreparable injury which would be suffered by the Company as a result of a breach of this Agreement, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

17. **Notices**. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three days after the date of mailing.

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18. **Employment at Will**. I understand and agree that my employment with Xencor is at-will. Therefore, my employment can terminate, with or without cause, and with or without notice, at any time, at my option or Xencor's option, and that Xencor can terminate or change all other terms and conditions of my employment, with or without cause, and with or without notice, at any time. I understand that the nature of my employment relationship with Xencor will be governed by this paragraph and that this paragraph constitutes the entire agreement, arrangement, and understanding between me and Xencor on this subject matter and supersedes any prior or contemporaneous agreement, arrangement, and understanding on this subject matter. This at relationship will remain in effect throughout my employment with Xencor or any of its subsidiaries or affiliates, unless it is modified by a written agreement signed by both Xencor's President and me which expressly alters it. This at-will relationship may not be modified by any oral or implied agreement, or by any Company policies, practices or patterns or conduct.

19. **General Provisions.**

19.1 **Governing Law and Forum**. This Agreement will be governed by and construed according to the substantive laws of the State of California without resort to conflict of law principles and I hereby consent to the jurisdiction of the courts of California, both state and federal, for any claim sounding in tort or contract or created by state or federal law related in any way to my or the Company's rights and obligations under the Agreement.

19.2 **Entire Agreement**. This Agreement. including Schedule A hereto, is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement. As used in this Agreement, the period of my employment includes any time during which I may be retained by the Company as a consultant.

19.3 **Severability**. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

19.4 **Assignment**. This Agreement may not be assigned by me but is fully assignable by the Company.

19.5 **Successors and Assigns**. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

19.6 **Survival**. The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

19.7 **Waiver**. No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

19.8 **Effective Date**. Agreement shall be effective as of the earliest of (1) the first day of my employment by the Company; or (2) the first day of my use of the facilities, technology, expertise, data, or Proprietary Information of the Company; or (3) the day I sign this Agreement.

19.9 **Descriptive Headings**. The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement.

I UNDERSTAND THAT THIS AGREEMENT AFFECTS MY RIGHTS TO INVENTIONS I MAKE DURING MY EMPLOYMENT, AND RESTRICTS MY RIGHT TO DISCLOSE OR USE THE COMPANY'S PROPRIETARY INFORMATION DURING OR SUBSEQUENT TO MY EMPLOYMENT.

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBITS A, B. and C AND SIGNED AND DATED SCHEDULE A TO THIS AGREEMENT.

Dated: April 13, 2001

/s/ Bassil Dahiyat
Signature

Bassil Dahiyat
Name of Employee

Address

ACCEPTED AND AGREED TO:

XENCOR

/s/ Bassil I. Dahiyat

By: Bassil I. Dahiyat

Title: President and CEO

EXHIBIT A

Xencor
111 W. Lemon Ave.,
Monrovia, CA 91016

Attention: Board of Directors

Gentlemen:

The following is a complete list of all restrictions which would prevent me, in whole or in part, from assigning to or as directed by the Company (as defined in the attached Agreement) all my right, title and interest in and to any and all Inventions (as required by paragraph 4 of the Agreement):

x No restrictions.

o Restrictions:

o Due to confidentiality agreements with prior employer(s) or other person(s) or institution(s). I cannot disclose certain restrictions that would otherwise be included on the above-described list.

o Number of additional sheets attached.

Date: April 13, 2001

Very truly yours,

Print Name Bassil Dahiyat

Signature */s/Bassil Dahiyat*

Xencor Proprietary Information and Inventions Agreement 95-424

EXHIBIT B

Xencor
111 W. Lemon Ave.,
Monrovia, CA 91016

Board of Directors

Gentlemen:

The following is a complete list of all Prior Inventions (as defined in the attached Agreement):

o No restrictions.

x Restrictions:

California Institute of Technology Provisional Application on Protein Design Automation Caltech Docket 2607

o Due to confidentiality agreements with prior employer(s) or other person(s) or institution(s). I cannot disclose certain restrictions that would otherwise be included on the above-described list.

o Number of additional sheets attached.

Date: April 13, 2001

Very truly yours,

Print Name Bassil Dahiyat

Signature */s/Bassil Dahiyat*

SCHEDULE A

Bassil I. Dahiyat

Xencor is pleased to offer you a position as **President and CEO** starting **October 7, 1997**, subject to the following terms, and set forth in the **PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT** dated as of even date herewith, of which this Schedule A forms a part. EMPLOYEE UNDERSTANDS AND ACKNOWLEDGES THAT THIS SCHEDULE IS EXPRESSLY UNDERSTOOD TO BE "SCHEDULE A" AS REFERENCED IN THE **PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT.**

The compensation package for this position is as follows:

- Salary of $60,000 annually and participation in the Company's annual performance bonus plan.
- One time bonus of $25,000 (based on the completion and filing of both a Small Business Innovative Research Phase I application filing with the National Institutes of Health, and upon completion and filing of a patent filing with the US Patent and Trademark Office of the Automated Computational Design of Proteins system, for which a provisional filing under the title "Automated Computational Design of Proteins" by Bassil Dahiyat and Stephen L. Mayo. #60/043,464 has already been made.
- A minimum of 2 calendar weeks vacation, plus such additional period or periods as the Board may approve in the exercise of its reasonable discretion.
- Reimbursement from the Company for reasonable costs and expenses incurred in connection with the performance of duties and obligations under this Agreement in a manner consistent with the Company's practices and polices as adopted or approved from time to time by the Board for executive officers.

This offer is contingent upon your execution of the **PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT** to which this Schedule is appended as Schedule A. and completing a Federal Employment Eligibility Verification form (INS 1-9).

By executing this Schedule A. you affirm that no one has made any written or verbal statement that contradicts the provisions of this letter. The at-will nature of your employment, as set forth in Section 18 of the PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT can be modified only by a written agreement signed by both Xencor and you which expressly alters it. This at-will relationship may not be modified by any oral or implied agreement, or by any Company policies, practices or patterns of conduct.

IF THE TERMS DESCRIBED IN THIS SCHEDULE ARE SUITABLE, PLEASE SIGN AND DATE AND RETAIN A COPY FOR YOUR RECORDS.

/s/ Bassil I. Dahiyat	April 13, 2001
Signature of Acceptance	Date

January 12, 2010

Edgardo Baracchini, Ph.D., M.B.A.

Dear Ed:

We are pleased to extend to you an offer to join Xencor, Inc. (the "**Company**") as our Chief Business Officer. The following terms apply and will constitute your employment agreement with the Company (the "**Agreement**").

1. EMPLOYMENT.

1.1 Term. The term of this Agreement shall begin on your first day of work for the Company (the "**Commencement Date**") which shall be January 12, 2010, and shall continue until terminated in accordance with Section 4 herein.

1.2 Title. You shall have the title of Chief Business Officer and shall report to the Chief Executive Officer of the Company (the "**CEO**"). You shall serve in such other capacity or capacities as the CEO or the Board of Directors of the Company (the "**Board**") may from time to time prescribe.

1.3 Duties. You shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and which are normally associated with the position of Chief Business Officer, consistent with the Bylaws of the Company and as required by the Board.

1.4 Location. Unless otherwise agreed in writing, you shall perform services pursuant to this Agreement primarily at the Company's headquarters, which are currently located in Monrovia, California; *provided, however*, that the Company may from time to time require you to travel temporarily to other locations in connection with the Company's business.

2. LOYAL AND CONSCIENTIOUS PERFORMANCE; NONCOMPETITION.

2.1 Loyalty. During your employment by the Company you shall devote your full business energies, interest, abilities and productive time to the proper and efficient performance of your duties under this Agreement.

2.2 Covenant not to Compete. Except with the express prior written consent of the Company, you will not, while employed by the Company or during any period during which you are receiving compensation or any other consideration from the Company, engage in competition with the Company and/or any of its affiliates, subsidiaries or joint ventures currently existing or which shall be established during your employment by the Company (collectively, "**Affiliates**") either directly or indirectly, in any manner or capacity, as adviser, principal, agent,

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affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-owner, consultant, or member of any association or otherwise, in any phase of the business of developing, manufacturing and marketing of products or services which are in the same field of use or which otherwise compete with the products or services or proposed products or services of the Company and/or any of its Affiliates.

2.3 Agreement not to Maintain Conflicts of Interest. During your employment by the Company, you agree not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by you to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise or in any company, person or entity that is, directly or indirectly, in competition with the business of the Company or any of its Affiliates. Ownership by you, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange, including, but not limited to, any market of the NASDAQ Stock Market, or publicly traded in the over-the-counter market shall not constitute a breach of the foregoing Section 2.2 or this Section 2.3.

3. COMPENSATION.

3.1 Base Salary. The Company shall pay you a base salary of two hundred seventy-five thousand dollars ($275,000) per year, payable in regular periodic payments in accordance with Company policy. Such base salary shall be prorated for any partial year of employment on the basis of a 365-day fiscal year.

3.2 Cash Bonuses. In addition to your base salary, you will be eligible to receive an annual discretionary bonus of up to twenty-five percent (25%) of your base salary based upon the Company's and your performance, as determined by the Board, against specific milestones to be defined by the Board and agreed to by you. The portion of any such bonus to be paid based on Company versus individual performance will be agreed to by you and the Board.

3.3 Equity Participation.

3.3.1 As soon as practicable following the approval by the Board of a valuation of the Company's Common Stock to be conducted in accordance with Section 409A of the Internal Revenue Code, as amended, you will be granted an option to purchase 567,831 shares of the Company's common stock (which currently represents approximately 1.25% of the total number of shares of common stock and preferred stock outstanding on an as-converted basis) pursuant to the Company's 2000 Stock Incentive Plan (the "***Plan***"). The exercise price per share of such shares will be determined in good faith by the Board after considering the valuation referred to above.

3.3.2 The option granted pursuant to Section 3.3.1 will vest over a period of four (4) years following the Commencement Date, with 1/4th of such shares vesting on the date one (1) year from the Commencement Date and 1/48th of such shares vesting on a monthly basis thereafter until all the shares are vested, so long as you remain continuously employed by the Company and subject to the provisions of Section 3.3.3. Your option will be an

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incentive stock option to the extent permitted by applicable tax laws and will be governed by a separate Stock Option Agreement and the Plan.

3.3.3 If during the period beginning on the execution of a definitive written agreement that if consummated in accordance with its terms would result in a Change of Control (defined below) and ending on the earlier of (i) the termination of such agreement or (ii) twelve (12) months following the consummation of a Change of Control pursuant to such agreement, the Company terminates your employment without Cause (defined below) or you terminate your employment for Good Reason (defined below), then the vesting applicable to any and all stock options and/or restricted stock then held by you (including without limitation the option granted pursuant to Section 3.3.1) shall be accelerated in full; *provided, however*, that in order to be eligible for said acceleration you shall be required to execute and deliver to the Company a Release and Waiver in the form attached hereto as **Exhibit A** within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of your employment, and permitting such Release and Waiver to become fully effective in accordance with its terms. For purposes of this Agreement:

"**Cause**" shall mean your:

(i) gross negligence or willful misconduct in the performance of your duties to the Company as an employee of the Company (other than a failure resulting your complete or partial incapacity due to physical or mental illness or impairment); provided, however, that no act, or failure to act, by you shall be considered "willful" unless committed without good faith and without a reasonable belief that the act or omission was in the Company's best interest;

(ii) material and willful violation of any federal or state law or regulation applicable to the business of the Company;

(iii) significant or material refusal or failure to act in accordance with any lawful specific direction or order of the Board;

(iv) commission of any act of fraud with respect to the Company;

(v) breach of any material provision of your Proprietary Information and Inventions Agreement, including without limitation, theft or other misappropriation by you of the Company's proprietary information or trade secrets; or

(vi) conviction of, or entry of plea of *nolo contendere* to, a felony or a crime involving moral turpitude.

Whether or not the actions or omissions of Executive constitute "Cause" within the meaning of this Section 4 shall be decided by the Board based upon a reasonable good faith investigation and determination.

"**Change of Control**" shall mean:

(i) a sale of all or substantially all of the assets of the Company;

(ii) a merger or consolidation in which the Company is not the surviving entity and in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the entity surviving such transaction;

(iii) a reverse merger in which the Company is the surviving entity but the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the Company; or

(iv) an acquisition by any person, entity or group (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or subsidiary of the Company or other entity controlled by the Company) of the beneficial ownership of securities of the Company representing over fifty percent (50%) of the combined voting power entitled to vote in the election of directors.

Notwithstanding the foregoing, any transaction or series of related transactions, the primary purpose of which (i) is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately prior to such transaction or (ii) is to raise capital for the Company in a bona fide equity financing shall not be a "Change in Control" for purposes of this Agreement.

"**Good Reason**" means the occurrence of any of the following events without your consent; *provided however*, that any resignation by you due to any of the following conditions shall only be deemed for Good Reason if: (i) you give the Company written notice of your intent to terminate for Good Reason within sixty (60) days following the first occurrence of the condition(s) that you believe constitute Good Reason, which notice shall describe such condition(s); (ii) the Company fails to remedy, if remediable, such condition(s) within thirty (30) days following receipt of the written notice (the "**Cure Period**") of such condition(s) from you; and (iii) you actually resign your employment within the first fifteen (15) days after expiration of the Cure Period:

(i) a material reduction in your authority or job responsibilities as an employee of the Company or successor to the Company, where such material reduction in authority or job responsibilities is accompanied by a change in title;

(ii) a material reduction in your combined annual base salary and non-cash benefits, other than pursuant to a Company-wide reduction of annual base salaries or non-cash benefits for employees of the Company generally; or

(iii) the relocation of the Company's executive offices by a distance of fifty (50) miles or more, which relocation requires an increase in your one-way driving distance by more than twenty-five (25) miles.

3.4 Retention Bonus Plan. You will be a "Participant" within the meaning of the Company's Retention Bonus Plan, as the same may be amended from time to time in accordance with its terms.

3.5 Housing and Transportation Allowance. In addition to the provisions of Sections 3.1 through 3.4 above, the Company shall pay you $2000 per month for housing and transportation expenses during the term of this Agreement.

3.6 Employment Taxes and Withholdings. All of your compensation shall be subject to payroll deductions and withholdings required to be collected or withheld by the Company.

3.7 Vacation; Benefits. You shall, in accordance with Company policy and the terms of any applicable plan documents, be eligible for paid time off and benefits under any executive benefit plan or arrangement, such as group health insurance coverage and other fringe benefits, which may be in effect from time to time and made available to the Company's executives or key management employees.

4. TERMINATION.

4.1 Termination Without Cause or for Good Reason Prior to or More than 12 Months following a Change of Control. If your employment with the Company is terminated by the Company without Cause or you terminate your employment for Good Reason prior to or more than 12 months following the occurrence of a Change of Control, then subject to your delivery to the Company of a Release and Waiver in the form attached hereto as **Exhibit A** within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of your employment, and permitting such Release and Waiver to become fully effective in accordance with its terms, the Company shall provide you with the following:

4.1.1 Severance pay in the form of a single lump sum payment equal to the sum of (i) seventy-five percent (75%) of your then-current annual base salary and (ii) the arithmetic mean your annual bonuses for the three full calendar years completed prior to the date of termination (it being understood that if you have received no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid shall be disregarded and the arithmetic mean of your bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be made on the first regular payroll date of the Company following the effective date of the Release and Waiver; and

4.1.2 You shall vest immediately such number of unvested stock options and shares of restricted stock granted to you by the Company that would have vested in

accordance with the applicable vesting schedule as if you had been employed for an additional 9 months as of the date of termination.

4.2 Termination Without Cause or for Good Reason in connection with a Change of Control. In the event your employment with the Company is terminated by the Company or successor to the Company without Cause or you terminate your employment for Good Reason, in each case during the period beginning on the execution of a definitive written agreement that if consummated in accordance with its terms would result in a Change of Control (defined below) and ending on the earlier of (i) the termination of such agreement or (ii) twelve (12) months following the consummation of a Change of Control pursuant to such agreement, then subject to your delivery to the Company or successor to the Company of a Release and Waiver in the form attached hereto as **Exhibit A** within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of your employment, and permitting such Release and Waiver to become fully effective in accordance with its terms, you shall be entitled to severance pay in the form of a single lump sum payment equal to the sum of (i) one hundred twenty-five percent (125%) of your then-current annual base salary and (ii) the arithmetic mean your annual bonuses for the three full calendar years completed prior to the date of termination (it being understood that if you have received no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid shall be disregarded and the arithmetic mean of your bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be made on the first regular payroll date of the Company following the effective date of the Release and Waiver. Subject to Section 4.7, nothing contained in this Section 4.2 or Section 4.1 or otherwise under this Agreement shall limit your right to receive a payout of your accrued but unused vacation and/or paid time off and any other payments required to be made to or on behalf of you by law, as of the date of your termination of employment.

4.3 Termination for Death or Disability. Your employment with the Company shall terminate effective upon the date of your death or Complete Disability. "**Complete Disability**" shall mean your inability to perform your duties under this Agreement by reason of any medically determinable physical or mental impairment which could reasonably be expected to result in death or which has lasted or could reasonably be expected to last for a continuous period of not less than six (6) months. If your employment shall be terminated by death or Complete Disability, the Company shall pay to you, and/or your heirs, your base salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings, and the Company shall thereafter have no further obligations to you and/or your heirs under this Agreement.

4.4 Termination by You Without Good Reason. You may resign your employment without Good Reason upon thirty (30) days written notice to the Company. Upon such resignation, the Company shall pay you your base salary and accrued and unused vacation earned through the date upon which the Company accepts such resignation, and you shall not be entitled to any other benefit or compensation and the Company shall have no further obligations to you under this Agreement.

4.5 Termination by Mutual Agreement of the Parties. Your employment pursuant to this Agreement may be terminated at any time upon mutual agreement, in writing. Any such termination of employment shall have the consequences specified in such writing.

4.6 Survival of Certain Provisions. Sections 2.2 and 5 shall survive the termination of this Agreement.

4.7 LIMITATION ON PAYMENTS.

4.7.1 Reductions. If any payment or benefit you would receive in connection with a Change of Control from the Company or otherwise (a "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall be equal to the Reduced Amount (as defined below). The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion of the Payment, up to and including the total Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax.

If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order unless you elect in writing a different order: reduction of cash payments; cancellation of accelerated vesting of stock awards; reduction of employee benefits. If acceleration of vesting of stock award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of your stock awards.

4.7.2 Accounting Firm. The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change of Control shall perform the foregoing calculations, subject to the necessary authorizations of the Audit Committee of the Company's Board (the "**Audit Committee**"). Alternatively, the Audit Committee may engage a consulting firm with expertise in calculations under Section 280G of the Code to perform such calculations. If any accounting firm so engaged by the Company is serving as accountant or auditor for either you or the entity or group that is effecting the Change of Control, the Company shall appoint a nationally recognized accounting or consulting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting or consulting firm required to be made hereunder.

4.7.3 Determinations. The accounting or consulting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and you within ten (10) calendar days after the date on which your right to a Payment is triggered (if requested at that time by the Company or you) or such other time as requested by the Company or you. If the accounting or consulting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and you with an opinion

reasonably acceptable to you that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and you.

5. CONFIDENTIAL AND PROPRIETARY INFORMATION; NONSOLICITATION.

5.1 As a condition of employment you agree to execute and abide by the Company's standard Proprietary Information and Inventions Agreement, attached hereto as **EXHIBIT B**.

5.2 While employed by the Company and for one (1) year thereafter, you agree that in order to protect the Company's trade secrets and confidential and proprietary information from unauthorized use, you will not, either directly or through others, solicit or attempt to solicit any employee, consultant or independent contractor of the Company to terminate his or her relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or business entity.

6. ASSIGNMENT AND BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of you and your heirs, executors, personal representatives, assigns, administrators and legal representatives. Because of the unique and personal nature of your duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by you. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives.

7. CHOICE OF LAW.

This Agreement shall be construed and interpreted in accordance with the internal laws of the State of California without regard to conflict of laws principles.

8. INTEGRATION.

This Agreement, including Exhibits A and B, contains the complete, final and exclusive agreement of the Parties relating to the terms and conditions of your employment and the termination of your employment, and supersedes all prior and contemporaneous oral and written employment agreements or arrangements between you and the Company. To the extent this Agreement conflicts with the Proprietary Information and Inventions Agreement attached as Exhibit B hereto, the Proprietary Information and Inventions Agreement controls.

9. AMENDMENT.

This Agreement cannot be amended or modified except by a written agreement signed by you and the Company.

10. WAIVER.

No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the party against whom the wavier is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

11. SEVERABILITY.

The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

12. INTERPRETATION; CONSTRUCTION.

The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but you have been encouraged to consult with, and have consulted with, your own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

13. REPRESENTATIONS AND WARRANTIES.

You represent and warrant that you are not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that your execution and performance of this Agreement will not violate or breach any other agreements between you and any other person or entity.

14. COUNTERPARTS; FACSIMILE.

This Agreement may be executed in two counterparts, each of which shall be deemed an original, and all of which together shall contribute one and the same instrument. Facsimile or other electronically transmitted signatures shall be as effective as original signatures.

15. LITIGATION COSTS.

Should any claim be commenced between the parties hereto or their personal representatives concerning any provision of this Agreement or the rights and duties of any person in relation to this Agreement, the party prevailing in such action shall be entitled, in addition to such other relief as may be granted to a reasonable sum as and for that party's attorney's fees in such action.

16. APPLICATION OF INTERNAL REVENUE CODE SECTION 409A.

Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the "**Severance Benefits**") that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively "**Section 409A**") shall not commence in connection with your termination of employment unless and until you have also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h)) (the "**Separation From Service**"), unless the Company reasonably determines that such amounts may be provided to you without causing you to incur the additional 20% tax under Section 409A. For the avoidance of doubt, it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and you are, on the termination of your service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six months and one day after your Separation From Service or (ii) the date of your death (such applicable date, the "**Specified Executive Initial Payment Date**"), the Company (or the successor entity thereto, as applicable) shall (A) pay to you a lump sum amount equal to the sum of the Severance Benefit payments that you would otherwise have received through the Specified Executive Initial Payment Date if the commencement of the payment of the Severance Benefits had not been so delayed pursuant to this subsection (i). Except to the extent that payments may be delayed until the Specified Executive Initial Payment Date pursuant to the preceding paragraph, on the first regular payroll pay day following the Release Effective Date, the Company will pay you the Severance Benefits you would otherwise have received under the Agreement on or prior to such date but for the delay in payment related to the effectiveness of the Release, with the balance of the Severance Benefits being paid as originally scheduled. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

17. ELIGIBILITY.

As required by law, this offer and Agreement is subject to satisfactory proof of your right to work in the United States.

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If you accept employment on the terms described above, please sign and date this letter in the space provided below and return it to me.

We look forward to your favorable reply and to a productive and enjoyable working relationship.

Sincerely,

Xencor, Inc.

/s/ Bassil I. Dahiyat
Bassil I. Dahiyat, Ph.D.
President and Chief Executive Officer

Agreed and Accepted:

/s/ Edgardo Baracchini
Edgardo Baracchini, Ph.D., M.B.A.

626 305 5900 | Phone
626 305 0350 | Fax

111 W. Lemon Ave.
Monrovia, CA 91016

www.xencor.com

September 28, 2009

Bruce Carter

Dear Dr. Carter:

On behalf of the Board of Directors, I am pleased to offer you the position of Chairman of the Board of Directors (the "**Board**") of Xencor, Inc. (the "**Company**"). Should you accept this position, and upon your election by the Board, the following sets forth the agreement between you and the Company regarding your service as Chairman of the Board.

1. Service. You will serve as Chairman of the Board pursuant to the terms of Section 1.1(b)(iv) of that certain Second Amended and Restated Voting, Right of First Refusal and Co-Sale Agreement dated October 12, 2007 by and among the Company and the Stockholders named therein, as amended (the "**Voting Agreement**"). Your service will be for an initial period of one (1) year or until your earlier resignation or removal as Chairman or as a member of the Board. You may resign as Chairman or as a member of the Board at any time, and you may be removed (with or without cause) as Chairman of the Board at any time by action of the Board or as a member of the Board by the holders of a majority of the Common Stock then outstanding in accordance with Section l.l(b)(iv) of the Voting Agreement. After the initial one (1) year term, you may continue as Chairman of the Board upon your mutual agreement with the Company and its Board, provided that the provisions of this agreement shall apply to any such continued service.

2. Meetings. We expect to hold meetings of the Board at least six (6) times per year. We also expect from time to time to call special meetings of the Board. As Chairman, it is expected that you will use your reasonable best efforts to attend all meetings of the Board and any committees on which you serve and that you will be available to the Company for consultation and discussion on key strategic initiatives of the Company.

3. Compensation. In consideration of your services described above, the Company will provide you with the following:

(a) Cash Payment. For so long as you continue to serve as Chairman, the Company will pay you an annual cash retainer of $30,000, payable monthly in arrears in accordance with the Company's normal payment practices for each year of your service as a member of the Board. In addition, it is contemplated that in your capacity as Chairman and at times that are mutually agreeable between you and the Company, you will make periodic visits to the Company's facilities for the purpose of interfacing and liaising with Company management. The Company will pay you cash payments of $1,500 for each such visit.

(b) Expenses. The Company will reimburse you for the reasonable out-of- pocket expenses incurred by you in attending meetings with or on behalf of the Company and in attending meetings of the Board and of any committee on which you may serve upon submission by you of reasonable supporting documentation.

(c) Option Grants.

(i) Initial Option. Upon your appointment by the Board as Chairman and the approval by the Board, you will be issued an option (the "**Initial Option**") to purchase 300,000 shares (the "**Initial Option Shares**") ofthe Company's common stock, $0.01 par value per share (the "**Common Stock**"), which Option Shares shall equal point six percent (0.6%) of the outstanding shares of Common Stock of the Company as of the date hereof, calculated on a fully-diluted, as converted basis. Twenty-five percent (25%) of the Initial Option Shares shall vest on the first anniversary of the date of grant of the Initial Option, and the remaining seventy-five percent (75%) of the Initial Option Shares shall vest monthly thereafter over the subsequent three years subject to your continued service to the Company as a member of the Board. The Initial Option shall be exercisable at a price per share equal to the fair market value of the Common Stock of the Company on the date of grant of the Initial Option as determined by the Board.

(ii) Additional Option. Within one year of the date of this letter and upon the consummation by the Company of an equity financing (the "**Financing**"), then, so long as you shall then be serving as Chairman and upon approval by the Board, you will receive an additional option (the "**Additional Option**") to purchase that number of shares of Common Stock of the Company equal to point six percent (0.6%) of the Fully Diluted Financing Shares issued in connection with the Financing (the "**Additional Option Shares**"). The term "**Fully Diluted Financing Shares**" means the aggregate number of shares of Common Stock of the Company issued in connection with the Financing, calculated on a fully-diluted, as-converted basis as of the closing date of such Financing (including, without limitation, any additional shares of Common Stock that are authorized for issuance under the Company's Amended and Restated 2000 Stock Incentive Plan in connection with the Financing). The Additional Option Shares shall be subject to vesting provisions consistent with the Initial Option Shares such that the Additional Option shares shall be deemed vested and subject to continuing vesting as of the date of grant of the Additional Option to the same extent as the Initial Option Shares. The Additional Option shall be exercisable at a price per share equal to the fair market value of the Common Stock of the Company on the date of grant of the Additional Option as determined by the Board.

The Initial Option and the Additional Option that you receive hereunder shall be subject to such further terms and conditions as will be specified in the Company's Amended and Restated 2000 Stock Incentive Plan and related non-qualified stock option agreement to be executed by you and the Company.

(d) Success Fee for Covered Transaction.

(i) If (A) at any time while you are serving as Chairman pursuant to this Agreement (or during the sixty (60) day period after termination of your service as Chairman if such service shall have been terminated without Cause) and prior to the Success Fee Expiration Date (defined below), a

Covered Transaction shall have been consummated, you shall be eligible to receive, subject to the terms of this Agreement, a payment (the "Success Fee") in an amount equal

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to 0.6% multiplied by the Aggregate Net Proceeds actually paid or distributed pursuant to such Covered Transaction to the holders of the Company's Preferred and Common Stock (including the holders of vested options, warrants or other rights relating to such Preferred or Common Stock) by reason of their investment in the Company or paid or distributed directly to the Company in connection with an asset sale Coveted Transaction.

Notwithstanding the foregoing, however, the amount of any Success Fee payable to you shall be reduced dollar for dollar by any Aggregate Net Proceeds actually paid to you in such Covered Transaction by reason of your equity position in the Company, whether by common stock ownership, the exercise or cash-out of stock options or otherwise.

Any Success Fee to which you become entitled hereunder shall be paid in the same forms (i.e., in cash, stock and/or other property) and in the same proportions as the Aggregate Net Proceeds are paid by the acquirer to the Company's stockholders generally. Any securities that are issued to you as part of a Success Fee payment will be subject to the same or similar restrictions as imposed by the acquiring company on the securities distributed to Company's stockholders generally on the terms set forth in the agreement pursuant to which the Covered Transaction occurs. Any Success Fee to which you become entitled hereunder shall be paid within ten (10) business days after the Aggregate Net Proceeds are paid to the holders of the Company's Preferred and Common Stock or, in the case of an asset sale, are paid to the Company; ***provided, however***, that if and to the extent the Aggregate Net Proceeds include any Contingent Consideration, the Success Fee payable with respect thereto will be subject to the same conditions (including but not limited to any escrow arrangement, indemnity obligation, or earn-out) on payment of such Contingent Consideration as are imposed on the Company or its stockholders generally and will be paid to you within ten (10) business days after such Contingent Consideration is paid to the holders of the Company's Preferred or Common Stock. In no event will the Success Fee be payable with respect to any Covered Transaction other than the first Covered Transaction that occurs following the date of this Agreement.

(ii) Definitions. For purposes of this Agreement, the following terms have the following meanings:

"Aggregate Net Proceeds" means, in the case of a Covered Transaction other than the sale of all or substantially all of the Company's assets, the sum of (i) the aggregate amount actually paid or distributed, directly or indirectly, to the holders of the Company's Preferred and Common Stock as consideration for those securities in consummation of such Covered Transaction plus (ii) the aggregate amount paid in such Covered Transaction to the holders of stock options, warrants or other stock rights relating to the Company's Preferred or Common Stock as consideration for those securities in consummation of such Covered Transaction, to the extent those options, warrants or rights are vested at the time of such Covered Transaction (including any such options, warrants or right that vest on an accelerated basis by reason of such Covered Transaction) and minus (iii) any expenses paid directly by the holders of Preferred and Common Stock, stock options, warrants or other stock rights in connection with the Covered Transaction. The amount of the Aggregate Net Proceeds shall be determined in good faith by the Board.

In the case of a Covered Transaction that is the sale of all or substantially all of the Company's assets, the Board shall in good faith determine the amount (the "**Deemed Distribution Amount**") that would be distributed to the holders of (i) the Company's Preferred and Common Stock and (ii)

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stock options, warrants or other stock rights relating to the Company's Preferred or Common Stock, to the extent those options, warrants or rights are vested at the time of such Covered Transaction (including any such options, warrants or right that vest on an accelerated basis by reason of such Covered Transaction) if all of the assets of the Company were sold for their fair market value and all of the liabilities paid (and adequate provision made for potential liabilities of the Company) and any net proceeds distributed to such holders. In the case of a Covered Transaction that is the sale of all or substantially all of the Company's assets, "**Aggregate Net Proceeds**" means the Deemed Distribution Amount less any expenses paid directly by the holders of Preferred and Common Stock, stock options, warrants or other stock rights in connection with the Covered Transaction.

For the avoidance of doubt, in calculating Aggregate Net Proceeds for any Covered Transaction, any and all Company indebtedness and/or obligations of the Company assumed by the acquiring party (including the principal amount of any bridge loans made by the Company's investors), legal and investment banker fees and other transaction costs and the amount of any Success Fee to which you become entitled pursuant to this Agreement shall be excluded from the calculation of the Aggregate Net Proceeds so that no portion of the Success Fee shall be attributable to such items.

"Cause" means "cause" within the meaning of Section 141(k) of the Delaware General Corporation Law.

"Contingent Consideration" means consideration payable with respect to a Covered Transaction after the closing of such Covered Transaction to the Company and/or its stockholders, the receipt of which is contingent upon the passage of time or the occurrence or non-occurrence of some future event(s) or circumstance(s), including, without limitation, amounts of consideration paid at a subsequent closing, and amounts of consideration subject to an escrow, a purchase price adjustment, an earn-out or indemnity claims.

"Covered Transaction" means the consummation, in a single transaction or in a series of related transactions, of any event that would constitute a "Change in Control" under the Company's 2000 Stock Incentive Plan that also constitutes a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company as described in Treasury Regulation Section 1.409A-3(i)(5).

"Success Fee Expiration Date" means the earlier of (i) the consummation of an initial public offering of shares of the Company's common stock for the account of the Company pursuant to a Registration Statement on Form S-1 (or successor form) filed with and declared effective by the United States Securities and Exchange Commission (the "***IPO***") or (ii) the earlier of (A) December 31, 2011 or (B) in the event that the Company adopts a carve-out, transaction bonus, success fee or similar plan providing for a success fee payable to certain or all of its employees in connection with a strategic transaction and such plan as adopted contains an

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expiration date dependant upon the consummation of a recapitalization of the Company, such expiration date.

(iii) Parachute Payment; Withholding. In the event the benefits provided by this Agreement, when aggregated with any other payments or benefits received by you, would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code (the "**Payment**"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall be reduced to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local income taxes and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting a "parachute payment" is necessary so that the Payment equals the Reduced Amount, such reduction shall occur in the following order: first the cancellation of the accelerated vesting of any stock awards as to which no portion of the Aggregate Net Proceeds would be payable, then the reduction of your Success Fee and finally the cancellation of any other stock awards you hold at the time. In the event that accelerated vesting of your stock awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of your stock awards unless you elect in writing a different order for cancellation.

The accounting firm engaged by the Company for general tax purposes shall perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.

The accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to you and the Company within seven (7) business days after the date on which your right to a Payment is triggered (if requested at that time by you or the Company) or at such earlier time as requested by you or the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish you and the Company with an opinion reasonably acceptable to you that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon you and the Company.

In the event the payment of any amounts pursuant to this agreement will result in your being subject to an Excise Tax, at your request in your sole discretion, the Company will use its commercially reasonable best efforts to obtain a vote of the stockholders of the Company approving such payments in the manner set forth in Section 280G(b)(5)(B) of the Code and the Treasury Regulations issued thereunder such that the payments would not be subject to the Excise Tax if the required vote is obtained. In the event you so request that such a vote be taken, you agree to enter into such additional agreements as may be reasonably requested by the Company in relation thereto, including, without limitation, agreeing that the portion of such payments that would otherwise, if made, result in your becoming liable for the Excise Tax will not be made if the required vote is not obtained.

Each payment to you pursuant to this Agreement shall be subject to the Company's withholding of any applicable taxes required to be withheld from such payment.

4. Section 409A. Any Success Fee payable under this Agreement is intended to comply with the requirements ofTreas. Reg. 1.409A-3(i)(5)(iv)(A).

5. Indemnification. As a Delaware corporation, the Company has adopted provisions in its Certificate of Incorporation and By-Laws to indemnify directors to the maximum extent allowed under Delaware law. In addition, the Company maintains a Directors' and Officers' insurance policy for certain claims made against directors and officers.

6. Confidentiality. You agree that all Confidential Information (as defined below), whether or not disclosed orally or in writing, is and shall be the exclusive property of the Company. You shall not at any time, whether during or after the termination or cessation of your service as a member of the Board, without the written authorization of the Chief Executive Officer of the Company, unless and until the Confidential Information has become public knowledge without fault by you, (a) reveal any Confidential Information to any person or entity, except to employees of the Company who need to know such Confidential Information, (b) use or attempt to use any Confidential Information for any purposes (other than in the ordinary course of performing your duties as a director of the Company), or (c) use any Confidential Information in any manner which may injure or cause loss or may be calculated to injure or cause loss to the Company, whether directly or indirectly. The term "Confidential Information" shall include any information concerning the organization, business, business relationships or finances of the Company or of any third party which the Company is under an obligation to keep confidential or that is maintained by the Company as confidential. Such Confidential Information shall include, but is not limited to, trade secrets or confidential information respecting inventions, products, designs, methods, know-how, techniques, systems, processes, specifications, blueprints, engineering data, software programs, works of authorship, clinical testing programs, marketing material, customer lists, customer information, financial information, pricing information, personnel information, business plans or strategy, projects, plans and proposals.

If the foregoing is acceptable, please sign and return one copy to the undersigned at your earliest convenience. On behalf of the Company and its Board, we look forward to working with you.

Very truly yours,

/s/ Bassil Dahiyat
Bassil Dahiyat, Ph.D.
Chief Executive Officer
Xencor, Inc.

Agreed to and Accepted:

/s/ Bruce Carter
Bruce Carter
Dated: 30 Sept 09

Exhibit 10.9

626 305 5900 | Phone
626 305 0350 | Fax

111 W. Lemon Ave.
Monrovia, CA 91016

www.xencor.com

November 18, 2010

Bruce Carter

Re: Amendment No. 1 to Board Agreement

Dear Dr. Carter:

Reference is made to the letter agreement (the **"Agreement"**) dated September 23, 2009 between you and Xencor, Inc. (the **"Company"**). Capitalized terms used but not defined herein have the meanings assigned to them in the Agreement.

The Agreement is hereby amended as follows:

1. Paragraph 1 of the Agreement is hereby amended and restated to read in its entirety as follows:

1. Service. You will serve as Chairman of the Board pursuant to the terms of Section 1.1(b)(iv) of that certain Second Amended and Restated Voting, Right of First Refusal and Co-Sale Agreement dated October 12, 2007 by and among the Company and the Stockholders named therein, as amended (the **"Voting Agreement"**). Your service will continue until your resignation or removal as Chairman or as a member of the Board. You may resign as Chairman or as a member of the Board at any time, and you may be removed (with or without cause) as Chairman of the Board at any time by action of the Board or as a member of the Board by the holders of a majority of the Common Stock then outstanding in accordance with Section 1.1(b)(iv) of the Voting Agreement.

2. The first sentence of Paragraph 3(a) of the Agreement is hereby amended and restated to read in its entirety as follows:

For so long as you continue to serve as Chairman, the Company will pay you an annual cash retainer of $50,000, payable monthly in arrears in accordance with the Company's normal payment practices for each year of your service as a member of the Board.

3. Except as amended above, the Agreement shall continue in full force and effect in accordance with its terms.

If the foregoing is acceptable, please sign and return one copy to the undersigned at your earliest convenience.

Very truly yours,

/s/ Bassil Dahiyat
Bassil Dahiyat, Ph.D.
Chief Executive Officer
Xencor, Inc.

Agreed to and Accepted:

/s/ Bruce Carter
Bruce Carter
Dated: 18 Nov. 2010

AMENDED CONSULTING AGREEMENT

THIS AGREEMENT is made by **XENCOR, INC.**, having an address at 111 West Lemon Avenue, Monrovia, CA 91016 ("**XENCOR**") and **DEVELOPMENT AND STRATEGIC CONSULTING ASSOCIATES, LLC**, having an address at ("**Consultant**"), effective this 1st day of January, 2011 (the "**Effective Date**") for the purpose of setting forth the exclusive terms and conditions by which XENCOR will acquire Consultant's services on a temporary basis. This Agreement amends and supercedes the previous Agreement between the parties dated January 1, 2010.

In consideration of the mutual obligations specified in this Agreement, and any compensation paid to Consultant for its services, the parties agree to the following:

1. Work, Payment and Term. Attached to this Agreement as Exhibit A hereto is a statement of the work performed or to be performed by Consultant, the type of payment and Consultant's rate of payment for such work, the types of any expenses to be paid in connection with such work, any Background Technology (as defined in Paragraph 3) to be used by Consultant in performing the work, the term of this Agreement, and such other terms and conditions as the parties deem appropriate or necessary for the performance of the work. Consultant shall perform all such work itself, engaging the assistance of other individuals only with the prior written consent of XENCOR.

2. Nondisclosure and Trade Secrets. During the term of this Agreement and in the course of Consultant's performance hereunder, Consultant may receive and otherwise be exposed to confidential and proprietary information owned by XENCOR or received by XENCOR from third parties pursuant to an obligation of confidentiality with respect thereto, relating to XENCOR's business practices, strategies and technologies. Such confidential and proprietary information may include, but not be limited to, any amino acid sequence, library, compound, extract, media, vector, cell, cell line, formulation or sample; any source and object code, program, procedure, discovery, invention, formula, data, results, idea or technique; and trade secret, trade dress, copyright, patent or other intellectual property right or registration or application therefore or materials relating thereto; and any information relating to the foregoing or to any research, development, manufacturing, engineering, marketing, servicing, sales, financing, legal or other business activities or to any present or future products, prices, plans, forecasts, suppliers, clients, customers, employees, consultants or investors; whether in oral, written, graphic or electronic form (collectively referred to as "**Information**").

Consultant acknowledges the confidential and secret character of the Information, and agrees that the Information is the extremely valuable property of XENCOR or of the third party from which XENCOR received such Information. Accordingly, Consultant agrees not to reproduce any of the Information in any format, not to use the Information except in the performance of the work described in this Agreement, and not to disclose all or any part of the Information in any form to any third party, in each case either during the term of this Agreement or the ten (10) years thereafter, except with the prior written consent of XENCOR. Upon termination of this Agreement for any reason, including expiration of the term of this Agreement, Consultant agrees to cease using and to return to XENCOR all whole and partial copies and derivatives of the Information, whether in Consultant's possession or under Consultant's direct or indirect control.

Consultant shall not disclose or otherwise make available to XENCOR in any manner any confidential information of Consultant or received by Consultant from third parties, unless XENCOR first agrees in writing to receive such information.

3. Ownership of Work Product. Consultant shall specifically describe and identify in Exhibit A to this Agreement any and all technology, including without limitation information, materials and related intellectual property rights, which (a) Consultant intends to use in performing under this Agreement, (b) is either owned solely by Consultant or controlled by Consultant such that Consultant possesses the right to grant a license or sublicense thereunder, and (c) is in existence prior to the effective date of this Agreement ("**Background** Technology").

Consultant agrees that any and all ideas, developments, discoveries, improvements, inventions and works of authorship conceived, written, created or first reduced to practice in the performance of work under this Agreement, together with all intellectual property rights relating thereto ("**Work Product**") shall be the sole and exclusive property of XENCOR. Consultant hereby assigns to XENCOR all its right, title and interest in and to any and all such Work Product.

Consultant further agrees that, except for Consultant's rights in any Background Technology XENCOR possesses and shall retain all right, title and interest in all of Consultant's Work Product under this Agreement. Consultant hereby grants to XENCOR a non-exclusive, royalty-free and worldwide right to use and sublicense the use of any Background Technology for the purpose of developing and marketing XENCOR products, but not for the purpose of marketing any Background Technology separate from XENCOR products.

Consultant further agrees to execute all papers, including without limitation all patent applications, invention assignments and copyright assignments, and otherwise assist XENCOR as reasonably required to perfect XENCOR's right, title and interest in Consultant's Work Product as expressly granted to XENCOR under this Agreement. Such assistance shall include but not be limited to providing affidavits or testimony in connection with patent interference, validity or infringement proceedings and participating in other legal proceedings. XENCOR will compensate Consultant for time and effort involved in such activities during the term of this Agreement. Consultant's obligation to assist XENCOR as described above in this paragraph shall continue beyond the termination of this Agreement. If such activity is required of Consultant after the term of this Agreement, it will be negotiated as a separate mutually acceptable agreement. If XENCOR is unable, after reasonable effort, to secure Consultant's signature on any document as provided in this Paragraph 3, Consultant hereby designates and appoints XENCOR and its duly authorized officers and agents as its agent and attorney in fact to execute, verify and file applications, and to do all other lawfully permitted acts necessary to achieve the intent of this Paragraph 3 with the same legal force and effect as if executed by Consultant.

4. Conflicting Engagements. Consultant will notify XENCOR in writing prior to entering into any employment or consulting arrangement with one or more third parties which involves subject matter substantially similar to services Consultant is to provide hereunder or which is provided for the benefit of third parties who are competitors of XENCOR. During the term of this Agreement, Consultant shall not accept any employment or consulting work which conflicts with Consultant's obligations to XENCOR hereunder or which may involve use or disclosure of Information other than as permitted hereunder.

5. Term; Termination. The term of this Agreement shall be as set forth in Exhibit A, unless previously terminated pursuant to this Section 5. Either XENCOR or Consultant may terminate this Agreement upon thirty (30) days prior written notice to the other. In the event this Agreement is terminated, Consultant shall cease work immediately after receiving notice from XENCOR, return all Information (including all copies thereof) as provided in Section 2, deliver all Work Product and related documentation to XENCOR, and provide XENCOR with an invoice for any work for which compensation has not already been paid. If compensation has been advanced to Consultant, Consultant shall reimburse any amounts for which work has not been performed prior to the date of

the notice of termination. Sections 2, 3, 6, 9 and 10 shall survive the termination of this Agreement for any reason, including expiration of the term of this Agreement.

6. Compliance with Applicable Laws. Consultant warrants that all material supplied and work performed under this Agreement shall be in compliance with all applicable laws and regulations.

7. Independent Contractor. Consultant is an independent contractor, is not an agent or employee of XENCOR and is not authorized to act on behalf of XENCOR. Consultant will not be eligible for any employee benefits, nor will XENCOR make deductions from any amounts payable to Consultant for taxes. Payment of all taxes due on any amounts paid to Consultant hereunder shall be the sole responsibility of Consultant.

8. General. The parties' rights and obligations under this Agreement will bind and inure to the benefit of their respective successors and assigns, except that Consultant may not delegate or assign any of his or her obligations or rights under this Agreement without XENCOR's prior written consent. This Agreement and Exhibit A, attached hereto and hereby incorporated herein, constitute the parties' final, exclusive and complete understanding and agreement with respect to the subject matter hereof, and supersede all prior and contemporaneous understandings and agreements relating to its subject matter. This Agreement may not be waived, modified or amended unless mutually agreed upon in writing by both parties. In the event any provision of this Agreement is found to be legally unenforceable, such unenforceability shall not prevent enforcement of any other provision of the Agreement. This Agreement shall be governed by the laws of the State of California, excluding its conflicts of laws principles. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given either upon personal delivery, one (1) day after being sent by overnight delivery service, three (3) days after the date of mailing if sent by certified or registered mail, postage prepaid, or on the day of transmission by facsimile, provided that the notifying party confirms receipt of such transmission with the other party by telephone. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute a single instrument.

9. Legal and Equitable Remedies. Consultant hereby acknowledges and agrees that in the event of any breach of this Agreement by Consultant, including, without limitation, the actual or threatened disclosure of Information without the prior express written consent of XENCOR, XENCOR will suffer an irreparable injury, such that no remedy at law will afford it adequate protection against, or appropriate compensation for, such injury. Accordingly, Consultant hereby agrees that XENCOR shall be entitled to specific performance of Consultant's obligations under this Agreement, as well as such further relief as may be granted by a court of competent jurisdiction. Consultant shall not be liable to Company for special, incidental, consequential or punitive damages of any nature, for any reason, whether such liability is asserted on the basis of contract, tort or otherwise. The liability of Consultant for direct damages shall in no event exceed the amount paid to Consultant under this Agreement.

10. Warrant; Indemnification. Consultant warrants that he or she has good and marketable title to all of Consultant's Work Product. Consultant further warrants that the Work Product shall be free and clear of all liens, claims, encumbrances or demands of third parties, including any claims by any such third parties with respect to such third parties' intellectual property rights in the Work Product. Consultant shall indemnity, defend and hold harmless XENCOR and its officers, agents, directors, employees, and customers from and against any claim, liability, loss, judgment or expense (including reasonable attorneys' and expert witnesses' fees and costs) resulting from or arising out or any such claims by any third parties which are based upon or are the result of any breach of such warranty.

Company shall indemnify, defend and hold harmless Consultant from and against any and all claims, losses, costs, expenses, damages, obligations, or liabilities, including reasonable attorneys' fees arising from or out of, or in any way connected with the PRODUCT use or application of the work or Information presented by Consultant or in any other matter related to this Agreement, unless a court of competent jurisdiction determines that the loss resulted from the gross negligence or willful misconduct of Consultant. The Company shall pay such costs and reasonable attorneys' fees as incurred by Consultant.

Should XENCOR permit Consultant to use any of XENCOR's equipment, tools or facilities during the term of this Agreement, such permission will be gratuitous and Consultant shall indemnify and hold harmless XENCOR and its officers, directors, agents and employees from and against any claim, loss, expense or judgment of injury to person or property (including death) arising out of the use of any such equipment, tools or facilities, whether or not such claim is based upon its condition or on the alleged negligence of XENCOR in permitting its use.

11. Limited Warranty.

(a) Warranty. Consultant will perform the Services competently, with the level of professional care that is in accordance with industry standards and practices.

(b) Sole Remedy. In the event of a breach of the warranty set forth in section 11.a, Client's sole remedy, and Consultant's sole liability and obligation, shall be, at Consultant's sole option, either to (a) re-perform the Services at no cost to Client or (b) refund the amounts paid. No claim for breach of warranty may be made more than three (3) months after the Services.

(c) DISCLAIMER OF WARRANTIES. EXCEPT AS SET FORTH IN SECTION 4.1, ALL EXPRESS OR IMPLIED CONDITIONS, REPRESENTATIONS, AND WARRANTIES RELATED TO THE SERVICES INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SATISFACTORY QUALITY, TITLE, AGAINST INFRINGEMENT, OR ARISING FROM A COURSE OF DEALING, USAGE, OR TRADE PRACTICE, ARE HEREBY EXCLUDED TO THE EXTENT ALLOWED BY APPLICABLE LAW. THIS DISCLAIMER AND EXCLUSION SHALL APPLY EVEN IF THE EXPRESS WARRANTY OR LIMITED REMEDY SET FORTH ABOVE FAILS OF ITS ESSENTIAL PURPOSE. THE WARRANTY PROVIDED IS SUBJECT TO THE LIMITATION OF LIABILITY SET FORTH IN SECTION 11.d.

(d) Limitation of Liability. Notwithstanding anything else herein, all liability of Consultant shall be limited to the amount paid by Client to Consultant. Client's exclusive remedy for any claim arising out of this Agreement for which another remedy is not provided in this Agreement shall be for Consultant, upon written notice, to use commercially reasonable efforts to cure any defect in the Services at his expense, and if such cure is not effected in a reasonable time, to refund the fees paid to Consultant directly related to such Services.

(e) Exclusion of Consequential Damages. IN NO EVENT SHALL CONSULTANT BE LIABLE FOR (A) ANY COMPENSATORY, INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, LOST PROFITS, LOST REVENUE OR LOST DATA, OR ANY OTHER INDIRECT DAMAGES IN CONNECTION WITH THE PERFORMANCE OF OR FAILURE TO PERFORM THE SERVICES REGARDLESS OF WHETHER SUCH LIABILITY ARISES IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE; OR (B) ANY COSTS OR EXPENSES FOR THE PROCUREMENT OF SUBSTITUTE SERVICES, IN EACH CASE, EVEN IF CONSULTANT WAS INFORMED OF THE POSSIBILITY THEREOF.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

AGREED TO: **XENCOR, INC.**	**AGREED TO:**
By: */s/ John J. Kuch*	By: */s/ Paul Foster, M.D.*
Name: John J. Kuch	Name: Paul Foster, MD
Title: Vice President, Finance	SVP Development & Chief Medical Officer Development and Strategic Consulting Associates, LLC

EXHIBIT A

Work to be performed: Clinical trial management and clinical strategy commensurate with the level of part-time Chief Medical Officer.

Background Technology (if any): None.

Type or rate of payment: Consultant shall charge $24,000 per month (based on the assumption of approximately 60 hours work per month). Consultant shall submit an invoice monthly with work itemized by the hour. Consultant shall reference the Xencor PO No. on each invoice it submits to Xencor for payment. Invoices should be sent to Bassil Dahiyat, PhD (baz@xencor.com) with a copy to John Kuch, Senior Director, Finance (jkuch@xencor.com) electronically or by mail to the address provided in the preamble of agreement. Invoices are payable upon receipt and will be subject to an additional charge of 12% per annum if not paid within 30 days of receipt, as well as costs of collection, including reasonable attorneys' fees.

Timing of payment(s): Monthly.

Payments will be remitted to:

Development and Strategic Consulting Associates, LLC

Types of Expenses to be paid: Pre-approved, reasonable, documented expenses, including travel expenses, incurred performing the work.

Term of Agreement: The term of this Agreement shall commence upon the Effective Date and expire two (2) years thereafter, unless extended in writing by mutual agreement of the parties.

/s/ JK	/s/ PF
Initials	Initials
Xencor	Consultant

Exhibit 10.11

111 W. Lemon Avenue
Monrovia, CA 91016
626-305-5900
626-305-0350 FAX
http://www.xencor.com

August 1, 2012

Paul Foster

Dear Dr. Foster,

Congratulations! I am pleased to confirm our offer, and your acceptance of a position as part-time Chief Medical Officer at Xencor at 75% time commitment. We understand that you have professional engagements providing clinical strategy and development services with other parties and we agree that you will not engage with any additional parties to provide such services during your employment with Xencor without disclosing such services to Xencor and limiting the aggregate of such services to 25% time commitment. The specifics of this offer are as follows:

- Start date of August 1, 2012
- Annual base salary of $300,000.00, less standard withholdings and deductions, payable in accordance with the Company's standard payroll procedures.
- Eligibility for discretionary annual performance bonuses in accordance with the Company's annual bonus program for senior management, less standard withholdings and deductions, with metrics dependent upon corporate and individual performance. Any bonus you earn will be paid out in cash or stock in accordance with the Company's standard practice.
- Options for 180,000 shares of Xencor Common Stock vesting over the Company's standard vesting schedule; 25% of the options will vest after one-year and the remainder will vest monthly over 36 months. The exercise price of the options is equal to the fair market value of the Common Stock on the grant date as determined by our Board of Directors, which was $.19/share. (This grant is subject to approval by the Board of Directors.)
- 100% of employee's medical and dental premium coverage in a HMO (employee's option), with 70% of dependent premiums paid by Xencor or 85% of employee's medical coverage in a PPO (employee option), with 70% of dependent premiums paid by Xencor.
- Life insurance, Long Term Disability (LTD), Accidental Death and dismemberment (AD&D) coverage for employee
- 401(k) plan (no matching by Xencor)
- Paid Personal Leave (PPL) accrual at 14 days/year
- 9 holidays/year

This offer is contingent upon your executing a Proprietary Information and Inventions Agreement to be prepared by Xencor and completing a Federal Employment Eligibility Verification form (INS 1-9).

By signing this letter, you understand and agree that your employment with Xencor is at-will. Therefore, your employment can terminate, with or without cause, and with or without notice, at any time, at your option or Xencor's option, and Xencor can terminate or change all other terms and conditions of your employment, with or without cause, and with or without notice, at any time. This at-will relationship will remain in effect throughout your employment at Xencor or any of its subsidiaries or affiliates. This letter constitutes the entire agreement. arrangement and understanding between you and Xencor on the nature and terms of your employment with Xencor. This letter supersedes any prior or contemporaneous agreement, arrangement or understanding on this subject matter.

By executing this letter as provided below, you expressly acknowledge the termination of any such prior agreement arrangement or understanding. Also, by your execution of this letter, you affirm that no one has made any written or verbal statement that contradicts the provisions of this letter. The at-will nature of your employment, as set forth in this paragraph, can be modified only by a written agreement signed by both Xencor and you, which expressly alters it. This at-will relationship may not be modified by any oral or implied agreement, or by any Company policies, practices or patterns of conduct.

If this offer is suitable, please sign and date this letter and retain the copy for your records.

Sincerely,

/s/ Bassil I. Dahiyat
Bassil I. Dahiyat
President & CEO

I have read and understand the terms of employment described in this letter and consent to all of the terms and provisions contained herein.

/s/ Paul Foster, M.D.	July 8, 2013
Signature of acceptance	Date

cc: J. Kuch

*Employee understands and agrees that if employee ceases employment with Xencor prior to twelve (12) months from the first dote of employment. employee must pay back Xencor the entire signing bonus prior to their last day of employment. Employee further understands and agrees that the signing bonus expense is earned upon completion of twelve (12) months of employment with Xencor and that payment of the signing bonus prior to twelve (12) months of employment is deemed an advance of the signing bonus.

XENCOR, INC.

THIRD AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT
for
Dr. Bassil Dahiyat

This Third Amended and Restated Executive Employment Agreement ("**Agreement**") is entered into by and between **Dr. Bassil Dahiyat** ("**Executive**") and **Xencor, Inc.**, a Delaware corporation (the "**Company**") as of the Effective Date set forth in Section 1.1 below. As of the Effective Date, this Agreement shall replace and supersede that certain Second Amended and Restated Executive Employment Agreement between Executive and the Company entered into as of January 1, 2007.

WHEREAS, Executive currently serves as the President and Chief Executive Officer ("**CEO**") of the Company and has served in such capacity pursuant to an employment agreement and related amendments that are superseded and replaced in their entirety by this Agreement; and

WHEREAS, the Company desires to continue to employ Executive to provide personal services to the Company in that capacity, and wishes to provide Executive with certain compensation and benefits in return for his services, and Executive wishes to be so employed and to receive such compensation and benefits; and

WHEREAS, the Company and Executive wish to enter into this Agreement to define their mutual rights and duties with respect to Executive's continued employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

1. EMPLOYMENT BY THE COMPANY.

1.1 Effective Date. The effective date of this Agreement shall be September 4, 2013 (the "**Effective Date**").

1.2 Employment of Executive. Executive shall continue to have the title of President and CEO of the Company and shall report to the Company's Board of Directors (the "**Board**"). Executive's employment with the Company is subject to the terms and conditions of this Agreement. During Executive's employment with the Company, Executive will devote his best efforts and substantially all of his business time and attention to the business of the Company (except for vacation periods as set forth herein and reasonable periods of illness or other incapacity permitted by the Company's general employment policies and applicable law). Executive acknowledges that he has been appointed to the Board and Executive agrees to continue to serve as a director of the Company, if requested by the Board, for so long as he remains employed in the position of President and CEO of the Company. If Executive ceases to serve as President and CEO of

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the Company for any reason, then Executive will resign from his position as a member of the Board, if and as requested by the Board.

1.3 Executive's Duties. Executive shall continue to serve in an executive capacity as the Company's President and CEO and shall perform such duties as are customarily associated with that title, consistent with the Bylaws of the Company and as required by the Board.

1.4 Employment Policies. The employment relationship between the parties shall also be governed by the general employment policies and practices of the Company, including those relating to protection of confidential information and assignment of inventions, except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control.

1.5 At-will Employment. The Company and Executive acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause, subject to the provisions of Section 5 herein. This at-will employment relationship cannot be changed except in a writing signed by both Executive and a majority of the Board. Any rights of Executive to additional payments or other benefits from the Company upon any such termination of employment shall be governed by Section 5 of this Agreement.

2. COMPENSATION.

2.1 Salary. Executive shall receive for his services to be rendered hereunder an annualized base salary of $364,131, less standard deductions and withholdings, payable in installments in accordance with the Company's standard payroll practices, as may be adjusted from time to time pursuant to this Agreement (the "**Base Salary**"). Executive's Base Salary shall be reviewed at least annually by the Board, and in the Board's sole discretion, may be increased at any time. Such Base Salary may be decreased by the Board at any time, but may be materially decreased only if the Board shall have decided in good faith that such action is justified in connection with the Board's determination that (i) the Company has less than six (6) months of cash and equivalents on hand to meet its anticipated operating expenses; (ii) the Company will effect a reduction in force of not less than twenty-five percent (25%) of the Company's workforce; or (iii) the Company will reduce the salaries of all officers of the Company by at least the same percentage amount by which Executive's salary is to be reduced.

2.2 Standard Company Benefits. Executive shall be entitled to all rights and benefits for which he is eligible under the terms and conditions of the standard Company benefits and compensation practices that may be in effect from time to time and provided by the Company to its employees generally. Executive shall likewise be eligible to participate in any additional benefits programs that may be in effect from time to time and provided by the Company to its executive employees generally. Notwithstanding the foregoing, Executive shall not be entitled to participate in any cash or stock bonus program or stock option or other equity incentive program, whether or not generally available to

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executive or other employees of the Company, unless the Board shall specifically so determine.

2.3 Performance Bonus. Executive shall be eligible to earn an annual performance bonus, with the target amount of such bonus equal to 35% of Executive's Base Salary, less standard deductions and withholdings (the "**Performance Bonus**"). Executive's Performance Bonus will be determined by the Board, based on performance metrics to be designated by the Board (or a committee thereof), with due regard to such metrics as Executive may propose. The amount of Executive's Performance Bonus and whether Executive has achieved the designated performance metrics will be determined by the Board in its sole discretion. Any Performance Bonus earned by Executive will be paid out in accordance with the Company's standard practice. Except as provided in Section 5 below, Executive must remain an active employee in good standing with the Company through the end of the applicable bonus year to earn a Performance Bonus for that year and such Performance Bonus, if any, will be paid in a single lump sum payment on or before March 15 of the immediately following year. For purposes of this Agreement, each bonus year will begin in January 1st and end on the following December 31st.

2.4 Expense Reimbursement. Executive shall be entitled to receive prompt reimbursement of all reasonable expenses incurred by Executive in performing Company services. Executive agrees to furnish the Company reasonably adequate records and other documentary evidence of such expenses for which Executive seeks reimbursement. Such expenses shall be accounted for under the policies and procedures established by the Company and consistent with California law. For the avoidance of doubt, to the extent that any reimbursements payable to Executive are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the **"Code"**) and the regulations and other guidance thereunder and any state law of similar effect (collectively **"Section 409A"**): (a) to be eligible to obtain reimbursement for such expenses Executive must submit expense reports within forty-five (45) days after the expense is incurred, (b) any such reimbursements will be paid no later than December 31 of the year following the year in which the expense was incurred, (c) the amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (d) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

2.5 Equity Awards. The Company has previously granted to Executive certain options to purchase common stock of the Company. Executive will be eligible to participate in and receive equity grants under the Company's equity incentive plans from time to time in the discretion of the Board (or an authorized committee thereof) and in accordance with the terms and conditions of such plans.

3. PROPRIETARY INFORMATION OBLIGATIONS.

In partial consideration of the payments and other obligations of the Company to Executive under this Agreement, Executive agrees to continue to abide by the Proprietary Information and Inventions Agreement (the "**PIIA**") attached hereto as **Exhibit A**, and further agrees that his obligations under the PIIA shall be effective from

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October 7, 1997, the commencement date of Executive's employment by the Company. The parties agree that, for so long as this Agreement shall be in effect, this Agreement shall supersede paragraphs 10, 18 and 19.2 of the PIIA. Executive's obligations under the PIIA shall survive termination of this Agreement and shall remain in full force and effect regardless of whether Executive continues to be employed by the Company.

4. OUTSIDE ACTIVITIES.

4.1 Limitation on Certain Activities. Except with the prior written consent of the Board, which shall not unreasonably be withheld, while employed by the Company, Executive will not undertake or engage in any other employment, occupation or business enterprise, other than those in which Executive is a passive investor. In no event shall Executive undertake any such activities that would detract from his ability to devote substantially full-time effort as an employee of the Company, consistent with his title and responsibilities. Executive may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of his duties hereunder.

4.2 Competing Entities. While employed by the Company, except on behalf of the Company as directed by the Board, Executive will not directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, representative, consultant or in any capacity whatsoever engage in, become financially interested in, be employed by or have any business connection with any other person, corporation, firm, partnership or other entity whatsoever which was or should have been known by him to compete directly with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that anything above to the contrary notwithstanding, he may own, as a passive investor, securities of any publicly owned competitor corporation, so long as his direct holdings in any such corporation shall not in the aggregate constitute more than one percent (1%) of the voting stock of such corporation.

5. TERMINATION OF EMPLOYMENT.

5.1 Termination by Mutual Agreement of the Parties. Executive's employment pursuant to this Agreement may be terminated at any time upon mutual agreement, in writing. Any such termination of employment shall have the consequences specified in such writing.

5.2 Termination for Death or Disability. Executive's employment with the Company shall terminate effective upon the date of Executive's death or Complete Disability. **"Complete Disability"** shall mean Executive's inability to perform Executive's duties under this Agreement by reason of any medically determinable physical or mental impairment which could reasonably be expected to result in death or which has lasted or could reasonably be expected to last for a continuous period of not less than six (6) months. If Executive's employment shall be terminated by death or Complete Disability, the Company shall pay to Executive, and/or Executive's heirs, Executive's Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings, and

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the Company shall thereafter have no further obligations to Executive and/or Executive's heirs under this Agreement.

5.3 Voluntary Termination other than for Good Reason. Executive may voluntarily terminate his employment other than for Good Reason (as defined in Section 5.8 below) with the Company at any time. In the event Executive voluntarily terminates his employment other than for Good Reason, the Company shall pay Executive all base salary and accrued but unused vacation benefits earned through the date of termination at the rates then in effect, less standard deductions and withholdings. In the event of such termination, Executive will not be entitled to any further compensation, severance pay or other benefits.

5.4 Termination without Cause or Resignation for Good Reason other than in connection with a Change of Control.

(a) In the event Executive's employment is terminated by the Company without Cause (as defined in Section 5.6 below), or Executive resigns for Good Reason, in either case other than during the period commencing one (1) month before and ending thirteen (13) months after a Change of Control (as defined in Section 5.7 below), then subject to Executive's delivery of an effective Release pursuant to Section 5.9 below, Executive shall receive the following benefits:

(i) A amount equivalent to Executive's then applicable Base Salary for twelve (12) months (but in no event less than $364,131 on an annualized basis and ignoring any decrease that forms the basis for Executive's termination for Good Reason, if applicable), paid in a lump sum, less standard deductions and withholdings, on the first regular payroll date of the Company following the effective date of the Release but in no event later than March 15 of the year immediately following the year in which Executive's termination occurred.

(ii) An amount equal to Executive's annual target Performance Bonus for the year of termination, pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365, paid in a lump sum, less standard deductions and withholdings, on the first regular payroll date of the Company following the effective date of the Release but in no event later than March 15 of the year immediately following the year in which Executive's termination occurred.

(iii) Provided that Executive is eligible for and timely elects continued group health plan coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") following the Executive's termination date, the Company will pay the Executive's COBRA group health insurance premiums for the Executive and his eligible dependents until the earliest of (A) the close of the twelve (12) month period following the termination of Executive's employment (the "**Severance Period**"), (B) the expiration of Executive's eligibility for the continuation coverage under COBRA, or (C) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment. For

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purposes of this Section, references to COBRA premiums shall not include any amounts payable by Executive under a Section 125 health care reimbursement plan under the U.S. Internal Revenue Code. Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot pay the COBRA premiums without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then regardless of whether Executive elects continued health coverage under COBRA, and in lieu of providing the COBRA premiums, the Company will instead pay Executive on the last day of each remaining month of the Severance Period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable tax withholdings (such amount, the "**Special Severance Payment**"), which payments shall continue until the earlier of expiration of the COBRA Payment Period or the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment. On the effective date of the Release, the Company will make the first payment under this clause (and, in the case of the Special Severance Payment, such payment will be to Executive, in a lump sum) equal to the aggregate amount of payments that the Company would have paid through such date had such payments commenced on the date of Employee's termination through the effective date of the Release, with the balance of the payments paid thereafter on the schedule described above. If Executive becomes eligible for coverage under another employer's group health plan, Executive must immediately notify the Company of such event, and all payments and obligations under this Subsection shall cease.

(iv) Accelerated vesting of all outstanding stock options and other equity awards covering the Company's common stock held by the Executive as of the date of termination, to the extent such awards are subject to time-based vesting requirements and as if Executive had completed an additional twelve (12) months of service with the Company as of the date of termination.

5.5 Termination without Cause or Resignation for Good Reason in connection with a Change of Control.

(a) In the event Executive's employment is terminated by the Company without Cause, or Executive resigns for Good Reason (as defined below), in either case during the period commencing one (1) month before and ending thirteen (13) months after a Change of Control, then subject to Executive's delivery to the Company or successor of the Company of an effective Release pursuant to Section 5.9 below, Executive shall receive the benefits described in Section 5.4 above, except that:

(i) In lieu of the pro rated target Performance Bonus described in Section 5.4(ii), Executive shall receive his full target Performance Bonus for the year of termination; and

(ii) In lieu of the vesting acceleration described in Section 5.4(iv), all outstanding stock options and other equity awards covering the Company common stock held by the Executive as of the date of termination that are subject to time-based vesting requirements shall accelerate in full.

5.6 Termination for Cause.

(a) The Company shall have the right to terminate Executive's employment with the Company at any time for Cause. If Executive is terminated for Cause, then the Company shall pay Executive all base salary and accrued but unused vacation benefits earned through the date of termination at the rates then in effect, less standard deductions and withholdings. Executive will not be entitled to any further compensation, severance pay or other benefits.

(b) "**Cause**" for termination shall mean: (a) indictment or conviction of any felony or of any crime involving moral turpitude or dishonesty; (b) participation in any fraud against the Company; (c) material breach of Executive's duties to the Company, including persistent unsatisfactory performance or habitual neglect of job duties; (d) refusal to follow the Company's lawful written directions or material failure to perform Executive's duties (other than by reason of physical or mental disability); or (e) material breach of the Company's written policies or the Proprietary Information and Inventions Agreement; provided, however, that in the event that any of the foregoing events under clauses (c), (d) or (e) is capable of being cured, the Company shall provide written notice to Executive describing in reasonable detail the nature of such event and Executive shall thereafter have twenty (20) days to cure such event.

(c) In the event Executive is terminated for Cause, the Company agrees to limit its response to any inquiry regarding Executive's employment to (1) the dates of Executive's employment, (2) Executive's salary, and (3) Executive's position, provided that the Company may respond accurately and fully to any inquiry or request for information if required by legal process.

5.7 Change of Control. For purposes of this Agreement, a "Change of Control" means (A) any sale, merger, consolidation, tender offer or similar acquisition of shares, or other transaction or series of related transactions (each a "**Transaction**") as a result of which at least a majority of the voting power of the Company is not held, directly or indirectly, by the persons or entities who held the Company's securities with voting power before such Transaction

(provided, however, that any person who acquired voting securities of the Company in contemplation of the Transaction and who immediately after such Transaction possesses direct or indirect ownership of at least ten percent (10%) of the securities of the Company or the surviving entity (or if the Company or the surviving entity is a controlled affiliate of another entity, then of such controlling entity) shall not be included in the group of those persons or entities who held the Company's securities with voting power before such Transaction); (B) a sale or other disposition of all or a substantial part of the Company's assets, whether in one transaction or a series of related transactions; or (C) individuals who on the effective date of this Agreement constitute the Board and any new director (other than a director designated by a person or entity who has entered into an agreement to effect a transaction described in clause (A) or (B) above) whose nomination and/or election to the Board was approved by a vote of at least a majority of the directors then still in office who either were directors on the effective date hereof or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board.

5.8 **Resignation for Good Reason.** For purposes of this Agreement, **"Good Reason"** for purposes of Executive's resignation means the occurrence of any of the following events without Executive's consent; *provided however,* that any resignation by Executive upon any of the following events shall only be deemed for Good Reason if: (i) Executive gives the Company or successor to the Company, if applicable, written notice of the existence of such condition and Executive's intent to terminate for Good Reason within sixty (60) days following the first occurrence of the condition(s) that Executive believes constitute Good Reason, which notice shall describe such condition(s); (ii) the Company or successor to the Company, if applicable, fails to remedy, if remediable, such condition(s) within thirty (30) days following receipt of the written notice (the **"Cure Period"**) of such condition(s) from Executive; and (iii) Executive actually resigns his employment and all services to the Company (including service on the Board, if applicable) or successor to the Company, if applicable, within the first fifteen (15) days after expiration of the Cure Period:

(a) any material diminution of, or material adverse change to Executive's authority, duties or responsibilities, provided that, the appointment of a new CEO shall not alone constitute Good Reason;

(b) any material diminution in the authority, duties, or responsibilities of the supervisor to whom Executive is required to report, including a requirement that Executive report to a corporate officer or employee instead of reporting directly to the Board;

(c) a material reduction in Executive's Base Salary (except under the circumstances permitted in Section 2.1 above);

(d) a relocation of Executive's principal office to a location that increases Executive's one-way commute by more than forty (40) miles;

(e) any breach of any material provision of this Agreement.

5.9 **Release.** As a condition of Executive's receipt of any payments or receipt of benefits under Section 5.4 and Section 5.5 of this Agreement, Executive shall execute a release in a form substantially similar to the release attached hereto as **Exhibit B** (the "**Release**") within the applicable time period set forth therein and permit such Release to become fully effective in accordance with its terms, which in no event shall be later than sixty (60) days following Executive's termination of employment.

5.10 **280G Limitation on Payments.**

(a) If any payment or benefit Executive will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment (a "**Payment**") shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the

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largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata.

(b) Unless Executive and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change of Control shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to Executive and the Company within fifteen (15) calendar days after the date on which Executive's right to a 280G Payment becomes reasonably likely to occur (if requested at that time by Executive or the Company) or such other time as requested by Executive or the Company.

(c) If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 5.10(a) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 5.10(a) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 5.10(a), Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

6. **APPLICATION OF INTERNAL REVENUE CODE SECTION 409A**.

Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the **"Severance Benefits"**) that constitute "deferred compensation" within the meaning of Section 409A shall not commence in connection with Executive's termination of employment unless and until Executive has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h)) (the **"Separation From Service"**), unless the Company reasonably determines that such amounts may be provided to Executive without causing Executive to incur the additional 20% tax under Section 409A. Each installment of Severance Benefits is a separate "payment" for purposes of Treas. Reg. Section 1.409A-2(b)(2)(i) and it is

intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that such exemptions are not available and Executive is, on Executive's Separation From Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six (6) months and one day after Executive's Separation From Service or (ii) the date of Executive's death.

Executive shall receive Severance Benefits only if Executive executes and returns within the applicable time period set forth therein, the Release, and permits such Release to become effective in accordance with its terms, which shall in no event be longer than sixty (60) days following Executive's Separation From Service (such latest permitted date, the "**Release Deadline**"). If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A, and the Release could become effective in the calendar year following the calendar year in which Executive's Separation From Service occurs, the Release will not be deemed effective any earlier than the Release Deadline. Except to the minimum extent that payments are delayed because Executive is a "specified employee" or until the effectiveness of the Release, all amounts will be paid as soon as practicable in accordance with the Company's normal payroll practices. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

7. NONINTERFERENCE.

While employed by the Company, and for one (1) year immediately following termination of Executive's employment by the Company, Executive agrees not to interfere with the business of the Company by directly or indirectly soliciting, attempting to solicit, inducing or otherwise causing any employee, consultant, or independent contractor of the Company to terminate his, her or its employment or relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or entity. Executive agrees that this restriction is reasonably necessary to protect the Company's legitimate business interest in its substantial relationships with employees, consultants and independent contractors and its valuable confidential business information.

8. GENERAL PROVISIONS.

8.1 Notices. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by fax) or the third day after mailing by first class mail, to the Company at its primary office location or to Executive at his address as listed on the Company payroll.

8.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction. In that event, the parties intend that this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

8.3 Waiver. If either party should waive any breach of any provisions of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

8.4 Complete Agreement. This Agreement and the Exhibits hereto, including without limitation the PIIA and exhibits thereto, constitute the entire agreement between Executive and the Company, and are the complete, final and exclusive embodiment of their agreement with regard to the subject matter of hereof and thereof and superseded and replace the Employment Agreement dated December 1, 2001, and all related amendments thereto, including the Second Amended and Restated Executive Employment Agreement between Executive and the Company entered into as of January 1, 2007. This Agreement (including such Exhibits) is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in a writing signed by Executive and by an individual (other than Executive) authorized to sign such writing on behalf of the Company.

8.5 Counterparts. This Agreement may be executed by facsimile in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

8.6 Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

8.7 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not delegate any of his duties hereunder and he may not assign any of his rights hereunder without the written consent of the Company, which shall not be withheld unreasonably.

8.8 Dispute Resolution — To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment with the

Company, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, Executive's employment with the Company, or the termination of Executive's employment from the Company, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration conducted before a single arbitrator by JAMS, Inc ("**JAMS**") or its successor, under JAMS' then applicable rules and procedures for employment disputes (which can be found at http://www.jamsadr.com/rules-clauses/, and which will be provided to Executive on request). The arbitration shall take place in the county (or comparable governmental unit) in which Executive was last employed by the Company, as determined by the arbitrator; provided that if the arbitrator determines there will be an undue hardship to Executive to have the arbitration in such location, the arbitrator will choose an alternative appropriate location. The Executive and the Company each acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute through a trial by jury or judge

or administrative proceeding. Executive will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable law in a court proceeding; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. The arbitrator, and not a court, shall also be authorized to determine whether the provisions of this section apply to a dispute, controversy, or claim sought to be resolved in accordance with these arbitration procedures. The Company shall pay all arbitration fees and costs in excess of the administrative fees that Executive would be required to incur if the dispute were filed or decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

8.9 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California, without regard to its conflict-of-laws rules.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of September 4, 2013.

XENCOR, INC.

By: /s/ Edgardo Baracchini

Name: Edgardo Baracchini

Title: Chief Business Officer

Accepted and agreed as of
September 4, 2013.

/s/ Dr. Bassil Dahiyat
Dr. Bassil Dahiyat

EXHIBIT A

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

EXHIBIT B

GENERAL RELEASE

Consideration. I understand that my position with Xencor, Inc. (the "**Company**") terminated effective , 201 (the "**Separation Date**"). The Company has agreed that if I timely sign, date and return this Release Agreement ("**Release**"), and I do not revoke it, the Company will provide me with certain severance benefits pursuant to the terms and conditions of that certain Third Amended and Restated Employment Agreement between myself and the Company dated September 4, 2013 (the "**Employment Agreement**"), and any agreements incorporated therein by reference. I understand that I am not entitled to such severance benefits unless I timely sign this Release and allow it to become effective.

General Release. In exchange for the consideration to be provided to me under the Employment Agreement that I am not otherwise entitled to receive, I hereby generally and completely release, acquit and forever discharge the Company and its parent, subsidiary, and affiliated entities, and investors, along with its and their predecessors and successors and their respective directors, officers, employees, shareholders, partners, agents, attorneys, insurers, affiliates and assigns (collectively, the "**Released Parties**"), of and from any and all claims, liabilities and obligations, both known and unknown, that arise from or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date that I sign this Release (collectively, the "**Released Claims**"). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company, or the termination of that employment; (2) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, other incentive compensation, vacation pay and the redemption thereof, expense reimbursements, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including but not limited to claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including but not limited to claims for discrimination, harassment, retaliation, attorneys' fees, penalties, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act of 1967 (as amended) (the "**ADEA**"), the federal Family and Medical Leave Act ("**FMLA**"), the California Labor Code (as amended), and the California Fair Employment and Housing Act (as amended).

Excluded Claims. Notwithstanding the foregoing, the following are not included in the Released Claims (the "**Excluded Claims**"): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the Company's bylaws, or applicable law; and (2) any rights which are not waivable as a matter of law. In addition, nothing in this Release prevents me from filing, cooperating with, or participating in any investigation or proceeding before the Equal Employment Opportunity Commission, the Department of

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Labor, the California Department of Fair Employment and Housing, or any other government agency, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge, investigation or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any

claims I have or might have against any of the Released Parties that are not included in the Released Claims.

ADEA Waiver. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA ("**ADEA Waiver**"). I also acknowledge that the consideration given for the ADEA Waiver is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my ADEA Waiver does not apply to any rights or claims that arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release; (c) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release to revoke the ADEA Waiver; and (e) the ADEA Waiver will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release.

Section 1542 Waiver. In giving the general release herein, which includes claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to my release of claims, including but not limited to any unknown or unsuspected claims herein.

Other Agreements and Representations. I further agree: (a) not to disparage the Company, its officers, directors, employees, shareholders, and agents, in any manner likely to be harmful to its or their business, business reputations, or personal reputations; (b) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, investors, affiliates, officers, directors, employees or agents; (c) to cooperate fully with the Company, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with the Company's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of my employment by the Company; and (d) I hereby acknowledge and reaffirm my continuing obligations under the terms of my Proprietary Information and Inventions Agreement. In addition, I hereby represent that I have been paid all wages earned owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to FMLA, the California Family Rights Act, or any applicable law or Company policy, and

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I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

This Release, together with the Proprietary Information and Inventions Agreement attached to the Employment Agreement as **EXHIBIT A**, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated herein. This Release may only be modified by a writing signed by both me and a duly authorized officer of the Company.

UNDERSTOOD AND AGREED:

_____

DR. BASSIL DAHIYAT

Date: _____

September 5, 2013

Edgardo Baracchini, Ph.D., M.B.A.

Dear Ed:

This letter agreement (the **"Agreement"**) sets forth the terms of your continued employment with Xencor, Inc. (the **"Company"**) as the Company's Chief Business Officer. This Agreement will become effective as of the date of your execution below (the "**Effective Date**"). As of the Effective Date, this Agreement replaces and supersedes in its entirety the letter agreement between you and the Company dated January 12, 2010 (the **"Prior Agreement"**).

1. EMPLOYMENT.

1.1 Term. Your employment with the Company originally commenced on January 12, 2010. The term of this Agreement shall begin on the Effective Date and shall continue until terminated in accordance with Section 4 herein.

1.2 Title. You shall continue to have the title of Chief Business Officer and shall report to the Chief Executive Officer of the Company (the **"CEO"**). You shall serve in such other capacity or capacities as the CEO or the Board of Directors of the Company (the **"Board"**) may from time to time prescribe.

1.3 Duties. You shall continue to do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and which are normally associated with the position of Chief Business Officer, consistent with the Bylaws of the Company and as required by the Board.

1.4 Location. Unless otherwise agreed in writing, you shall perform services pursuant to this Agreement primarily at the Company's headquarters, which are currently located in Monrovia, California; *provided*, *however*, that the Company may from time to time require you to travel temporarily to other locations in connection with the Company's business.

1.5 At-will Employment. You and the Company acknowledge that either party has the right to terminate your employment with the Company at any time for any reason whatsoever, with or without cause, subject to the provisions of Section 4 herein. This at-will employment relationship cannot be changed except in a writing signed by both you and a majority of the Board. Any of your rights to additional payments or other benefits from the Company upon termination of employment shall be governed by Section 4 of this Agreement.

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2. LOYAL AND CONSCIENTIOUS PERFORMANCE; NONCOMPETITION.

2.1 Loyalty. During your employment by the Company you shall devote your full business energies, interest, abilities and productive time to the proper and efficient performance of your duties under this Agreement.

2.2 Agreement not to Maintain Conflicts of Interest. During your employment by the Company, you agree not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by you to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise or in any company, person or entity that is, directly or indirectly, in competition with the business of the Company and/or any of its affiliates, subsidiaries or joint ventures currently existing or which shall be established during your employment by the Company. Ownership by you, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange, including, but not limited to, any market of the NASDAQ Stock Market, or publicly traded in the over-the-counter market shall not constitute a breach of the foregoing Section 2.2.

3. COMPENSATION.

3.1 Base Salary. The Company shall pay you a base salary of two hundred ninety thousand three-hundred ninety-five dollars ($290,395) per year, less standard payroll deductions and withholdings, payable in regular periodic payments in accordance with Company policy. Such base salary shall be prorated for any partial year of employment on the basis of a 365-day fiscal year.

3.2 Annual Bonus. In addition to your base salary, you will be eligible to earn an annual bonus, with the target amount of such bonus equal to thirty-five percent (35%) of your base salary, based upon the Company's and your performance, as determined by the Board, against specific milestones to be defined by the Board. The portion of any such bonus to be paid based on Company versus individual performance, the amount of any such bonus, and whether you and the Company have achieved the specific milestones set by the Board, will be determined by the Board in its sole discretion. You must be an active employee of the Company in good standing through the end of the applicable bonus year to which the annual bonus relates in order to earn such bonus. In all events any earned bonus will be paid not later than March 15 of the year immediately following the year to which such bonus relates.

3.3 Equity Participation. The Company has previously granted you certain options to purchase common stock of the Company. You will be eligible to participate in and receive equity grants under the Company's equity incentive plans from time to time in the discretion of the Board and in accordance with the terms and conditions of such plans.

3.4 Employment Taxes and Withholdings. All of your compensation shall be subject to payroll deductions and withholdings required to be collected or withheld by the Company.

3.5 Vacation; Benefits. You shall, in accordance with Company policy and the terms of any applicable plan documents, be eligible for paid time off and benefits under any executive benefit plan or arrangement, such as group health insurance coverage and other fringe benefits, which may be in effect from time to time and made available to the Company's executives or key management employees.

4. TERMINATION.

4.1 Termination Without Cause or for Good Reason Prior to or More than 12 Months following a Change of Control. If your employment with the Company is terminated by the Company without Cause (as defined in Section 4.8 below) or you terminate your employment for Good Reason (as defined in Section 4.8 below), in either case other than during the Change of Control Period (as defined in Section 4.2 below), then subject to your delivery to the Company of a release and waiver in the form substantially similar to the release attached hereto as **Exhibit A** (the "**Release**") within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of your employment, and permitting such Release to become fully effective in accordance with its terms, the Company shall provide you with the following:

4.1.1 Severance pay in the form of a single lump sum payment equal to the sum of (i) seventy-five percent (75%) of your then-current annual base salary and (ii) the arithmetic mean of your annual bonuses, if any, paid or payable for the three full calendar years completed prior to the date of termination (it being understood that if you have received or will receive no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid or payable shall be disregarded and the arithmetic mean of your bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be calculated ignoring any decrease in your base salary that forms the basis for your termination for Good Reason, if applicable, and shall be made on the first regular payroll date of the Company following the effective date of the Release and in no event later than March 15 of the year immediately following the year in which your termination occurs.

4.1.2 You shall vest immediately with respect to such number of outstanding unvested stock options, shares of restricted stock and other equity awards covering the Company's common stock granted to you by the Company that are subject to time-based vesting requirements and would have vested in accordance with the applicable vesting schedule as if you had been employed for an additional 9 months as of the date of termination.

4.2 Termination Without Cause or for Good Reason in connection with a Change of Control. In the event your employment with the Company is terminated by the Company or successor to the Company without Cause or you terminate your employment for Good Reason, in each case during the period beginning on the execution of a definitive written agreement that if consummated in accordance with its terms would result in a Change of Control (as defined in Section 4.8 below) and ending on the earlier of (i) the termination of such agreement or (ii) twelve (12) months following the consummation of a Change of Control

pursuant to such agreement (such period of time, the "**Change of Control Period**"), then subject to your delivery to the Company or successor to the Company of a Release within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of your employment, and permitting such Release to become fully effective in accordance with its terms, the Company or successor to the Company, if applicable, shall provide you with the following:

4.2.1 Severance pay in the form of a single lump sum payment equal to the sum of (i) one hundred twenty-five percent (125%) of your then-current annual base salary and (ii) the arithmetic mean of your annual bonuses, if any, paid or payable for the three full calendar years completed prior to the date of termination (it being understood that if you have received or will receive no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid or payable shall be disregarded and the arithmetic mean of your bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be calculated ignoring any decrease in your base salary that forms the basis for your termination for Good Reason, if applicable, and shall be made shall be made on the first regular payroll date of the Company following the effective date of the Release and in no event later than March 15 of the year immediately following the year in which your termination occurs.

4.2.2 All outstanding stock options and other equity awards covering the Company common stock held by you as of the date of termination that are subject to time-based vesting requirements shall accelerate in full.

Subject to Section 4.7, nothing contained in this Section 4.2 or Section 4.1 or otherwise under this Agreement shall limit your right to receive a payout of your accrued but unused vacation and/or paid time off and any other payments required to be made to or on behalf of you by law, as of the date of your termination of employment.

4.3 Termination for Death or Disability. Your employment with the Company shall terminate effective upon the date of your death or Complete Disability. **"Complete Disability"** shall mean your inability to perform your duties under this Agreement by reason of any medically determinable physical or mental impairment which could reasonably be expected to result in death or which has lasted or could reasonably be expected to last for a continuous period of not less than six (6) months. If your employment shall be terminated by death or Complete Disability, the Company shall pay to you, and/or your heirs, your base salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings, and the Company shall thereafter have no further obligations to you and/or your heirs under this Agreement.

4.4 Termination by You Without Good Reason. You may resign your employment without Good Reason at any time. The Company shall pay you your base salary and accrued and unused vacation benefits earned through the effective date of your resignation, less standard deductions and withholdings. You shall not be entitled to any other benefit or compensation and the Company shall have no further obligations to you under this Agreement.

4.5 Termination by the Company for Cause. The Company may terminate your employment for Cause at any time. Upon such termination, the Company shall pay you your base salary and accrued and unused vacation benefits earned through the date of termination, less standard

deductions and withholdings, and you shall not be entitled to any other benefit or compensation and the Company shall have no further obligations to you under this Agreement

4.6 Termination by Mutual Agreement of the Parties. Your employment pursuant to this Agreement may be terminated at any time upon mutual agreement, in writing. Any such termination of employment shall have the consequences specified in such writing.

4.7 Survival of Certain Provisions. Sections 2.2 and 5 shall survive the termination of this Agreement.

4.8 Definitions.

4.8.1 "Cause" shall mean your:

(i) gross negligence or willful misconduct in the performance of your duties to the Company as an employee of the Company (other than a failure resulting your complete or partial incapacity due to physical or mental illness or impairment); provided, however, that no act, or failure to act, by you shall be considered "willful" unless committed without good faith and without a reasonable belief that the act or omission was in the Company's best interest;

(ii) material and willful violation of any federal or state law or regulation applicable to the business of the Company;

(iii) significant or material refusal or failure to act in accordance with any lawful specific direction or order of the Board;

(iv) commission of any act of fraud with respect to the Company;

(v) breach of any material provision of your Proprietary Information and Inventions Agreement, including without limitation, theft or other misappropriation by you of the Company's proprietary information or trade secrets; or

(vi) conviction of, or entry of plea of *nolo contendere* to, a felony or a crime involving moral turpitude.

Whether or not your actions or omissions constitute "Cause" within the meaning of this Section 4 shall be decided by the Board based upon a reasonable good faith investigation and determination.

4.8.2 "**Change of Control**" shall mean:

(i) a sale of all or substantially all of the assets of the Company;

(ii) a merger or consolidation in which the Company is not the surviving entity and in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the entity surviving such transaction;

(iii) a reverse merger in which the Company is the surviving entity but the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the Company; or

(iv) an acquisition by any person, entity or group (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or subsidiary of the Company or other entity controlled by the Company) of the beneficial ownership of securities of the Company representing over fifty percent (50%) of the combined voting power entitled to vote in the election of directors.

Notwithstanding the foregoing, any transaction or series of related transactions, the primary purpose of which (i) is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately prior to such transaction or (ii) is to raise capital for the Company in a bona fide equity financing shall not be a "Change in Control" for purposes of this Agreement.

4.8.3 "Good Reason" means the occurrence of any of the following events without your consent; *provided however,* that any resignation by you due to any of the following conditions shall only be deemed for Good Reason if: (i) you give the Company or successor to the Company, if applicable, written notice of your intent to terminate for Good Reason within sixty (60) days following the first occurrence of the condition(s) that you believe constitute Good Reason, which notice shall describe such condition(s); (ii) the Company or successor to the Company, if applicable, fails to remedy, if remediable, such condition(s) within thirty (30) days following receipt of the written notice (the **"Cure Period"**) of such condition(s) from you; and (iii) you actually resign your employment within the first fifteen (15) days after expiration of the Cure Period:

(a) a material reduction in your authority or job responsibilities as an employee of the Company or successor to the Company, where such material reduction in authority or job responsibilities is accompanied by a change in title;

(b) a material reduction in your combined annual base salary and non-cash benefits that together constitute your base compensation, other than pursuant to a Company-wide reduction of annual base salaries or non-cash benefits for employees of the Company generally; or

(c) the relocation of the Company's executive offices by a distance of fifty (50) miles or more, which relocation requires an increase in your one-way driving distance by more than twenty-five (25) miles.

4.9 LIMITATION ON PAYMENTS.

4.9.1 If any payment or benefit you will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the **"Code"**), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment (a "**Payment**") shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for you. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata.

4.9.2 Unless you and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change of Control shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to you and the Company within fifteen (15) calendar days after the date on which your right to a 280G Payment becomes reasonably likely to occur (if requested at that time by you or the Company) or such other time as requested by you or the Company.

4.9.3 If you receive a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 4.9.1 and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, you agree to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 4.9.1 so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 4.9.1, you shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

5. CONFIDENTIAL AND PROPRIETARY INFORMATION; NONSOLICITATION.

5.1 As a condition of employment you agree to continue to abide by the Company's standard Proprietary Information and Inventions Agreement that you executed on January 12, 2010, attached hereto as **EXHIBIT B**.

5.2 While employed by the Company and for one (1) year thereafter, you agree that in order to protect the Company's trade secrets and confidential and proprietary information from unauthorized use, you will not, either directly or through others, solicit or attempt to solicit any employee, consultant or independent contractor of the Company to terminate his or her relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or business entity.

6. ASSIGNMENT AND BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of you and your heirs, executors, personal representatives, assigns, administrators and legal representatives. Because of the unique and personal nature of your duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by you. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives.

7. CHOICE OF LAW.

This Agreement shall be construed and interpreted in accordance with the internal laws of the State of California without regard to conflict of laws principles.

8. INTEGRATION.

This Agreement, including **EXHIBITS A** and **B**, contains the complete, final and exclusive agreement of the Parties relating to the terms and conditions of your employment and the termination of your employment, and supersedes all prior and contemporaneous oral and written employment agreements or arrangements between you and the Company. To the extent this Agreement conflicts with the Proprietary Information and Inventions Agreement attached as **EXHIBIT B** hereto, the Proprietary Information and Inventions Agreement controls.

9. AMENDMENT.

This Agreement cannot be amended or modified except by a written agreement signed by you and the Company.

10. WAIVER.

No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the party against whom the wavier is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a

waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

11. SEVERABILITY.

The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or

unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

12. INTERPRETATION; CONSTRUCTION.

The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but you have been encouraged to consult with, and have consulted with, your own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

13. REPRESENTATIONS AND WARRANTIES.

You represent and warrant that you are not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that your execution and performance of this Agreement will not violate or breach any other agreements between you and any other person or entity.

14. COUNTERPARTS; FACSIMILE.

This Agreement may be executed in two counterparts, each of which shall be deemed an original, and all of which together shall contribute one and the same instrument. Facsimile or other electronically transmitted signatures shall be as effective as original signatures.

15. DISPUTE RESOLUTION.

To ensure the rapid and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, your employment with the Company, or the termination of your employment from the Company, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration conducted before a single arbitrator by JAMS, Inc ("**JAMS**") or its

successor, under JAMS' then applicable rules and procedures for employment disputes (which can be found at http://www.jamsadr.com/rules-clauses/, and which will be provided to you on request). The arbitration shall take place in the county (or comparable governmental unit) in which you were last employed by the Company, as determined by the arbitrator; provided that if the arbitrator determines there will be an undue hardship to you to have the arbitration in such location, the arbitrator will choose an alternative appropriate location. You and the Company each acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. you will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable law in a court proceeding; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. The arbitrator, and not a court, shall also be authorized to determine whether the provisions of this section apply to a dispute, controversy, or claim sought to be resolved in accordance with these arbitration procedures. The Company shall pay all arbitration fees and costs in excess of the administrative fees that you would be required to incur if the dispute were filed or decided in a court of law. Nothing in this Agreement is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

16. APPLICATION OF INTERNAL REVENUE CODE SECTION 409A.

Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the **"Severance Benefits"**) that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively **"Section 409A"**) shall not commence in connection with your termination of employment unless and until you have also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h)) (the **"Separation From Service"**), unless the Company reasonably determines that such amounts may be provided to you without causing you to incur the additional 20% tax under Section 409A. For the avoidance of doubt, it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that such exemptions are not available and you are, on your Separation From Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six (6) months and one day after your Separation From Service or (ii) the date of your death.

You shall receive Severance Benefits only if you execute and return within the applicable time period set forth therein but in no event more than forty-five (45) days following your Separation From Service, the Release, and permit such Release to become effective in

accordance with its terms, which shall in no event be more than sixty (60) days following your Separation From Service (such latest permitted date, the "**Release Deadline**"). If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A, and the Release could become effective in the calendar year following the calendar year in which your Separation From Service occurs, the Release will not be deemed effective any earlier than the Release Deadline. Except to the minimum extent that payments are delayed because you are a "specified employee" or until the effectiveness of the Release, all amounts will be paid as soon as practicable in accordance with the Company's normal payroll practices. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

17. ELIGIBILITY.

As required by law, this offer and Agreement is subject to satisfactory proof of your right to work in the United States.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

If you accept continued employment on the terms described above, please sign and date this letter in the space provided below and return it to me.

We look forward to your favorable reply and to a continued productive and enjoyable working relationship.

Sincerely,

Xencor, Inc.

/s/ Bassil I. Dahiyat, Ph.D.
Bassil I. Dahiyat, Ph.D.
President and Chief Executive Officer

Agreed and Accepted:

/s/ Edgardo Baracchini, Ph.D., M.B.A.
Edgardo Baracchini, Ph.D., M.B.A.

Dated: September 5, 2013

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

In consideration of the payments and other benefits set forth in Sections 3.3.3, 4.1 and/or 4.2 of the Employment Agreement dated September 5, 2013 (the **"Employment Agreement"**) to which this form is attached as Exhibit A, I, Edgardo Baracchini, Ph.D., M.B.A., hereby furnish Xencor, Inc. (the **"Company"**), with the following release and waiver (**"Release"**). The Company has agreed that if I timely sign, date and return this Release and I do not revoke it, the Company will provide me with certain benefits pursuant to the terms and conditions of my Employment Agreement and any agreements incorporated therein by reference. I understand that I am not entitled to such benefits unless I timely sign this Release and allow it to become effective.

General Release. In exchange for the consideration to be provided to me under the Employment Agreement that I am not otherwise entitled to receive, I hereby generally and completely release, acquit and forever discharge the Company and its parent, subsidiary, and affiliated entities, and investors, along with its and their predecessors and successors and their respective directors, officers, employees, shareholders, partners, agents, attorneys, insurers, affiliates and assigns (collectively, the "**Released Parties**"), of and from any and all claims, liabilities and obligations, both known and unknown, that arise from or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date that I sign this Release (collectively, the "**Released Claims**"). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company, or the termination of that employment; (2) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, other incentive compensation, vacation pay and the redemption thereof, expense reimbursements, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including but not limited to claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including but not limited to claims for discrimination, harassment, retaliation, attorneys' fees, penalties, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act of 1967 (as amended) (the "**ADEA**"), the federal Family and Medical Leave Act ("**FMLA**"), the California Labor Code (as amended), and the California Fair Employment and Housing Act (as amended).

Excluded Claims. Notwithstanding the foregoing, the following are not included in the Released Claims (the "**Excluded Claims**"): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the Company's bylaws, or applicable law; and (2) any rights which are not waivable as a matter of law. In addition, nothing in this Release prevents me from filing, cooperating with, or participating in any investigation or proceeding before the Equal Employment Opportunity Commission, the Department of Labor, the California Department of Fair Employment and Housing, or any other government agency, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge, investigation or proceeding. I hereby

represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

ADEA Waiver. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA ("**ADEA Waiver**"). I also acknowledge that the consideration given for the ADEA Waiver is in addition to anything of value to which I was already entitled. I further acknowledge that

I have been advised by this writing, as required by the ADEA, that: (a) my ADEA Waiver does not apply to any rights or claims that arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release; (c) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release to revoke the ADEA Waiver; and (e) the ADEA Waiver will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release.

Section 1542 Waiver. In giving the general release herein, which includes claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to my release of claims, including but not limited to any unknown or unsuspected claims herein.

Other Agreements and Representations. I further agree: (a) not to disparage the Company, its officers, directors, employees, shareholders, and agents, in any manner likely to be harmful to its or their business, business reputations, or personal reputations; (b) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, investors, affiliates, officers, directors, employees or agents; (c) to cooperate fully with the Company, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with the Company's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of my employment by the Company; and (d) I hereby acknowledge and reaffirm my continuing obligations under the terms of my Proprietary Information and Inventions Agreement. In addition, I hereby represent that I have been paid all wages earned owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to FMLA, the California Family Rights Act, or any applicable law or Company policy, and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

This Release, together with the Proprietary Information and Inventions Agreement attached to the Employment Agreement as **EXHIBIT B**, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not

expressly stated herein. This Release may only be modified by a writing signed by both me and a duly authorized officer of the Company.

UNDERSTOOD AND AGREED:

_____

Edgardo Baracchini, Ph.D., M.B.A.

Date: _____

EXHIBIT B

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

XENCOR, INC.

AMENDED AND RESTATED
SEVERANCE AGREEMENT

This **AMENDED AND RESTATED SEVERANCE AGREEMENT** (this ***"Agreement"***) is entered into effective as of September 5, 2013 (the ***"Effective Date"***), by and between **JOHN R. DESJARLAIS** (the ***"Executive"***) and **XENCOR, INC.**, a Delaware corporation (the ***"Company"***). As of the Effective Date, this Agreement replaces and supersedes that certain Severance Agreement between the Company and the Executive effective as of May 21, 2009 (the "***Prior Agreement***").

RECITALS

A. **WHEREAS,** the Company desires to continue to retain Executive's experience, skills, abilities, background and knowledge with respect to the Company and its business;

B. **WHEREAS,** the Company and Executive desire to provide Executive with certain severance benefits as set forth herein that supersede and replace the Prior Agreement; and

C. **WHEREAS,** Executive desires to continue to be in the employ of the Company and is willing to accept such employment on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE , in consideration of the foregoing Recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is acknowledged, it is agreed between the parties as follows:

1. TERM OF AGREEMENT.

This Agreement shall remain in effect from the Effective Date until the earlier of:

(a) The date when Executive's employment with the Company terminates for any reason not described in Section 3; or

(b) The date when the Company or successor has met all of its obligations under this Agreement following a termination of Executive's employment with the Company or successor to the Company.

2. CERTAIN DEFINITIONS USED IN THIS AGREEMENT.

(a) **Annual Base Salary.** For all purposes of this Agreement, ***"Annual Base Salary"*** means Executive's annual base salary in effect immediately prior to Executive's termination, or the rate in effect prior to any material reduction in Executive's base salary that would give Executive the right to resign for Good Reason, as defined below.

(b) **Cause.** For all purposes under this Agreement, ***"Cause"*** shall mean Executive's:

(i) gross negligence or willful misconduct in the performance of Executive's duties to the Company as an employee of the Company (other than a failure resulting from Executive's complete or partial incapacity due to physical or mental illness or impairment);

(ii) material and willful violation of any federal or state law or regulation applicable to the business of the Company;

(iii) refusal or failure to act in accordance with any lawful specific direction or order of the Board of Directors (the "***Board***") of the Company;

(iv) commission of any act of fraud with respect to the Company;

(v) breach of any material provision of Executive's Proprietary Information and Inventions Agreement, including without limitation, Executive's theft or other misappropriation of the Company's proprietary information or trade secrets; or

(vi) conviction of, or entry of plea of *nolo contendere* to, a felony or a crime involving moral turpitude. Whether or not the actions or omissions of Executive constitute "Cause" within the meaning of this Section 4 shall be decided by the Board based upon a reasonable good faith investigation and determination.

(c) **Change in Control.** For all purposes under this Agreement, ***"Change in Control"*** shall mean:

(i) a sale of all or substantially all of the assets of the Company;

(ii) a merger or consolidation in which the Company is not the surviving entity and in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the entity surviving such transaction;

(iii) a reverse merger in which the Company is the surviving entity but the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the Company; or

(iv) an acquisition by any person, entity or group (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or subsidiary of the Company or other entity controlled by the Company) of the beneficial ownership of securities of the Company representing over fifty percent (50%) of the combined voting power entitled to vote in the election of directors.

Notwithstanding the foregoing, any transaction or series of related transactions, the primary purpose of which (i) is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately prior to such transaction or (ii) is to raise capital for the Company in a bona fide equity financing shall not be a "Change in Control" for purposes of this Agreement.

(d) Good Reason. For all purposes under this Agreement, ***"Good Reason"*** for Executive to terminate Executive's employment hereunder shall mean the occurrence of any of the following events without Executive's consent; *provided however,* that any resignation by Executive due to any of the following conditions shall only be deemed for Good Reason if: (i) Executive gives the Company written notice of the intent to terminate for Good Reason within sixty (60) days following the first occurrence of the condition(s) that Executive believes constitutes Good Reason, which notice shall describe such condition(s); (ii) the Company fails to remedy, if remediable, such condition(s) within thirty (30) days following receipt of the written notice (the ***"Cure Period"***) of such condition(s) from Executive; and (iii) Executive actually resigns his employment within the first fifteen (15) days after expiration of the Cure Period:

(i) a material reduction in Executive's authority or job responsibilities as an employee of the Company or successor to the Company, where such material reduction in authority or job responsibilities is accompanied by a change in title;

(ii) a material reduction in Executive's annual base salary, other than pursuant to a Company-wide reduction of annual base salaries for employees of the Company generally; or

(iii) the relocation of the Company's executive offices by a distance of fifty (50) miles or more, which relocation requires an increase in Executive's one-way driving distance by more than twenty-five (25) miles.

3. TERMINATION BENEFITS.

(a) Benefits Upon Termination Without Cause or for Good Reason other than in connection with a Change in Control. In the event Executive's employment with the Company is terminated by the Company without Cause (and other than as a result of Executive's death or disability) or Executive terminates his employment for Good Reason, in either case other than during the Change in Control Period (as defined in Section 3(b) below), then subject to Executive's delivery to the Company of a Release and Waiver in substantially the form attached hereto as **Exhibit A** (the "***Release and Waiver***") within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of Executive's employment, and permitting such Release and Waiver to become fully effective in accordance with its terms, the Company shall provide Executive with the following severance benefits hereunder:

(i) Severance pay in the form of a single lump sum payment equal to the sum of (x) seventy-five percent (75%) of Executive's Annual Base Salary and (y) the arithmetic mean of Executive's annual bonuses, if any, paid or payable for the three full calendar

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years completed prior to the date of termination (it being understood that if Executive received or will receive no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid or payable shall be disregarded and the arithmetic mean of Executive's bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be calculated ignoring any decrease in Executive's Annual Base Salary that forms the basis for Executive's termination for Good Reason, if applicable, and shall be made on the first regular payroll date of the Company following the effective date of the Release and Waiver and in no event later than March 15 of the year immediately following the year in which Executive's termination occurs.

(ii) Notwithstanding any contrary terms of any stock option grant, option agreement or other equity award agreement between the Company and Executive, Executive shall vest immediately with respect to such number of outstanding unvested stock options, shares of restricted stock and other equity awards covering the Company's common stock granted to Executive by the Company that are subject to time-based vesting requirements and would have vested in accordance with the applicable vesting schedule as if Executive had been employed for an additional 9 months as of the date of termination.

(b) Benefits Upon Termination Without Cause or for Good Reason in connection with a Change in Control. In the event Executive's employment with the Company is terminated by the Company or successor to the Company without Cause (and other than as a result of Executive's death or disability) or Executive terminates his employment for Good Reason, in each case during the period beginning on the execution of a definitive written agreement that if consummated in accordance with its terms would result in a Change in Control and ending on the earlier of (1) the termination of such agreement or (2) twelve (12) months following the consummation of a Change in Control pursuant to such agreement (such period of time, the "**Change in Control Period**"), then subject to Executive's delivery to the Company or successor to the Company of a Release and Waiver within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of Executive's employment, and permitting such Release and Waiver to become fully effective in accordance with its terms, the Company or successor to the Company, if applicable, shall provide Executive with the following severance benefits hereunder:

(i) Severance pay in the form of a single lump sum payment equal to the sum of (x) one hundred percent (100%) of Executive's Annual Base Salary and (y) the arithmetic mean of Executive's annual bonuses, if any, paid or payable for the three full calendar years completed prior to the date of termination (it being understood that if Executive received or will receive no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid or payable shall be disregarded and the arithmetic mean of Executive's bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be calculated ignoring any decrease in Executive's Annual Base Salary that forms the basis for Executive's termination for Good Reason, if applicable, and shall be made on the first regular payroll date of the

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Company following the effective date of the Release and Waiver and in no event later than March 15 of the year immediately following the year in which Executive's termination occurs.

(ii) Notwithstanding any contrary terms of any stock option grant, option agreement or other equity award agreement between the Company and Executive, all outstanding stock options and other equity awards covering the Company common stock held by Executive as of the date of termination that are subject to time-based vesting requirements shall accelerate in full.

Subject to Section 4, nothing contained in this Section 3 or otherwise under this Agreement shall limit Executive's right to receive a payout of Executive's accrued but unused vacation and/or paid time off and any other payments required to be made to or on behalf of Executive by law, as of the date of Executive's termination of employment.

4. LIMITATION ON PAYMENTS.

(a) If any payment or benefit Executive will or may receive from the Company or otherwise (a "***280G Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the of the Internal Revenue Code of 1986, as amended (the **"*Code*"**), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then any such 280G Payment (a "***Payment***") shall be equal to the Reduced Amount. The "***Reduced Amount***" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "***Reduction Method***") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata.

(b) Unless Executive and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to Executive and the Company within fifteen (15) calendar days after the date on which Executive's right to a 280G Payment becomes reasonably likely to occur (if requested at

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that time by Executive or the Company) or such other time as requested by Executive or the Company.

(c) If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 4(a) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 4(a) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 4(a), Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

5. SUCCESSORS.

(a) Company's Successors. The Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets, by an agreement in substance and form satisfactory to Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Subsection (a) or which becomes bound by this Agreement by operation of law.

(b) Executive's Successors. This Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. APPLICATION OF INTERNAL REVENUE CODE SECTION 409A. Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the **"*Severance Benefits*"**) that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively **"*Section 409A*"**): shall not commence in connection with Executive's termination of employment unless and until Executive has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h)) (the **"*Separation From Service*"**), unless the Company reasonably determines that such amounts may be provided to Executive without causing Executive to incur the additional 20% tax under Section 409A. Each installment of Severance Benefits is a separate "payment" for purposes of Treas. Reg. Section 1.409A-2(b)(2)(i) and it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that such exemptions are not available and Executive is, on Executive's Separation From Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of

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the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six (6) months and one day after Executive's Separation From Service or (ii) the date of Executive's death.

Executive shall receive Severance Benefits only if Executive executes and returns within the applicable time period set forth therein, the Release and Waiver, and permits such Release and Waiver to become effective in accordance with its terms, which shall in no event be longer than sixty (60) days following Executive's Separation From Service (such latest permitted date, the "***Release Deadline***"). If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A, and the Release and Waiver could become effective in the calendar year following the calendar year in which Executive's Separation From Service occurs, the Release and Waiver will not be deemed effective any earlier than the Release Deadline. Except to the minimum extent that payments are delayed because Executive is a "specified employee" or until the effectiveness of the Release and Waiver, all amounts will be paid as soon as practicable in accordance with the Company's normal payroll practices. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

7. MISCELLANEOUS PROVISIONS.

(a) Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of Executive, mailed notices shall be addressed to Executive at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Entire Agreement. This Agreement (including the exhibits hereto) constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof, and supersede any and all prior agreements, representations or understandings (whether oral or written and whether express or implied) made or entered into by either party with respect to the subject matter hereof.

(d) No Setoff; Withholding Taxes. There shall be no right of setoff or counterclaim, with respect to any claim, debt or obligation against payments to Executive under this Agreement. All payments made under this Agreement shall be subject to reduction for payment of all federal, state and local employment taxes and any other taxes required to be withheld by law.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California, without regard to principals of conflicts of law.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) No Assignment. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Subsection (g) shall be void.

(h) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(i) At-Will Employment; No Employment Rights. Executive acknowledges, affirms and agrees that Executive's employment with the Company is "at will," and subject to the provisions of this Agreement, may be terminated at any time and for any reason whatsoever by Executive or the Company, with or without Cause and with or without advance notice. This "at-will" employment relationship cannot be changed except in a writing signed by the Company's Chief Executive Officer.

(j) Dispute Resolution — To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, Executive's employment with the Company, or the termination of Executive's employment from the Company, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration conducted before a single arbitrator by JAMS, Inc ("***JAMS***") or its successor, under JAMS' then applicable rules and procedures for employment disputes (which can be found at http://www.jamsadr.com/rules-clauses/, and which will be provided to Executive on request). The arbitration shall take place in the county (or comparable governmental unit) in which Executive was last employed by the Company, as determined by the arbitrator; provided that if the arbitrator determines there will be an undue hardship to Executive to have the arbitration in such location, the arbitrator will choose an alternative appropriate location. The Executive and the Company each acknowledge that by agreeing to this arbitration procedure, they waive the right

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to resolve any such dispute through a trial by jury or judge or administrative proceeding. Executive will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable law in a court proceeding; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. The arbitrator, and not a court, shall also be authorized to determine whether the provisions of this section apply to a dispute, controversy, or claim sought to be resolved in accordance with these arbitration procedures. The Company shall pay all arbitration fees and costs in excess of the administrative fees that Executive would be required to incur if the dispute were filed or decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the Effective Date.

EXECUTIVE:

/s/ John R. Desjarlais
John R. Desjarlais

COMPANY:

XENCOR, INC.

By /s/ Bassil Dahiyat

Name Bassil Dahiyat

Title President and CEO

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

(TO BE SIGNED FOLLOWING TERMINATION OF EMPLOYMENT)

In consideration of the payments and other benefits set forth in the Amended and Restated Severance Agreement dated September 5, 2013 (the ***"Agreement"***) to which this form is attached, I, John R. Desjarlais, hereby furnish **XENCOR, INC.** and any and all affiliated, subsidiary, related, or successor corporations (collectively, the ***"Company"***), with the following release and waiver (***"Release and Waiver"***). I understand that if I timely sign, date and return this Release and Waiver, and I do not revoke it, I will receive certain payments and benefits pursuant to the terms and conditions of the Agreement. I understand that I am not entitled to such benefits unless I timely sign this Release and Waiver and allow it to become effective.

General Release and Waiver. In exchange for the consideration to be provided to me under the Agreement that I am not otherwise entitled to receive, I hereby generally and completely Release and Waiver, acquit and forever discharge the Company and its parent, subsidiary, and affiliated entities, and investors, along with its and their predecessors and successors and their respective directors, officers, employees, shareholders, partners, agents, attorneys, insurers, affiliates and assigns (collectively, the "***Released Parties***"), of and from any and all claims, liabilities and obligations, both known and unknown, that arise from or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date that I sign this Release and Waiver (collectively, the "***Released Claims***"). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company, or the termination of that employment; (2) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, other incentive compensation, vacation pay and the redemption thereof, expense reimbursements, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including but not limited to claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including but not limited to claims for discrimination, harassment, retaliation, attorneys' fees, penalties, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act of 1967 (as amended) (the "***ADEA***"), the federal Family and Medical Leave Act ("***FMLA***"), the California Labor Code (as amended), and the California Fair Employment and Housing Act (as amended).

Excluded Claims. Notwithstanding the foregoing, the following are not included in the Released Claims (the "***Excluded Claims***"): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the Company's bylaws, or applicable law; and (2) any rights which are not waivable as a matter of law. In addition, nothing in this Release and Waiver prevents me from filing, cooperating with, or participating in any investigation or proceeding before the Equal Employment Opportunity Commission, the Department of Labor, the California Department of

Fair Employment and Housing, or any other government agency, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge, investigation or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

ADEA Waiver. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA ("***ADEA Waiver***"). I also acknowledge that the consideration given for the ADEA Waiver is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my ADEA Waiver does not apply to any rights or claims that arise after the date I sign this Release and Waiver; (b) I should consult with an attorney prior to signing this Release and Waiver; (c) I have twenty-one (21) days to consider this Release and Waiver (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release and Waiver to revoke the ADEA Waiver; and (e) the ADEA Waiver will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release and Waiver.

Section 1542 Waiver. In giving the general release herein, which includes claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." I hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to my release of claims, including but not limited to any unknown or unsuspected claims herein.

Other Agreements and Representations. I further agree: (a) not to disparage the Company, its officers, directors, employees, shareholders, and agents, in any manner likely to be harmful to its or their business, business reputations, or personal reputations; (b) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, investors, affiliates, officers, directors, employees or agents; (c) to cooperate fully with the Company, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with the Company's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of my employment by the Company; and (d) I hereby acknowledge and reaffirm my continuing obligations under the terms of my Proprietary Information and Inventions Agreement. In addition, I hereby represent that I have been paid all wages earned owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to FMLA, the California Family Rights Act, or any applicable law or Company policy, and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

I acknowledge my continuing obligations under my employee Proprietary Information and Inventions Agreement with the Company (the ***"PIIA"***) .

This Release and Waiver attached to the Agreement as Exhibit A, along with the PIIA, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated herein. This Release and Waiver may only be modified by a writing signed by both me and a duly authorized officer of the Company.

UNDERSTOOD AND AGREED:

_____

JOHN R. DESJARLAIS

Date: _____

XENCOR, INC.

AMENDED AND RESTATED
CHANGE IN CONTROL AGREEMENT

This **AMENDED AND RESTATED CHANGE IN CONTROL AGREEMENT** (this ***"Agreement"***) is entered into effective as of September 5, 2013 (the ***"Effective Date"***), by and between **JOHN KUCH** (the ***"Executive"***) and **XENCOR, INC.**, a Delaware corporation (the ***"Company"***). As of the Effective Date, this Agreement replaces and supersedes that certain Change in Control Agreement between the Company and the Executive effective as of October 1, 2010 (the "***Prior Agreement***").

RECITALS

A. **WHEREAS,** the Company desires to continue to retain Executive's experience, skills, abilities, background and knowledge with respect to the Company and its business;

B. **WHEREAS,** the Company and Executive desire to provide Executive with certain benefits as set forth herein that supersede and replace the Prior Agreement; and

C. **WHEREAS,** Executive desires to continue to be in the employ of the Company and is willing to accept such employment on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE , in consideration of the foregoing Recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is acknowledged, it is agreed between the parties as follows:

1. TERM OF AGREEMENT.

This Agreement shall remain in effect from the Effective Date until the earlier of:

(a) The date when Executive's employment with the Company terminates for any reason not described in Section 3; or

(b) The date when the Company or successor has met all of its obligations under this Agreement following a termination of Executive's employment with the Company or successor to the Company.

2. CERTAIN DEFINITIONS USED IN THIS AGREEMENT.

(a) **Annual Base Salary.** For all purposes of this Agreement, ***"Annual Base Salary"*** means Executive's annual base salary in effect immediately prior to Executive's termination, or the rate in effect prior to any material reduction in Executive's base salary that would give Executive the right to resign for Good Reason, as defined below.

(b) **Cause.** For all purposes under this Agreement, ***"Cause"*** shall mean Executive's:

(i) gross negligence or willful misconduct in the performance of Executive's duties to the Company as an employee of the Company (other than a failure resulting from Executive's complete or partial incapacity due to physical or mental illness or impairment);

(ii) material and willful violation of any federal or state law or regulation applicable to the business of the Company;

(iii) refusal or failure to act in accordance with any lawful specific direction or order of the Board of Directors (the "***Board***") of the Company;

(iv) commission of any act of fraud with respect to the Company;

(v) breach of any material provision of Executive's Proprietary Information and Inventions Agreement, including without limitation, Executive's theft or other misappropriation of the Company's proprietary information or trade secrets; or

(vi) conviction of, or entry of plea of *nolo contendere* to, a felony or a crime involving moral turpitude. Whether or not the actions or omissions of Executive constitute "Cause" within the meaning of this Section 4 shall be decided by the Board based upon a reasonable good faith investigation and determination.

(c) **Change in Control.** For all purposes under this Agreement, ***"Change in Control"*** shall mean:

(i) a sale of all or substantially all of the assets of the Company;

(ii) a merger or consolidation in which the Company is not the surviving entity and in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the entity surviving such transaction;

(iii) a reverse merger in which the Company is the surviving entity but the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the Company; or

(iv) an acquisition by any person, entity or group (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or subsidiary of the Company or other entity controlled by the Company) of the beneficial ownership of securities of the Company representing over fifty percent (50%) of the combined voting power entitled to vote in the election of directors.

Notwithstanding the foregoing, any transaction or series of related transactions, the primary purpose of which (i) is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately prior to such transaction or (ii) is to raise capital for the Company in a bona fide equity financing shall not be a "Change in Control" for purposes of this Agreement.

(d) Good Reason. For all purposes under this Agreement, ***"Good Reason"*** for Executive to terminate Executive's employment hereunder shall mean the occurrence of any of the following events without Executive's consent; *provided however,* that any resignation by Executive due to any of the following conditions shall only be deemed for Good Reason if: (i) Executive gives the Company written notice of the intent to terminate for Good Reason within sixty (60) days following the first occurrence of the condition(s) that Executive believes constitutes Good Reason, which notice shall describe such condition(s); (ii) the Company fails to remedy, if remediable, such condition(s) within thirty (30) days following receipt of the written notice (the ***"Cure Period"***) of such condition(s) from Executive; and (iii) Executive actually resigns his employment within the first fifteen (15) days after expiration of the Cure Period:

(i) a material reduction in Executive's authority or job responsibilities as an employee of the Company or successor to the Company, where such material reduction in authority or job responsibilities is accompanied by a change in title;

(ii) a material reduction in Executive's annual base salary, other than pursuant to a Company-wide reduction of annual base salaries for employees of the Company generally; or

(iii) the relocation of the Company's executive offices by a distance of fifty (50) miles or more, which relocation requires an increase in Executive's one-way driving distance by more than twenty-five (25) miles.

3. TERMINATION BENEFITS.

(a) Benefits Upon Termination Without Cause or for Good Reason other than in connection with a Change in Control. In the event Executive's employment with the Company is terminated by the Company without Cause (and other than as a result of Executive's death or disability) or Executive terminates his employment for Good Reason, in either case other than during the Change in Control Period (as defined in Section 3(b) below), then subject to Executive's delivery to the Company of a Release and Waiver in substantially the form attached hereto as **Exhibit A** (the "***Release and Waiver***") within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of Executive's employment, and permitting such Release and Waiver to become fully effective in accordance with its terms, the Company shall provide Executive with the following severance benefits hereunder:

(i) Severance pay in the form of a single lump sum payment equal to the sum of (x) seventy-five percent (75%) of Executive's Annual Base Salary and (y) the arithmetic mean of Executive's annual bonuses, if any, paid or payable for the three full calendar years completed prior to the date of termination (it being understood that if Executive received or

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will receive no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid or payable shall be disregarded and the arithmetic mean of Executive's bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be calculated ignoring any decrease in Executive's Annual Base Salary that forms the basis for Executive's termination for Good Reason, if applicable, and shall be made on the first regular payroll date of the Company following the effective date of the Release and Waiver and in no event later than March 15 of the year immediately following the year in which Executive's termination occurs.

(ii) Notwithstanding any contrary terms of any stock option grant, option agreement or other equity award agreement between the Company and Executive, Executive shall vest immediately with respect to such number of outstanding unvested stock options, shares of restricted stock and other equity awards covering the Company's common stock granted to Executive by the Company that are subject to time-based vesting requirements and would have vested in accordance with the applicable vesting schedule as if Executive had been employed for an additional 9 months as of the date of termination.

(b) Benefits Upon Termination Without Cause or for Good Reason in connection with a Change in Control. In the event Executive's employment with the Company is terminated by the Company or successor to the Company without Cause (and other than as a result of Executive's death or disability) or Executive terminates his employment for Good Reason, in each case during the period beginning on the execution of a definitive written agreement that if consummated in accordance with its terms would result in a Change in Control and ending on the earlier of (1) the termination of such agreement or (2) twelve (12) months following the consummation of a Change in Control pursuant to such agreement (such period of time, the "**Change in Control Period**"), then subject to Executive's delivery to the Company or successor to the Company of a Release and Waiver within the applicable time period set forth therein, but in no event later than forty-five (45) days following termination of Executive's employment, and permitting such Release and Waiver to become fully effective in accordance with its terms, the Company or successor to the Company, if applicable, shall provide Executive with the following severance benefits hereunder:

(i) Severance pay in the form of a single lump sum payment equal to the sum of (x) one hundred percent (100%) of Executive's Annual Base Salary and (y) the arithmetic mean of Executive's annual bonuses, if any, paid or payable for the three full calendar years completed prior to the date of termination (it being understood that if Executive received or will receive no bonus from the Company for one or more of such prior calendar years, the years in which no bonus was paid or payable shall be disregarded and the arithmetic mean of Executive's bonuses for the remaining years (if any) shall be used) pro rated based on the ratio that the number of days from the beginning of the calendar year in which such termination occurs through the date of termination bears to 365. Such payment shall be calculated ignoring any decrease in Executive's Annual Base Salary that forms the basis for Executive's termination for Good Reason, if applicable, and shall be made on the first regular payroll date of the Company following the effective date of the Release and Waiver and in no event later than March 15 of the year immediately following the year in which Executive's termination occurs.

(ii) Notwithstanding any contrary terms of any stock option grant, option agreement or other equity award agreement between the Company and Executive, all outstanding stock options and other equity awards covering the Company common stock held by Executive as of the date of

termination that are subject to time-based vesting requirements shall accelerate in full.

Subject to Section 4, nothing contained in this Section 3 or otherwise under this Agreement shall limit Executive's right to receive a payout of Executive's accrued but unused vacation and/or paid time off and any other payments required to be made to or on behalf of Executive by law, as of the date of Executive's termination of employment.

4. LIMITATION ON PAYMENTS.

(a) If any payment or benefit Executive will or may receive from the Company or otherwise (a "***280G Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the of the Internal Revenue Code of 1986, as amended (the **"*Code*"**), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then any such 280G Payment (a "***Payment***") shall be equal to the Reduced Amount. The "***Reduced Amount***" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "***Reduction Method***") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata.

(b) Unless Executive and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to Executive and the Company within fifteen (15) calendar days after the date on which Executive's right to a 280G Payment becomes reasonably likely to occur (if requested at that time by Executive or the Company) or such other time as requested by Executive or the Company.

(c) If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 4(a) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 4(a) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 4(a), Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

5. SUCCESSORS.

(a) Company's Successors. The Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets, by an agreement in substance and form satisfactory to Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Subsection (a) or which becomes bound by this Agreement by operation of law.

(b) Executive's Successors. This Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

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6. APPLICATION OF INTERNAL REVENUE CODE SECTION 409A. Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the **"*Severance Benefits*"**) that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively **"*Section 409A*"**): shall not commence in connection with Executive's termination of employment unless and until Executive has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h)) (the **"*Separation From Service*"**), unless the Company reasonably determines that such amounts may be provided to Executive without causing Executive to incur the additional 20% tax under Section 409A. Each installment of Severance Benefits is a separate "payment" for purposes of Treas. Reg. Section 1.409A-2(b)(2)(i) and it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that such exemptions are not available and Executive is, on Executive's Separation From Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six (6) months and one day after Executive's Separation From Service or (ii) the date of Executive's death.

Executive shall receive Severance Benefits only if Executive executes and returns within the applicable time period set forth therein, the Release and Waiver, and permits such Release and Waiver to become effective in accordance with its terms, which shall in no event be longer than sixty (60) days following Executive's Separation From Service (such latest permitted date, the "***Release Deadline***"). If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A, and the Release and Waiver could become effective in the calendar year following the calendar year in which Executive's Separation From Service occurs, the Release and Waiver will not be deemed effective any earlier than the Release Deadline. Except to the minimum extent that payments are delayed because Executive is a "specified employee" or until the effectiveness of the Release and Waiver, all amounts will be paid as soon as practicable in accordance with the Company's normal payroll practices. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

7. MISCELLANEOUS PROVISIONS.

(a) Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of Executive, mailed notices shall be addressed to Executive at the

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home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Entire Agreement. This Agreement (including the exhibits hereto) constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof, and supersede any and all prior agreements, representations or understandings (whether oral or written and whether express or implied) made or entered into by either party with respect to the subject matter hereof.

(d) No Setoff; Withholding Taxes. There shall be no right of setoff or counterclaim, with respect to any claim, debt or obligation against payments to Executive under this Agreement. All payments made under this Agreement shall be subject to reduction for payment of all federal, state and local employment taxes and any other taxes required to be withheld by law.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California, without regard to principals of conflicts of law.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) No Assignment. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Subsection (g) shall be void.

(h) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(i) At-Will Employment; No Employment Rights. Executive acknowledges, affirms and agrees that Executive's employment with the Company is "at will," and subject to the provisions of this Agreement, may be terminated at any time and for any reason whatsoever by Executive or the Company, with or without Cause and with or without advance notice. This "at-will" employment relationship cannot be changed except in a writing signed by the Company's Chief Executive Officer.

(j) Dispute Resolution — To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, Executive's employment with the Company, or the termination of Executive's employment from the Company, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration conducted before a single arbitrator by JAMS, Inc ("***JAMS***") or its successor, under JAMS' then applicable rules and procedures for employment disputes (which can be found at http://www.jamsadr.com/rules-clauses/, and which will be provided to Executive on request). The arbitration shall take place in the county (or comparable governmental unit) in which Executive was last employed by the Company, as determined by the arbitrator; provided that if the arbitrator determines there will be an undue hardship to Executive to have the arbitration in such location, the arbitrator will choose an alternative appropriate location. The Executive and the Company each acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. Executive will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable law in a court proceeding; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. The arbitrator, and not a court, shall also be authorized to determine whether the provisions of this section apply to a dispute, controversy, or claim sought to be resolved in accordance with these arbitration procedures. The Company shall pay all arbitration fees and costs in excess of the administrative fees that Executive would be required to incur if the dispute were filed or decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the Effective Date.

EXECUTIVE:

/s/ John Kuch
John Kuch

COMPANY:

XENCOR, INC.

By /s/ Bassil Dahiyat

Name Bassil Dahiyat

Title President and CEO

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

In consideration of the receipt of benefits set forth in the Amended and Restated Change in Control Agreement dated September 5, 2013 (the ***"Agreement"***) to which this form is attached, I, John Kuch, hereby furnish **XENCOR, INC.** and any and all affiliated, subsidiary, related, or successor corporations (collectively, the ***"Company"***), with the following release and waiver (***"Release and Waiver"***). I understand that if I timely sign, date and return this Release and Waiver, and I do not revoke it, I will receive certain benefits pursuant to the terms and conditions of the Agreement. I understand that I am not entitled to such benefits unless I timely sign this Release and Waiver and allow it to become effective.

General Release and Waiver. In exchange for the consideration to be provided to me under the Agreement that I am not otherwise entitled to receive, I hereby generally and completely Release and Waiver, acquit and forever discharge the Company and its parent, subsidiary, and affiliated entities, and investors, along with its and their predecessors and successors and their respective directors, officers, employees, shareholders, partners, agents, attorneys, insurers, affiliates and assigns (collectively, the "***Released Parties***"), of and from any and all claims, liabilities and obligations, both known and unknown, that arise from or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date that I sign this Release and Waiver (collectively, the "***Released Claims***"). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company, or the termination of that employment; (2) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, other incentive compensation, vacation pay and the redemption thereof, expense reimbursements, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including but not limited to claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including but not limited to claims for discrimination, harassment, retaliation, attorneys' fees, penalties, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act of 1967 (as amended) (the "***ADEA***"), the federal Family and Medical Leave Act ("***FMLA***"), the California Labor Code (as amended), and the California Fair Employment and Housing Act (as amended).

Excluded Claims. Notwithstanding the foregoing, the following are not included in the Released Claims (the "***Excluded Claims***"): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the Company's bylaws, or applicable law; and (2) any rights which are not waivable as a matter of law. In addition, nothing in this Release and Waiver prevents me from filing, cooperating with, or participating in any investigation or proceeding before the Equal Employment Opportunity Commission, the Department of Labor, the California Department of Fair Employment and Housing, or any other government agency, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge, investigation or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware

of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

ADEA Waiver. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA ("***ADEA Waiver***"). I also acknowledge that the consideration given for the ADEA Waiver is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my ADEA Waiver does not apply to any rights or claims that arise after the date I sign this Release and Waiver; (b) I should consult with an attorney prior to signing this Release and Waiver; (c) I have twenty-one (21) days to consider this Release and Waiver (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release and Waiver to revoke the ADEA Waiver; and (e) the ADEA Waiver will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release and Waiver.

Section 1542 Waiver. In giving the general release herein, which includes claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." I hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to my release of claims, including but not limited to any unknown or unsuspected claims herein.

Other Agreements and Representations. I further agree: (a) not to disparage the Company, its officers, directors, employees, shareholders, and agents, in any manner likely to be harmful to its or their business, business reputations, or personal reputations; (b) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, investors, affiliates, officers, directors, employees or agents; (c) to cooperate fully with the Company, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with the Company's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of my employment by the Company; and (d) I hereby acknowledge and reaffirm my continuing obligations under the terms of my Proprietary Information and Inventions Agreement. In addition, I hereby represent that I have been paid all wages earned owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to FMLA, the California Family Rights Act, or any applicable law or Company policy, and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

I acknowledge my continuing obligations under my employee Proprietary Information and Inventions Agreement with the Company (the ***"PIIA"***) .

This Release and Waiver attached to the Agreement as Exhibit A, along with the PIIA, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated herein. This Release and Waiver may only be modified by a writing signed by both me and a duly authorized officer of the Company.

UNDERSTOOD AND AGREED:

_____

JOHN KUCH

Date: _____

Exhibit 10.16

August 12, 2013

Paul Foster
Dear Dr. Foster,

Congratulations! I am pleased to confirm our offer, and your agreement to increase your part-time Chief Medical Officer at Xencor time commitment to 90%. We understand that you have professional engagements providing clinical strategy and development services with other parties and we agree that you will not engage with any additional parties to provide such services during your employment with Xencor without disclosing such services to Xencor and limiting the aggregate of such services to 10% time commitment. The specifics of this offer match your previous offer:

- Effective date of August 15, 2013
- Annual base salary of $360,000.00, less standard withholdings and deductions, payable in accordance with the Company's standard payroll procedures.
- Eligibility for discretionary annual performance bonuses in accordance with the Company's annual bonus program for senior management, less standard withholdings and deductions, with metrics dependent upon corporate and individual performance. Any bonus you earn will be paid out in cash or stock in accordance with the Company's standard practice.
- Options for 180,000 shares of Xencor Common Stock vesting over the company's standard vesting schedule; 25% of the options will vest after one-year and the remainder will vest monthly over 36 months. The exercise price of the options is equal to the fair market value of the Common Stock on the grant date as determined by our Board of Directors, which was $.19/share. (This grant is subject to approval by the Board of Directors.)
- 100% of employee's medical and dental premium coverage in a HMO (employee's option), with 70% of dependent premiums paid by Xencor or 85% of employee's medical coverage in a PPO (employee option), with 70% of dependent premium paid by Xencor.
- Life insurance, Long Term Disability (LTD), Accidental Death and dismemberment (AD&D) coverage for employee
- 401(k) plan (no matching by Xencor)
- Paid Personal Leave (PPL) accrual at 14 days/year
- 9 holidays/year

This offer is contingent upon your executing a Proprietary Information and Inventions Agreement to be prepared by Xencor and completing a Federal Employment Eligibility Verification form (INS I-9).

By signing this letter, you understand and agree that your employment with Xencor is at-will. Therefore, your employment can terminate, with or without cause, and with or without notice, at

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any time, at your option or Xencor's option, and Xencor can terminate or change all other terms and conditions of your employment, with or without cause, and with or without notice, at any time. This at-will relationship will remain in effect throughout your employment at Xencor or any of its subsidiaries or affiliates. This letter constitutes the entire agreement, arrangement and understanding between you and Xencor on the nature and terms of your employment with Xencor. This letter supersedes any prior or contemporaneous agreement, arrangement or understanding on this subject matter.

By executing this letter as provided below, you expressly acknowledge the termination of any such prior agreement, arrangement or understanding. Also, by your execution of this letter, you affirm that no one has made any written or verbal statement that contradicts the provisions of this letter. The at-will nature of your employment, as set forth in this paragraph, can be modified only by a written agreement signed by both Xencor and you, which expressly alters it. This at-will relationship may not be modified by any oral or implied agreement, or by any Company policies, practices or patterns of conduct.

If this offer is suitable, please sign and date this letter and retain the copy for your records.

Sincerely,

/s/ Bassil Dahiyat

Bassil I. Dahiyat
President & CEO

I have read and understand the terms of employment described in this letter and consent to all of the terms and provisions contained herein.

/s/ Paul Foster	August 28, 2013
Signature of acceptance	Date

cc: J. Kuch

* Employee understands and agrees that if employee ceases employment with Xencor prior to twelve (12) months from the first date of employment, employee must pay back Xencor the entire signing bonus prior to their last day of employment. Employee further understands and agrees that the signing bonus expense

is earned upon completion of twelve (12) months of employment with Xencor and that payment of the signing bonus prior to twelve (12) months of employment is deemed an advance of the signing bonus.

Exhibit 10.17

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

GPEx®-DERIVED CELL LINE SALE AGREEMENT

by and between

Catalent Pharma Solutions LLC

and

Xencor, Inc.

GPEx®-DERIVED CELL LINE SALE AGREEMENT

THIS GPEx®-Derived Cell Line Sale Agreement (this "**Agreement**") is made and is effective this day of December, 2011, ("**Effective Date**") by and between Catalent Pharma Solutions LLC, a Delaware Limited Liability company, having a place of business at 8137 Forsythia Street, Middleton, Wisconsin 53562 USA ("**Catalent**"), and Xencor, Inc., a Delaware corporation, having a place of business at 111 West Lemon Avenue, Monrovia, California 91016 USA ("**Xencor**").

WHEREAS, Catalent has developed and owns certain proprietary cell line engineering and gene expression technology enabling the engineering of mammalian cell lines for the expression of recombinant proteins (the "GPEx **Technology**", as further defined below);

WHEREAS, Catalent has, prior to the date hereof and pursuant to that certain Development and Manufacturing Service Agreement dated September 15, 2005 between Cardinal Health and Xencor (the "**DMA**"), together with the Statement of Work attached as Appendix A which is attached hereto as ***Exhibit A***, developed for Xencor through the application of the GPEx Technology a cell line (the "**GPEx® Cell Line**", as more fully defined below and in ***Exhibit C***) expressing the Gene Expression Product(s) (as defined below); and

WHEREAS, Xencor wishes to purchase and Catalent is willing to sell the GPEx® Cell Line on the terms and conditions set forth below.

NOW, THEREFORE, for and in consideration of the mutual covenants, conditions and undertakings hereinafter set forth, it is agreed by and among the parties, as follows:

1. DEFINITIONS

1.1 "**Affiliate(s)**" means with respect to Xencor or a third party, any corporation, firm, partnership or other entity that controls, is controlled by or is under common control with a such entity; and with respect to Catalent, Catalent Pharma Solutions Inc. ("Catalent Inc.") and any corporation, firm, partnership or other entity controlled by Catalent Inc.. For purposes of this definition, "control" shall mean the ownership of at least fifty percent (50%) of the voting share capital of such entity or any other comparable equity or ownership interest.

1.2 "**Agreement**" has the meaning set forth in the introductory paragraph, and includes all its Attachments and other appendices (all of which are incorporated herein by reference) and any amendments to the foregoing made as provided herein or therein.

1.3 "**BLA**" shall mean a Biologics License Application (as more fully defined in Part 601 of Title 21 of the United States Code of Federal Regulations (or its successor regulation)) filed with the FDA or, if initial marketing approval is not sought in the United States, the corresponding application for regulatory approval required before commercial sale of Product in the corresponding regulatory jurisdiction.

1.4 […***…] shall mean […***…]

1.5 "**Catalent** " has the meaning set forth in the introductory paragraph, or any successor or permitted assign. Catalent shall have the right to cause any of its Affiliates to perform any of its obligations hereunder, and Xencor shall accept such performance as if it were performance by Catalent.

1.6 "**cGMP**" shall mean current good manufacturing practice for biologicals as set forth in the United States Food, Drug and Cosmetics Act and applicable regulations and guidance promulgated thereunder (and any successor regulations thereto), each as in effect from time to time.

1.7 "**Dispute**" means any dispute, controversy or disagreement between the parties in connection with this Agreement.

1.8 "**Effective Date**" shall mean the date first above written.

1.9 "**FDA**" shall mean the U.S. Federal Food and Drug Administration and any successor agency thereof, or the relevant regulatory authority in another regulatory jurisdiction, as appropriate.

1.10 […***…]

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1.11 "**GPEx® Cell Line**" shall mean the cell line described in ***Exhibit C*** to this Agreement, […***…].

1.12 "**Know-How**" as used herein shall mean any and all unpatented know-how, methods, processes and/or technical data, including, but not limited to, test results and procedures, manufacturing processes and techniques, current Good Manufacturing Practices, biological materials (including, but not limited to, production cell lines) or knowledge which relate to the GPEx® Cell Line, Product(s), the GPEx Technology or the manufacture, marketing, use, regulatory approval, registration, purity, quality, safety or efficacy of Product(s).

1.13 "**Net Sales**" means, for the measured period, the gross invoiced amounts for Products sold or commercially disposed of for value by Xencor or its permitted sublicensees (including its Affiliates), less the following:

A. […***…];

B. […***…];

C. […***…];

D. […***…];

E. […***…]:

F. […***…].

Sales of Products between Xencor and its permitted sublicensees (including its Affiliates) shall be disregarded for the purposes of calculating Net Sales, and in such case Net Sales shall include only subsequent sales by the relevant sublicensee to a third party. Subject to the foregoing sentence, if any Products are sold or disposed of by Xencor or its permitted sublicensees other than in a bona fide arm's length sale exclusively for money, then Net Sales for such products shall be deemed to be the price at which Xencor could have sold such Products in a separate arm's length transaction to a willing purchaser at the relevant time in the relevant country.

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The amount of any reduction or reversal of any accrual or reserve related to any deduction from the amount invoiced for Products shall be included in Net Sales in the quarter in which such reduction or reversal occurs. All calculations shall be made in accordance with GAAP.

1.14 "**Patent Rights**", as used herein means rights to U.S. Patent No, […***…], U.S. Patent No. […***…] and, as may be required, rights in U.S. Patent Nos. […***…]; […***…]; and […***…];; and continuing applications of all the foregoing including divisions and substitutions and continuation-in-part applications (but only to the extent that those continuation-in-part applications are enabled by the parent application); and any patents issuing on said applications including reissues, reexaminations and extensions; and any corresponding foreign applications or patents.

1.15 "**Party**" as used herein shall mean Catalent or Xencor, as the case may be, and "Parties" shall mean Catalent and Xencor collectively.

1.16 "**Phase III**" shall mean a human clinical trial that would satisfy the requirements for a Phase 3 study as defined in Part 312.21(c) of Title 21 of the United States Code of Federal Regulations (or its successor regulation) or, if initial marketing approval is not sought in the United States, the corresponding application for regulatory approval required before commercial sale of Product in the corresponding regulatory jurisdiction.

1.17 […***…].

1.18 "**Regulatory Approval**" means any approvals, product and/or establishment licenses, registrations or authorizations, including approvals pursuant to U.S. Investigational New Drug ("**IND**") applications, New Drug Applications and Abbreviated New Drug Applications, as applicable (or equivalent non-U.S. filings, such as European marketing authorization applications) of any Regulatory Authorities that are necessary for the development, manufacture, use, storage, exportation, importation, transport, promotion, marketing, distribution or sale of Products anywhere in the world, excluding Pricing Approvals.

1.19 "**Regulatory Authorities**" means the international, federal (including the FDA), state or local governmental or regulatory bodies, agencies, departments, bureaus, courts or other entities

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in any jurisdiction in the world responsible for (A) the regulation (including pricing) of pharmaceutical or medicinal products intended for human use or (B) health, safety or environmental matters generally

1.20 "**GPEx Technology**", as used herein means Catalent's proprietary technology, including, without limitation, the Patent Rights and Know-How, useful in the creation and use of […***…].

1.16 "**Territory**" means all countries in the world.

2. SALE OF GPEx® CELL LINE

2.1 Catalent hereby sells and transfers to Xencor the GPEx® Cell Line; provided that Xencor shall use the GPEx® Cell Line solely for developing, manufacturing, testing, seeking regulatory approvals for, marketing and otherwise commercially exploiting Product(s) throughout the Territory. Such sale is and shall remain contingent upon the continued observance by Xencor of the terms of this Agreement, including, without limitation, the terms of this Section 2.1 and Article 3 below.

2.2 The sale of the GPEx® Cell Line to Xencor shall not be construed as a license or as permission to (i) independently make or utilize the GPEx Technology other than as specifically contemplated hereby or (ii) modify (or derive portions of) the GPEx® Cell Line for the development of products other than the Products.

2.3 The GPEx® Cell Line shall be made immediately available to Xencor upon payment of the fee described in Section 3.1 by Xencor to Catalent (Incoterms 2000) the Catalent site, as follows: within […***…] following such payment, Catalent shall tender […***…] of the GPEx Cell Line ([…***…]) to Client's designated common carrier; and within […***…] following such payment, Catalent shall tender the balance. Title to and risk in the GPEx Cell Line shall pass to […***…] when […***…]. […***…]

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[…***…]. Commencing promptly after the Effective Date, Catalent shall disclose to Xencor and/or a third party contract manufacturer ("CMO") selected by Xencor such GPEx Technology and Know-How necessary for manufacturing Product and provide such technical assistance as is reasonably necessary to enable Xencor and/or the CMO to use the GPEx® Cell Line for the purposes permitted by Section 2.1 hereof and to replicate the process used by Catalent to make and release Products using the GPEx® Cell Line in accordance with cGMP. Without limiting the generality of the foregoing, promptly following the Effective Date, Catalent shall transfer to Xencor and/or the CMO (as requested by Xencor) the GPEx retrovector component testing protocol and any materials required in the protocol that are not commercially available, described in ***Exhibit D*** hereto. For purposes of clarity, it is the intention of the parties that Xencor or the CMO be able to initiate and continue the production and testing of Products using the GPEx® Cell Line in accordance with cGMP as promptly as practicable after the Effective Date, and therefore, that pursuant to this paragraph, Xencor and/or the CMO, as applicable, shall have access to and the right to use any and all GPEx Technology that is reasonably required to do so. Xencor shall reimburse Catalent for the performance of the technology transfer contemplated by this Section 2.3 as more fully described in Section 3.2. ***Exhibit E*** defines the scope and anticipated timing for the technical transfer services being provided by Catalent.

2.4 Xencor shall comply with all applicable laws and regulations, as well as all published governmental guidelines, pertaining to the use, storage, transportation, disposition, containment and other handling of the GPEx Cell Line and all Products. In particular, Client acknowledges that the manufacture, transfer, sale and/or export of the GPEx Cell Line or any Product may require a license or approval from an agency of the United States government. Xencor shall be solely responsible for obtaining all licenses, permits or authorizations required from the United States and any other government for any manufacture, transfer, sale and/or use of the GPEx Cell Line and any Product, including Regulatory Approvals. To the extent not inconsistent with this Agreement, Catalent agrees to provide Xencor (at Xencor's expense) with such assistance as Xencor may reasonably request in obtaining such licenses, permits, or authorizations. Such services shall be provided in accordance with a separate service agreement to be agreed upon by the parties.

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2.5 Xencor and Catalent agree to cooperate in preparing and making any required submissions to any Regulatory Authority in respect of the GPEx Cell Line or Products, including Regulatory Approvals; provided, that Catalent shall not be required to incur any material expense, whether internal or out-of-pocket, in connection therewith, unless otherwise expressly agreed in writing by Catalent in advance. Catalent expressly agrees that Xencor shall have the right to reference any drug master files maintained by Catalent in the ordinary course of business relating to any Product or GPEx Technology covered by this Agreement insofar as such information is necessary or desirable in connection with obtaining any Regulatory Approval.

3. PAYMENTS FOR PURCHASE

3.1 Xencor agrees to make the following payments in consideration for the GPEx® Cell Line; provided, however, that the one time milestone payments shall only be payable with respect to the first Product to achieve such event. If this Agreement is entered into after one of the milestones indicated below has already been completed […***…], the payments associated with that milestone will not be due. This does not include the initial non-refundable payment due upon execution of this Agreement, which will be due under any circumstances. The terms below are intended to supersede the terms described in the DMA and the GPEx® Cell Line will not count as a cell line licensed under the terms described in the DMA .Payment for any development milestone that is bypassed for any reason, including but not limited to an abbreviated regulatory process, shall be due upon completion of the next milestone for which payment is due to Catalent.

OPTION 1. Xencor contracts for production of protein from cell line at third party CMO

Milestone		Payment
Upon execution of this Agreement	$	125,000
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]

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[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]		[…***…]

3.2 Xencor shall compensate Catalent for the technology transfer services provided by Catalent personnel pursuant to Section 2.3 at the rate of $[…***…] per person-hour. In addition, Xencor shall reimburse Catalent for Catalent's pre-approved travel and related expenses incurred in providing such assistance and for the direct material costs of the materials provided pursuant to ***Exhibit D*** (without mark-up or profit margin). Such amounts shall be invoiced by Catalent on a monthly basis, and Xencor shall make payment for such invoiced amounts within […***…] following Xencor's receipt of each such invoice.

3.3 Xencor shall make payments as directed in the applicable invoice, if any, or otherwise as Catalent may direct from time to time. All payments hereunder shall be payable in U.S. dollars. If conversion of foreign currency to United States dollars is required in connection withy payments pursuant to Section 3.1, such conversion shall be made at the exchange rate reported in the Wall Street Journal on the last business day of the quarterly reporting period to which any payment relates. All payments owed under this Agreement shall be made by check or wire transfer to a bank and account designated in writing by Catalent, unless otherwise specified in writing by Catalent. Xencor shall inform Catalent in writing of the achievement of each milestone no later than […***…] following such occurrence and such milestone payments shall be due and paid by Xencor within […***…] of the achievement thereof.

3.4 Catalent will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are required to be withheld by Xencor, Xencor will (a) deduct such taxes from the payment made to Cardinal Health Catalent , (b) timely pay the taxes to the proper taxing authority, and (c) send proof of payment to Catalent and certify its receipt by the taxing authority within […***…] following such payment.

3.5 Xencor shall have the right to sell or transfer its rights to the GPEx® Cell Line to Third Parties provided, that (i) Xencor provides written notice of such proposed sale or transfer to Catalent at least […***…] in advance and (ii) such Third Party agrees in writing to assume Xencor's obligations under this Agreement, including Xencor's payment obligations hereunder. Notwithstanding any such subsequent sale or transfer, unless otherwise agreed in writing by

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Catalent, Xencor shall remain obligated with respect to milestone payments becoming due and payable under this Article 3 following the date of any such sale or transfer.

3.6 Xencor shall have the right to transfer the GPEx® Cell Line to a CMO provided that such party agrees in advance in writing reasonably acceptable to Catalent not to transfer the GPEx® Cell Line or any Product to any party other than Xencor or Xencor's designated recipients.

3.7 In the event any undisputed payments due from Xencor are not paid on the date such payments are due under this Agreement, Catalent may (A) charge interest at the prime rate as reported by the Wall Street Journal on the date such payment is due, plus an additional […***…] ([…***…]%) per […***…] (or, if lower, the highest rate permitted by law), calculated […***…]; or (B) terminate this Agreement pursuant to Section 4.3.

3.8 Xencor will keep complete and accurate books and records relating to its calculation of Net Sales (including all relevant deductions) and is achievement of the milestone events referred to in Section 3.1 for at least […***…] after the expiration of the year to which they relate. Upon the written request and […***…], Catalent shall be entitled to audit, or to have an independent accountant audit, such books and records. Xencor shall provide the auditors with access during normal business hours to appropriate space at Xencor's relevant location and to such of the pertinent books and records of Xencor as may be reasonably necessary to verify the matters in question; *provided*, that such auditors shall be subject to the obligations of confidentiality at least as strict as those set forth in this Agreement. Prior to disclosing the results of any such audit to Catalent, the auditors shall present Xencor with a preliminary report of findings and provide Xencor with an opportunity to respond to any questions raised or issues identified. If an audit discloses an underpayment by Xencor of any amounts paid pursuant to any provision of this Agreement, such amounts shall be paid to Catalent within […***…] after the date Xencor receives the auditors' final written report. Any fees and expenses of the audit shall be paid by Catalent unless the audit discloses an understatement by Xencor of more than […***…]% of the aggregate amounts payable pursuant to this Agreement, in which case Xencor shall bear the responsibility for any such reasonable fees and expenses.

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4. TERM AND TERMINATION

4.1 This Agreement shall be in full force and effect from the Effective Date and shall remain in effect unless and until terminated in accordance with the provisions of this Article 4.

4.2 Xencor shall have the right to terminate this Agreement without cause by giving notice in writing to Catalent at least […***…] in advance of the termination date.

4.3 Either party shall have the right to immediately terminate this Agreement if (a) the other party files a petition in bankruptcy, or enters into an agreement with its creditors, or applies for or consents to the appointment of a receiver or trustee, or makes an assignment for the benefit of creditors, or suffers or permits the entry of any order adjudicating it to be bankrupt or insolvent and such order is not discharged within […***…], or takes any equivalent or similar action in consequence of debt in any jurisdiction; or (b) if the other party materially breaches any of the provisions of this Agreement, and such breach is not cured within […***…] after the giving of written notice; provided, that in the case of a failure of Xencor to make payments in accordance with the terms of this Agreement, Catalent may terminate this Agreement if such payment breach is not cured within […***…] of reeipt of notice of non-payment from Catalent.

4.4 Upon any termination pursuant to the above paragraphs 4.2 and 4.3(b), if Xencor is the breaching party, Xencor's ownership rights in the GPEx® Cell Line shall automatically terminate and title thereto shall revert to Catalent; provided, however, that at Xencor's option, Xencor and each third party to whom Xencor has sold or transferred the GPEx® Cell Line in accordance with this Agreement shall promptly destroy (and certify to Catalent that is has destroyed) all remaining stores of the GPEx® Cell Line (including any cells or cell lines derived therefrom) in its possession,. Upon termination of this Agreement, Xencor shall have a period of no more than […***…] to sell any remaining inventories of Product(s) subject to the terms of this Agreement.

4.5 Any termination pursuant to the above paragraph shall not relieve either Party of any obligation or liability accrued hereunder prior to such termination nor shall it affect in any manner any rights of either Party arising under this Agreement prior to such termination.

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4.6 Upon the termination of this Agreement, each provision of this Agreement which, by its nature is intended to survive the termination or expiration of this Agreement, shall continue in force and effect.

5. REPRESENTATIONS AND WARRANTIES

5.1 . Catalent represents and warrants that it has all necessary ownership or use rights to the GPEx Technology for the purposes of fulfilling its obligations under this Agreement and the lawful right to sell the GPEx® Cell Line hereunder. Catalent warrants that Xencor shall not incur any license fee, royalty, milestone or other obligation to any third party as a result of Xencor's use of the GPEx Technology in accordance with this Agreement and Catalent shall hold Xencor harmless from any claims, including claims of infringement of patents, copyrights or trade secrets resulting solely from Xencor's use of the Technology pursuant to this Agreement.

OTHER THAN THE FOREGOING, CATALENT MAKES NO (AND HEREBY DISCLAIMS ANY) EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE GPEX® CELL LINE OR THE PRODUCTS, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

5.2 . Xencor represents and warrants to Catalent that (a) the GPEx® Cell Line along with all Product delivered to Xencor by Catalent will be held, used and/or disposed of by Xencor in accordance with all applicable laws, specifically, Xencor shall not permit the human consumption of any Products, except to the extent such consumption occurs in the course of clinical studies that expressly permit such use and that have been approved by appropriate Regulatory Authorities or following receipt of all necessary Regulatory Approvals for commercial use and sale; (b) Xencor will comply with all applicable laws and regulations applicable to Xencor's performance under this Agreement;.

OTHER THAN THE FOREGOING, XENCOR MAKES NO (AND HEREBY DISCLAIMS ANY) EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

5.3 **Mutual**. Each party hereby represents and warrants to the other party that:

A. **Existence and Power**. Such party (i) is duly organized, validly existing and in good standing under the laws of the state in which it is organized, (ii) has the power and authority and the legal right to own and operate its property and assets, and to carry on its business as it is now being conducted, and (iii) is in compliance with all requirements of Applicable Laws, except to the extent that any noncompliance would not materially adversely affect such party's ability to perform its obligations under the Agreement;

B. **Authorization and Enforcement of Obligations**. Such party (i) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (ii) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder.

C. **Execution and Delivery**. This Agreement has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms;

D. **No Consents**. All necessary consents, approvals and authorizations of all Regulatory Authorities and other persons required to be obtained by such party in connection with the execution, delivery and performance of this Agreement have been obtained; and

E. **No Conflict**. The execution and delivery of this Agreement and the performance of such party's obligations hereunder (i) do not conflict with or violate any requirement of Applicable Laws; and (ii) do not materially conflict with, or constitute a material default or require any consent under, any contractual obligation of such party.

6. GOVERNMENT COMPLIANCE

6.1 The manufacture, transfer, sale and/or export of the GPEx® Cell Line or Product(s) may require a license or approval from an agency of the United States government. Xencor shall be solely responsible for obtaining all licenses, permits, or authorizations required from the United States and any other government for any use or sale of the GPEx® Cell Line and/or Product(s). To the extent not inconsistent with this Agreement, Catalent agrees to provide Xencor (at Xencor's expense) with such assistance as Xencor may reasonably request in obtaining such licenses, permits, or authorizations. Such services shall be provided in accordance with the terms set forth in a separate service agreement to be agreed upon by the parties.

6.2 Xencor and Catalent agree to cooperate in making required submissions to the U.S. Food and Drug Administration (FDA) and/or other regulatory agencies. Catalent expressly agrees that Xencor shall have the right to reference any and all Drug Master Files relating to any Product or Technology covered by this Agreement insofar as such information is necessary or desirable in the prosecution of any submission to the FDA and/or other regulatory agencies.

7. PUBLICITY

7.1 Neither Party shall use the name, trademarks, trade names or other recognizable marks of the other Party or inventors of the GPEx Technology in any advertising, promotion, or sales without the prior written consent of the other Party in each case, except that Xencor may state that the Products have been manufactured utilizing a GPEx® Cell Line produced under one or more of the patents and/or applications comprising the Patent Rights; provided, however, that each Party may use the other Party's name without such prior written consent to the extent that such use is required by any applicable law, rule or regulation now in effect or promulgated hereafter or by any governmental agency or by the rules of any stock exchange on which the securities of the disclosing party are listed, in which case the party required to make the press release or public disclosure shall use commercially reasonable efforts to obtain the approval of the other party as to the form, nature and extent of the press release or public disclosure prior to issuing the press release or making the public disclosure.

7.2 Xencor agrees to allow Catalent to use data obtained from Catalent's development of the GPEx® Cell Line, provided such data is not identifiable to Xencor, the GPEx® Cell Line or any Product, for marketing and demonstration of the Technology to Third Parties.

7.3 Neither Catalent nor Xencor will, without the express prior written consent of the other, such consent not to be unreasonably withheld, issue any press release or make any other public announcement or furnish any statement to any person or entity (other than either Parties' respective Affiliates and potential partners who have signed a confidentiality agreement with terms no less restrictive than those contained herein) concerning the existence of this Agreement, its terms and the transactions contemplated hereby, except for (i) an initial press release mutually agreed upon by the Parties, and (ii) disclosures made in compliance with Section 7.1 or Article 9.

8. PATENT PROTECTION AND INFRINGEMENT

8.1 **Maintenance of the Patent Rights**. Catalent shall pay all prosecution, renewal and other fees necessary to maintain the Patent Rights in force for the maximum legally permitted period during the term of this Agreement.

8.2 **Third Party Infringement**. If, at any time during the term of this Agreement, either Party shall become aware of any Third Party infringement or threatened infringement of any of the Patent Rights relating to GPEx® Cell Line, the following provisions shall apply:

A. The Party becoming so aware shall forthwith give written notice to the other of such infringement.

B. If there is disagreement as to whether the act complained of is in fact an infringement of any of the Patent Rights or whether such infringement proceedings stand a reasonable chance of success, the Parties shall refer such issue to a mutually agreed independent and experienced patent counsel, and the costs incurred in this regard shall be borne by the party whose view does not prevail. In the event that the Parties cannot agree on a suitable independent patent counsel within thirty days of a nomination of such counsel by a Party, the Parties shall submit such impasse to CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017 which shall designate such independent counsel and under whose auspices the independent counsel shall render a decision.

C. With or without the advice of the independent patent counsel, Catalent shall have the right to litigate such alleged third party infringement in such country. Catalent shall notify Xencor within […***…] after the written notice described in (1) above (or, if later, […***…] after the decision of the patent counsel described in clause (2) above) whether it intends to so litigate. Xencor shall, upon request of Catalent and at Catalent's expense, provide Catalent with all such assistance as it may reasonably require in the conduct of such claims or proceedings. Catalent shall bear the cost of such proceedings and shall be entitled to retain all sums recovered in such action for its own account; provided, however, that to the extent such recovery represents lost profits on Product sales arising from such infringement, […***…] ([…***…]%) of such amount shall be paid to Xencor

D. If Catalent (i) determines not to litigate in accordance with clause (C) above and the patent counsel described in clause (B) above has opined that the act complained of is, or most

likely is, an infringement in such country or (ii) fails to reasonably pursue such litigation, then Xencor may, in its sole discretion and expense, bring suit in its name to restrain such Third Party infringement. In such event Xencor shall conduct such proceedings properly and diligently and shall keep Catalent timely apprised of the course of such litigation. The net proceeds of such action will be retained by Xencor.

E. In the event of any action permitted under this Section 8.2 by either party, the other party will provide the necessary and timely assistance in such action on reasonable terms and conditions to be agreed on at such time. In connection with any deliberations concerning the prospects for successfully bringing suit to enjoin such infringement, the parties shall promptly and fully make available to each other their information concerning the validity and enforceability of the relevant Patent Rights and any other relevant information.

F. For the avoidance of doubt and notwithstanding any other provision of this Agreement to the contrary, as between the Parties, Xencor shall have the sole right to institute infringement actions with respect to any allegedly infringing activity involving a Product other than any such activity that infringes or is alleged to infringe the Patent Rights, and to retain all recoveries from such actions.

8.3 **Notice of Infringement**. Each party hereto shall notify the other promptly in the event of the receipt of notice of any action, suit or claim alleging infringement by the manufacture, development, use and sale of the GPEx® Cell Line or any Product of any third party intellectual property rights. The parties shall meet promptly to discuss an appropriate response.

9. CONFIDENTIALITY

9.1 **Mutual Obligation**. Catalent and Xencor agree that they will not disclose the other party's Confidential Information (defined below) to any third party without the prior written consent of the other party except as required by law, regulation or court or administrative order; provided, however, that prior to making any such legally required disclosure, the party making such disclosure shall give the other party as much prior notice of the requirement for and contents of such disclosure as is practicable under the circumstances. Notwithstanding the foregoing, each party may disclose the other party's Confidential Information to any of its Affiliates and potential partners that (a) need to know such Confidential Information for the purpose of performing under this Agreement, (b) are advised of the contents of this Article, and (c) agree to be bound by the terms of this Article 9. Notwithstanding the foregoing, prior to or

immediately following execution of this Agreement, Catalent and Xencor shall agree upon the substance of information that can be used as a routine reference in the usual course of business to described the terms of this transaction, and Catalent and Xencor may disclose such information, as modified by mutual agreement from time to time, without the other party's consent.

9.2 **Definition**. As used in this Agreement, the term "Confidential Information" includes all such information furnished by Catalent or Xencor, or any of their respective representatives or Affiliates, to the other or its representatives or Affiliates, whether furnished before, on or after the date of this Agreement and furnished in any form, including but not limited to written, verbal, visual, electronic or in any other media or manner. Confidential Information includes all proprietary technologies, know-how, trade secrets, discoveries, inventions and any other intellectual property (whether or not patented), analyses, compilations, business or technical information and other materials prepared by either party, or any of their respective representatives, containing or based in whole or in part on any such information furnished by the other party or its representatives. Confidential Information also includes the existence of this Agreement and its terms.

9.3 **Exclusions**. Notwithstanding Section 9.2, Confidential Information of a party does not include information that the other party (the "receiving party") can demonstrate by competent evidence (a) is or becomes generally available to the public or within the industry to which such information relates other than as a result of a breach of this Agreement, or (b) is already known by the receiving party at the time of disclosure as evidenced by the receiving party's written records, or (c) becomes available to the receiving party on a non-confidential basis from a source that is entitled to disclose it on a non-confidential basis, or (d) was or is independently developed by or for the receiving party without reference to the Confidential Information, as evidenced by the receiving party's written records.

9.4 **No Implied License**. The receiving party will obtain no right of any kind or license under any patent application or patent by reason of this Agreement. All Confidential Information will remain the sole property of the party disclosing such information or data.

9.5 **Return of Confidential Information**. Upon termination of this Agreement, the receiving party shall, upon request, promptly return within […***…] all such information, including any copies thereof, and cease its use or, at the request of the disclosing party, shall promptly destroy the same and certify such destruction to the disclosing party; except for a single

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copy thereof, which may be retained for the sole purpose of determining the scope of the obligations incurred under this Agreement.

9.6 **Survival**. The obligations of this Article 9 will terminate […***…] from the expiration or termination of this Agreement.

10. INDEMNIFICATION

10.1 **Indemnification by Catalent**. Catalent shall indemnify and hold harmless Xencor, its affiliates, directors, officers, employees and agents ("**Xencor Indemnitees**") from and against any suits, claims, losses, demands, liabilities, damages, costs and expenses (including costs, reasonable attorney's fees and reasonable investigative costs) in connection with any suit, demand or action by any third party ("**Losses**") arising out of or resulting from (a) any breach by Catalent of its representations, warranties or obligations set forth in this Agreement; (b) any negligence or willful misconduct by

Catalent; or (c) a claim that the use of the Technology in accordance with this Agreement infringes the intellectual property rights of a third party; except to the extent that any such Loss arises out of or results from the breach of this Agreement by Xencor or the negligence or willful misconduct of Xencor Indemnitees.

10.2 **Indemnification by Xencor**. Xencor shall indemnify, defend and hold harmless Catalent, its affiliates, directors, officers employees and agents("**Catalent Indemnitees**") from and against all Losses arising out of or resulting from (a) any breach of its representations, warranties or obligations set forth in this Agreement; (b) Xencor's or its CMO's, Affiliate's or licensee's manufacture, sale, promotion, distribution, use of or exposure to the GPEx® Cell Line or Product, including, without limitation, product liability or strict liability; (c) the conduct of any clinical trials relating to any Product; (d) a claim that the manufacture, sale, promotion, distribution or use of a Product (excluding the practice of the GPEx Technology in connection with any of the foregoing) infringes the intellectual property rights of a third party; or (e) any negligence or willful misconduct by Xencor; except to the extent that any such Losses arise out of or results from the breach by Catalent of this Agreement, or the negligence or willful misconduct of Catalent Indemnitees.

10.3 […***…]

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10.4 **Indemnification Procedures**. All indemnification obligations in this Agreement are conditioned upon the party seeking indemnification (A) promptly notifying the indemnifying party of any claim or liability of which the party seeking indemnification becomes aware (including a copy of any related complaint, summons, notice or other instrument), provided, that failure to provide such notice within a reasonable period of time shall not relieve the indemnifying party of any of its obligations hereunder except to the extent the indemnifying party is prejudiced by such failure, (B) allowing the indemnifying party, if the indemnifying party so requests, to conduct and control the defense of any such claim or liability and any related settlement negotiations (at the indemnifying party's expense; (C) cooperating with the indemnifying party in the defense of any such claim or liability (at the indemnifying party's expense), and (D) not compromising or settling any claim or liability without prior written consent of the indemnifying party.

11. NOTICES

All notices and other communications hereunder shall be in writing and shall be deemed given: (a) when delivered personally; (b) when delivered by facsimile transmission (receipt verified); (c) when received or refused, if mailed by registered or certified mail (return receipt requested), postage prepaid; or (d) when delivered if sent by express courier service, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof):

If to Xencor:	Xencor, Inc, 111 West Lemon Avenue Monrovia, California 91016 USA Attention: John Kuch Facsimile: (626) 256-3562
With a copy to:	Xencor, Inc. 111 West Lemon Avenue Monrovia, California 91016 USA Attn: Bassil Dahiyat President & CEO Facsimile: (626) 256-3560
If to Cardinal Health:	Catalent Pharma Solutions, LLC 8137 Forsythia Street Middleton, Wisconsin 53562 USA

	Attention: President Facsimile: (608) 824-9930
With a copy to:	Catalent Pharma Solutions, LLC. 14 Schoolhouse Road Somerset, NJ 08873 Attention: General Counsel, Facsimile: 732-537-6491

12. LIMITATIONS OF LIABILITY

12.1 CATALENT'S TOTAL LIABILITY UNDER THIS AGREEMENT SHALL IN NO EVENT […***…].

12.2 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSS OF REVENUES, PROFITS OR DATA ARISING OUT OF PERFORMANCE UNDER THIS AGREEMENT, WHETHER IN CONTRACT OR IN TORT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES

13. MISCELLANEOUS

13.1 **Entire Agreement; Amendments**. This Agreement, the Exhibits hereto, the DMA and the Exhibits to the DMA, and any amendments thereto constitute the entire understanding between the parties and supersede any contracts, agreements or understanding (oral or written) of the parties with respect to the subject matter hereof. For the avoidance of doubt, this Agreement does not supersede any existing generally applicable confidentiality agreement between the parties as it relates to time periods prior to the date hereof or to business dealings not covered by this Agreement. No term of this Agreement may be amended except upon written agreement of both parties, unless otherwise provided in this Agreement.

13.2 **Captions**. The captions in this Agreement are for convenience only and are not to be interpreted or construed as a substantive part of this Agreement

13.3 **Further Assurances**. The parties agree to execute, acknowledge and deliver such further instruments and to take all such other incidental acts as may be reasonably necessary or appropriate to carry out the purpose and intent of this Agreement.

1.4 **No Waiver.** Failure by either party to insist upon strict compliance with any term of this Agreement in any one or more instances will not be deemed to be a waiver of its rights to insist upon such strict compliance with respect to any subsequent failure.

13.5 **Severability**. If any term of this Agreement is declared invalid or unenforceable by a court or other body of competent jurisdiction, the remaining terms of this Agreement will continue in full force and effect.

13.6 **Independent Contractors**. The relationship of the parties is that of independent contractors, and neither party will incur any debts or make any commitments for the other party except to the extent expressly provided in this Agreement. Nothing in this Agreement is intended to create or will be construed as creating between the parties the relationship of joint ventures, co-partners, employer/employee or principal and agent.

13.7 **Successors and Assigns**. This Agreement will be binding upon and inure to the benefit of the parties, their successors and permitted assigns. Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either party without the prior written consent of the other party (which consent shall not be unreasonably withheld); *provided, however*, that either party may assign this Agreement and its rights and obligations hereunder without such consent (but subject to prior written notice) in connection with the transfer or sale of all or substantially all of its business to which this Agreement relates to a third party, whether by merger, sale of stock, sale of assets or otherwise or to the assigning party's business unit responsible for performance under this Agreement..

13.8 **Governing Law**. This Agreement shall be governed by and construed under the laws of the State of Delaware, excluding its conflicts of law provisions. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

13.9 **Alternative Dispute Resolution**. If any Dispute arises between the parties, such Dispute shall be presented to the respective presidents or senior executives of Catalent and Xencor for their consideration and resolution for a period of up to […***…]. If such parties cannot

reach a resolution of the Dispute within such period, then at either party's request (the "Requesting Party"), such Dispute shall be resolved by binding alternative dispute resolution in accordance with the then existing commercial arbitration rules of CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017, and judgment on the arbitration award may be entered in any court having jurisdiction thereof; *provided, however,* that no Dispute concerning the validity or infringement of any intellectual property of either party shall be subject to the provisions of this Section 12.9. Any such arbitration shall be conducted before a panel of three neutral and experienced arbitrators, one chosen by Catalent, one chosen by Xencor and the third chosen by the foregoing two arbitrators. The parties shall be entitled to conduct reasonable discovery, within limitations to be established by the arbitrators. Arbitration shall be conducted in the jurisdiction of the non-Requesting Party. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a party's compensatory damages. Except to the extent necessary to confirm an award or as may be required by law, neither a party nor any arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable statute of limitations. Each party shall bear its own attorneys' fees, costs and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; *provided, however*, that the arbitrators shall be authorized to determine whether a party is the prevailing party, and if so, to award to that prevailing party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.) and/or the fees and costs of the arbitrators. Each party shall fully perform and satisfy any monetary component of the arbitration award within […***…] of the service of the award. By agreeing to this binding arbitration provision, the parties understand that they are waiving certain rights and protections which may otherwise be available if a dispute between the parties were determined by litigation in court, including, without limitation, the right to seek or obtain certain types of damages precluded by this provision, the right to a jury trial, certain rights of appeal and a right to invoke formal rules of procedure and evidence. Notwithstanding the foregoing provisions of this Section 12.9, each party acknowledges and agrees that, due to the unique and valuable nature of the other party's intellectual property and Confidential Information, there can be no adequate remedy at law for any breach by such party of the provisions of this Agreement, that any such breach may result in irreparable harm to the other party for which monetary damages would be inadequate to compensate such party and that the other party shall have the right, in addition to any other rights available under applicable law, to obtain from any court of competent jurisdiction injunctive relief to restrain any breach or

threatened breach of, or otherwise to specifically enforce, any covenant or obligation of such party under such provisions, without the necessity of posting any bond or security.

13.10 **Prevailing Party**. In any dispute resolution proceeding between the parties in connection with this Agreement, the prevailing party will be entitled to recover its reasonable attorney's fees and costs in such proceeding from the other party.

13.11 **Counterparts**. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of the executed Agreement shall constitute an original.

13.12 **Survival**. The rights and obligations of the parties shall continue under Articles 4, 6, 7, 9, 10, 11 and 12 notwithstanding expiration or termination of this Agreement.

13.13 **Force Majeure**. Except as to payments required under this Agreement, neither party shall be liable in damages for, nor shall this Agreement be terminable or cancelable by reason of, any delay or default in such party's performance hereunder if such default or delay is caused by events beyond such party's reasonable control including, but not limited to, acts of God, regulation or law or other action or failure to act of any government or agency thereof, war or insurrection, civil commotion, destruction of production facilities or materials by earthquake, fire, flood or storm, labor disturbances, epidemic, or failure of suppliers, public utilities or common carriers; provided however, that the party seeking relief hereunder shall immediately notify the other party of such cause(s) beyond such party's reasonable control. The party that may invoke this section shall use all reasonable endeavors to reinstate its ongoing obligations to the other. If the cause(s) shall continue unabated for […***…], then both parties shall meet to discuss and negotiate in good faith what modifications to this Agreement should result from this force majeure.

13.14. **Right to Dispose and Settle**. If Catalent requests in writing from Client direction with respect to disposal of any inventories of materials, samples or other items belonging to Client and is unable to obtain a response from Client within a reasonable time period after making reasonable efforts to do so, Catalent shall be entitled in its sole discretion to (A) dispose of all such items and (B) set-off any and all amounts due to Catalent or any of its Affiliates from Client against any credits Client may hold with Catalent or any of its Affiliates.

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IN WITNESS WHEREOF, both Catalent and Xencor have executed this Agreement, in duplicate originals, by their respective officers hereunto duly authorized, on the day and year hereinafter written.

Agreed to and accepted by:

Xencor, Inc.		**Catalent Pharma Solutions LLC**	
By:	/s/ Bassil Dahiyat	By:	/s/ Michael Jenkins
Name:	Bassil Dahiyat, PhD	Name:	Michael Jenkins
Its:	President and CEO	Its:	General Manager
Date:	December 21, 2011	Date:	December 21, 2011

Exhibit A

[…***…]

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Exhibit B

[…***…]

***** Confidential Treatment Requested**

Exhibit C

[…***…]

***** Confidential Treatment Requested**

Exhibit D

[…***…]

***** Confidential Treatment Requested**

Exhibit E

[…***…]

***** Confidential Treatment Requested**

Exhibit 10.18

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

DEVELOPMENT AND MANUFACTURING SERVICES AGREEMENT

This Development and Manufacturing Services Agreement ("**Agreement**") is made as of this 15th day of September, 2005 ("**Effective Date**"), by and between Xencor, Inc., a Delaware corporation, with a place of business at 111 West Lemon Avenue, Monrovia, CA 91016 (hereinafter "**Xencor**") and Cardinal Health PTS, LLC, a Delaware limited liability company, by and through its Gala Biotech business unit with a place of business at 8137 Forsythia Street, Middleton, Wisconsin 53562 (hereinafter "**Cardinal Health**").

RECITALS

A. Xencor is a pharmaceutical company that is developing the Product (as defined below) which is the subject of this Agreement; and

B. Cardinal Health provides a complete range of analytical, development and clinical services to the pharmaceutical industry, including, without limitation, mammalian cell line engineering and development, protein manufacturing, and finished product manufacturing services; and

C. Cardinal Health has developed a proprietary Gene Product Expression ("**GPEx™**") technology for the expression of proteins through retrovector transduction of cell lines; and

D. If the outcome of the cell line development Services under this Agreement is successful, the parties anticipate that they will enter into a license of the GPEx™ technology to Xencor on terms to be agreed upon by the parties; and

E. Xencor and Cardinal Health desire to enter into this Agreement to provide the terms and conditions upon which Xencor may engage Cardinal Health to provide Product development and manufacturing services as described in individual SOWs (as defined below) specifying the details of the services and the related terms and conditions.

THEREFORE, in consideration of the mutual covenants, terms and conditions set forth below, the parties agree as follows:

ARTICLE 1
DEFINITIONS

The following terms have the following meanings in this Agreement:

1.1 "**Affiliate(s)**" means any corporation, firm, partnership or other entity that controls, is controlled by or is under common control with a party. For purposes of this definition, "control" shall mean (i) the ownership of at least fifty percent (50%) of the voting share capital of such entity or any other comparable equity or ownership interest, or (ii) the power to appoint fifty percent (50%) or more of the directors, managers or general partners of such entity.

1.2 "**API**" or "**Active Pharmaceutical Ingredient**" means any substance identified in an SOW as intended to be used in the manufacture of a drug (medicinal) product, and that, when used in the production of a drug, becomes an active ingredient of the drug product.

1.3 "**Applicable Laws**" means all laws, ordinances, rules and regulations within the Territory applicable to the Processing of the Product or any aspect thereof and the obligations of Cardinal Health or Xencor, as the context requires under this Agreement, including, without limitation, (A) all applicable federal, state and local laws and regulations of each Territory; (B) the U.S. Federal Food, Drug and Cosmetic Act, and (C) FDA guidance documents (to the extent applicable), current Good Manufacturing Practices ("**cGMPs**") and current Good Laboratory Practices ("**cGLPs**") promulgated by the Regulatory Authorities, as amended from time to time, as applicable to the Project.

1.4 "**Batch**" means Product resulting from (i) a single Cardinal Health Product production run or (ii) any other specific quantity of Product to be produced by Cardinal Health agreed upon in writing by the parties.

1.5 "[…***…]" shall mean U.S. Patent No. […***…] ([…***…]), issued to […***…], Inc., divisionals and continuations-in-part thereof, and any foreign equivalents of the foregoing.

1.6 "**Confidential Information**" has the meaning set forth in Section 6.2.

1.7 "**Critical cGMP Deficiency**" has the meaning set forth in Section 7.3(B).

1.8 "**Delivery**" has the meaning set forth in Section 3.5.

1.9 "**Dispute**" means any dispute, controversy or disagreement between the parties in connection with this Agreement.

1.10 "**Facility**" means the Cardinal Health facility defined in the applicable SOW.

1.11 "**Fill Finish**" means the compounding, filling, producing and primary packaging in accordance with the Manufacturing Specifications and the terms and conditions set forth in the Agreement and any applicable SOW.

1.12 "**GPEx Technology**" means Cardinal Health's proprietary GPEx™ gene product expression technology.

1.13 "**Intellectual Property**" means all intellectual property (whether or not patented), including, without limitation, patents, patent applications, know-how, trade secrets, copyrights, trademarks, designs, concepts, registered and unregistered design rights, data, work product, results, reports, improvements, inventions, developments, technologies; technical information, compounds, composites of genes and gene constructs, cell lines, assays, antibodies and other proteins or biological materials, and other manuals, standard operating procedures, instructions or specifications.

1.14 "**Invention**" has the meaning set forth in Section 7.2.

1.15 "**Manufacturing**" means all operations required pursuant to an SOW for the production of Product from a mammalian cell line, including receipt of materials, growth of the mammalian cell line to produce the Product, production of the Product, the subsequent purification, packaging, repackaging, labeling, relabeling, quality control, release, storage, and distribution of the Product and the related controls.

1.16 "**Packaging Cell Line**" means a cell line created primarily for the purpose of producing a […***…], typically a […***…], which also yields […***…].

1.17 "**Process**", "**Processed**", or "Processing" has the meaning set forth in the applicable SOW.

1.18 "**Product**" means the gene expression products specified in a SOW and any proteins produced as a result of the use of any Vector derived from genetic constructs for genes described in the SOW, and the same as further Processed.

1.19 "**Production Cell Line**" means a cell line created primarily for the purpose of producing Product.

1.20 "**Quality Agreement**" means a written agreement substantially in the form set forth on Appendix A that is a required and integral part of this Agreement, outlining the respective roles and responsibilities of Cardinal Health and its Affiliates and Xencor with respect to the quality assurance of the API Manufacturing activities outlined in this Agreement and the SOW(s).

1.21 "**Regulatory Authority**" means any governmental regulatory authority within the Territory involved in regulating any aspect of the development, manufacture, market approval, sale, distribution, packaging or use of the Product.

1.22 "**Services**" means all work performed by Cardinal Health for Xencor pursuant to this Agreement, as described more specifically in each SOW.

1.23 "**SOW**" means a separate quotation or Statement of Work agreed to by the parties in writing and specifically incorporating by reference this Agreement pursuant to the language set forth on Appendix B and that defines the scope of the services to be performed by Cardinal Health and the responsibilities of the parties with respect to such services. The SOW for the initial Project to be undertaken pursuant to this Agreement is attached hereto as **Appendix B-1**. The SOW(s) for any subsequent Project(s) hereunder shall be numbered sequentially as **AppendixB-2**, **Appendix B-3**, etc. and, upon execution by the parties, be deemed incorporated into this Agreement.

1.24 "**Specifications**" means all written specifications agreed to by the parties in the SOW, and applicable master batch records, protocols, or standard operating procedures.

1.25 "**Territory**" means The United States of America and the European Union.

1.26 "**Vector**" shall mean a […***…].

1.27 "**Xencor-Supplied Materials**" means any cDNA, mammalian cell line, API or other materials provided by Xencor to Cardinal Health.

ARTICLE 2
SCOPE

2.1 Definition of Scope. Cardinal Health will perform the Services in accordance with the specific terms set forth in each applicable SOW and the Quality Agreement. Each SOW shall clearly define the undertakings, tasks, objectives and expected deliverables (including Product(s)) for each project contemplated in such SOW (each, a "**Project**") and the responsibilities of the parties with respect to such Project. A separate SOW shall be prepared for each Xencor project. Each SOW will include, as appropriate, the scope of work, pricing and payment schedule. Each SOW shall be subject to all of the terms and conditions of this Agreement, in addition to the specific details set forth in the SOW. To the extent any terms or conditions of a SOW conflict with any terms and conditions of this Agreement, the terms and conditions of this Agreement shall control, except to the extent that the applicable SOW expressly and specifically states an intent to supersede this Agreement on a specific matter. This Agreement shall also supersede the terms of any purchase order, acknowledgement, delivery document or any oral communication or writing between the parties. No SOW shall be effective or binding upon either party unless and until such SOW is executed by both parties.

2.2 Amendments to Scope/Change Orders. Either party may request a change in the details of a SOW, or the assumptions-upon which the SOW is based (including, but not limited to, suspension of a Project and/or changes in a projected starting date, pricing and/or time lines). All SOW changes require a written amendment to the SOW (each, a "**Change Order**"). Each Change Order shall detail the requested changes to the applicable task, responsibility, duty, pricing, time line or other matter. A Change Order will become effective only upon its execution by both parties. Cardinal Health will be given a reasonable period of time within which to implement the changes. Each party agrees to act in good faith and promptly when considering a Change Order requested by the other party. Without limiting the foregoing, each party agrees that it will not unreasonably withhold approval of a Change Order if the proposed changes result from, among

other appropriate reasons, forces outside the reasonable control of a party or changes in Applicable Law or the assumptions upon which the initial pricing, time lines or other terms of the SOW were based, Cardinal Health reserves the right to postpone effecting material changes in the Project's scope until such time as the parties agree to and execute the corresponding Change Order.

2.3 Xencor Obligations. Unless otherwise agreed by the parties in writing or in the SOW, Xencor will: (1) provide Cardinal Health with accurate and necessary scientific data reasonably available to Xencor regarding each Project and Xencor's requirements for each Project, including, without limitation, test methods and development, formulation, Fill Finish of the Product if applicable, (2) provide Cardinal Health with accurate and necessary information reasonably available to Xencor to develop the scope of work, and estimated or fixed costs for the Projects, (3) review and approve all Specifications, (4) if applicable, review and approve all in-process and

finished Product test results to ensure conformity of such results with the Specifications, regardless of which party is responsible for finished Product release, and (5) if applicable, prepare all Product submissions to Regulatory Authorities.

2.4 Cardinal Health Obligations. Cardinal Health will: (1) perform the Services in accordance with all Applicable Laws, including, without limitation, the then-current state of the U.S. Food and Drug Administration's (FDA's) current Good Manufacturing Practice (cGMP) as outlined in 21 CFR Sections 210-211 and the International Committee for Harmonization (ICH) Guidance for Industry Q7A, "Good Manufacturing Practice for Active Pharmaceutical Ingredients" (for manufacture of Phase I clinical supplies Section XIX of the aforementioned document shall apply); (2) provide to Xencor upon request written reports documenting development of analytical methods, production processes, and storage conditions for Product (including the rationale for selection of methods, processes, unit operations, operating parameters, and conditions) as necessary to support regulatory filings for investigational use or marketing of Product; (3) use its best efforts to assist Xencor in obtaining and maintaining regulatory approvals for Products in the Territory, at the reasonable request and expense (to the extent of any out-of-pocket expenses) of Xencor; and (4) cooperate with any inspection by the FDA or other regulatory agency, including, but not limited to, any inspection prior to approval of Xencor's BLA for any Product. In addition, at Xencor's option, Xencor may contract with third parties to conduct cell banking, cell bank testing, viral clearance testing and/or testing of non-cGMP or cGMP material, in which event Cardinal Health shall promptly package and ship the applicable test materials to Xencor or its designee, for which Xencor shall pay Cardinal Health a fee not to exceed […***…] ([…***…]%) of the cost of such third party services.

ARTICLE 3
PRICING AND PAYMENT TERMS

3.1 Price and Price Changes.

A. Price. Xencor shall pay for the Services as provided in this Agreement and all SOWs.

B. Price Changes. Cardinal Health may propose to Xencor in writing revisions to the prices provided in a SOW if (1) the parties agree to revise a protocol, (2) any information relating to a Project which is provided by Xencor is inaccurate or incomplete, (3) Xencor revises Cardinal Health's responsibilities, the Specifications, applicable test methods, final review of test methods, procedures, assumptions, development processes, test methods or analytical requirements, (4) Xencor requests an alternate report format, (5) Xencor requests revisions to laboratory reports, (6) Xencor requests copies of laboratory records (excluding a single copy of batch records which will be provided for each batch manufactured hereunder) or (7) unforeseen circumstances affect the work required to complete the Project. All such proposed price changes must be submitted as a Change Order pursuant to Section 2.2. Notwithstanding anything to the contrary expressed or implied herein, no proposed price change shall be effective or binding upon either party, unless and until both parties have executed a Change Order with respect thereto.

C. Retesting. All retesting performed that is not directly due to Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or a SOW will be billed to the Xencor. All required investigational studies or additional Xencor requests not outlined in the SOW will be invoiced for the cost of performance at the current standard hourly rate; plus any associated fees.

D. Deviation Investigations. Cardinal Health reserves the right to expend up to […***…] per Critical Deviation (as defined in the Quality Agreement) to complete all required investigational work (such as OOS investigations, trouble shooting chromatographic methods, etc.) without prior approval from the Xencor. If the additional work requires going beyond […***…], the Xencor will be contacted prior to continuation. The additional work will be performed based on verbal agreement from the Xencor and will be documented on a Cardinal Health Telephone Conversation Record (TCR). Cardinal Health shall […***…], in which case Xencor shall […***…] within thirty (30) days after receipt of an invoice and appropriate supporting documentation from Cardinal Health.

E. Cancellations and Postponements. If Xencor cancels or postpones any portion of a Project or if Cardinal Health terminates any portion of a Project pursuant to Section 3.3, Xencor shall pay Cardinal Health for all work completed through the date of such cancellation, postponement or termination in accordance with this Agreement and the applicable SOW, including reasonable and documented out-of-pocket expenses incurred by Cardinal Health, any non-cancelable commitments incurred by Cardinal Health in accordance with this Agreement and such SOW up to the date of such cancellation, or postponement or termination, and with respect to any unperformed cGMP batches anticipated by such SOW, Xencor will pay to Cardinal Health the following charges:

Notice of Cancellation, Postponement or Termination in Days from the Date Scheduled for Commencement of cGMP Production	Charge as a Percentage of Total Production Fee
[…***…] or less	[…***…]%
[…***…] days	[…***…]%
[…***…] days and over	[…***…]%

provided, however, that if Cardinal Health secures new business that utilizes the slot in the manufacturing schedule with respect to the cGMP manufacturing space that would have been occupied by Xencor, it will […***…].

Notwithstanding the foregoing, no such payments shall be due in the event that such cancellation; postponement or termination is due to Cardinal Health's breach of this Agreement, the Quality Agreement or the applicable SOW.

3.2 Invoicing. Cardinal Health shall invoice Xencor as set forth in the applicable SOW.

3.3 Payment Terms. In the event payment is not received by Cardinal Health on or before the […***…] day after the date of any invoice, then Cardinal Health may, at its option elect to: (i) charge a late payment fee on such unpaid amount equal to […***…] ([…***…]%) per month, or the highest amount allowed by applicable law, whichever is less, until paid in full; and/or (ii) suspend any further deliveries under the applicable SOW until such invoice is paid in full. If Xencor fails to pay any invoice (other than an invoice subject to a good-faith dispute) for more than […***…] following its due date, Cardinal Health shall also be entitled to terminate the applicable SOW and/or this Agreement on written notice to Xencor.

3.4 Taxes. All taxes, duties and other amounts assessed (excluding tax based on net income and franchise taxes) on the services, components, API or the Product prior to or upon sale to Xencor and on any Xencor owned tooling and equipment are the responsibility of Xencor, and Xencor shall reimburse Cardinal Health for any such taxes, duties or other expenses paid by Cardinal Health.

3.5 Shipments. All Batch shipments shall conform to the shipping and packaging instructions set forth in the Specifications or as otherwise provided in advance by Xencor to Cardinal Health in writing no later than […***…] prior to the contemplated delivery date of a shipment. All Batch shipments and deliveries (collectively, a "**Delivery**") shall be made FCA (Incoterms 2000) Cardinal Health's Facility. Cardinal Health shall be responsible for providing all quality and commercial shipping documentation set forth in the Specifications.

3.6 Certificate of Analysis. Each cGMP Delivery shall be accompanied by a written certification of Cardinal Health setting forth the measured and observable characteristics of the Delivery, as required by the Specifications, together with a certification of the Delivery's compliance with cGMPs, cGLPs and FDA guidance documents (to the extent applicable), and any description of any departures from any of the foregoing (the "**Certificate**"). Non-cGMP Deliveries shall be accompanied by a written product information sheet, the content of which shall be mutually agreed between the parties.

3.7 Inspection; Acceptance/Rejection. Xencor shall have […***…] from the date of receipt of each Delivery to evaluate the Product and accept or reject such Delivery. Xencor shall in good faith have the right to reject any Delivery if (i) a Batch does not meet the mutually agreed Specifications; or (ii) a cGMP Batch was not actually Processed in accordance with cGMPs or relevant FDA guidance documents. If Xencor does not notify Cardinal Health of its rejection of a Delivery within such […***…] period, the Delivery shall be deemed accepted. Notwithstanding the foregoing, if after Xencor's acceptance of a Delivery hereunder, […***…], Xencor shall so notify Cardinal Health within […***…] and […***…].

ARTICLE 4
ADDITIONAL TERMS FOR MANUFACTURING, FILL/FINISH AND PACKAGING

4.1 Non-Conforming Product. If Cardinal Health agrees that a Batch rejected by Xencor pursuant to Section 3.7 is non-conforming and such non-conformity is determined to be the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW, Cardinal Health shall, within […***…] after receiving the non-conforming Batch, at its option and sole expense, either (i) re-perform the Services and replace the entire Delivery containing the non-conforming Batch with conforming Product in accordance with this Agreement, or (ii) refund to Xencor all payments made by Xencor for the Delivery containing the non-conforming Batch. If Cardinal Health in good faith does not agree with Xencor's determination that the rejected Batch is a non-conforming Batch, then after reasonable efforts to resolve the disagreement, not to exceed […***…] following such Batch's rejection by Xencor, either party may submit a sample of such Batch to […***…] or another mutually agreed upon independent third party laboratory to determine whether the Batch has been properly rejected under Section 3.7. The independent laboratory's determination shall be final and binding on both parties. If the independent laboratory determines that the Batch has been properly rejected under Section 3.7, but the parties do not agree on whether or not such failure is the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement; the Quality Agreement or the applicable SOW, the parties shall submit such dispute to arbitration in accordance with the terms of Section 14.9. Unless otherwise agreed to by the parties in writing, the costs associated with testing and review by the independent laboratory shall be borne by (i) Cardinal Health, if the non-conforming Batch is the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW, or (ii) Xencor, if the non-conforming Batch is not the result of Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW.

4.2 Remedies for Non-Conforming Product. THE OBLIGATION OF CARDINAL HEALTH TO PROVIDE A REFUND FOR OR REPLACE NON-CONFORMING PRODUCT IN ACCORDANCE WITH THIS ARTICLE 4 SHALL BE XENCOR'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT FOR PRODUCT THAT DOES NOT CONFORM TO SPECIFICATIONS AND IS IN LIEU OF ANY OTHER WARRANTY, EXPRESS OR IMPLIED.

4.3 Initial Batches. The parties acknowledge that (i) information regarding the Manufacturing Process and the characteristics of each Product resulting therefrom is practically nonexistent at this point in time, as development of the Manufacturing Process and associated analytical methods has not yet commenced; (ii) the Preliminary Target Product Specifications (as defined in the applicable SOW) are deemed achievable based on the parties' respective experience with similar products, but subject to revision by mutual agreement of the parties prior to commencement of pilot and full-scale Manufacturing runs based on data from bench-scale runs; and (iii) Cardinal Health shall have primary responsibility for development of the Manufacturing Process for each Product, with appropriate input from Xencor. In consideration of the foregoing, the parties agree that […***…] of all Initial Batches (defined as the pilot-scale non-GMP and full-scale

cGMP Batches outlined in the applicable SOW comprising the material used for GLP toxicology studies and initial clinical studies) that fail to meet the mutually-agreed Preliminary

Target Product Specifications as outlined in (ii) above, unless the non-conformance was due to Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW in the manufacture of the out of Specification Batch; in which case, Cardinal Health shall bear […***…] ([…***…]%) of the cost of the out of Specification Batch. Cardinal Health and Xencor shall cooperate in good faith to identify and correct any technical or cGMP issues causing the out of Specification Batch.

4.4 Unlabeled Product. If Cardinal Health is to provide Xencor with Product which is not labeled, Xencor represents and warrants that it will comply with all applicable regulations, including, without limitation, 21 CFR§201.150.

4.5 Failure to Take Delivery. If Xencor fails to take delivery on any scheduled delivery date, Cardinal Health shall invoice Xencor for the stored Product and shall invoice Xencor on a monthly basis for reasonable administration and storage costs. For each such batch of undelivered Product, Xencor agrees that: (A) Xencor has made a fixed commitment to purchase such Product, (B) risk of ownership and storage for such Product passes to Xencor, (C) such Product shall be on a bill and hold basis for legitimate business purposes, (D) if no delivery date is determined at the time of billing, Cardinal Health shall have the right to ship the Product to Xencor within […***…] after billing, and (E) Xencor will be responsible for any decrease in market value of such Product that relates to factors and circumstances outside of Cardinal Health's control. Within […***…] following a written request from Cardinal Health, Xencor shall provide Cardinal Health with a letter confirming items (A) through (E) of this Article 4 for each Batch of undelivered Product.

ARTICLE 5
REGULATORY

5.1 Audit. Once […***…] during the Term, and subject to Cardinal Health's obligations of confidentiality to third parties, Cardinal Health will permit Xencor to conduct an audit of those portions of the Facility where Services are being conducted upon reasonable advance notice during regular business hours and at no cost to Xencor. Upon request, Xencor may conduct additional audits, provided that Xencor shall reimburse Cardinal Health for time and expenses reasonably incurred by Cardinal Health in connection with such additional audit.

5.2 Observation. Xencor may have up to two (2) representatives at the Facility to observe the Services, provided that Xencor provide Cardinal Health at least […***…] days advance written notice of the attendance of such Xencor representatives. Such representatives shall comply with Cardinal Health's rules and regulations. Xencor shall indemnify and hold harmless Cardinal Health for any action or activity of such representatives while on Cardinal Health's premises.

5.3 Regulatory Inspections. Each party shall: (1) notify the other party promptly of any inspection or inquiry by any Regulatory Authority concerning any Project or Product of Xencor; and (2) forward to the other party copies of any correspondence from any Regulatory Authority relating to such a Project or Product, including, but not limited to, Form FD-483 notices, FDA refusal to file, rejection or warning letters. Where reasonably practicable, each party will be given the opportunity to have a representative present during an inspection by a Regulatory Authority.

Each party acknowledges that it may not direct the manner in which the other party fulfills its obligations to permit inspection by a Regulatory Authority.

5.4 Record Retention. Unless the parties otherwise agree in writing, Cardinal Health will retain batch, laboratory and other technical records for the minimum period required by Applicable Laws and, after such period, shall not destroy or dispose of such without […***…] prior written notice to Xencor. At Xencor's election at any time during such […***…] period, Xencor shall have the right to cause Cardinal Health to ship all such manufacturing related records to Xencor at Xencor's reasonable expense. Cardinal Health will not be required to ship any GPEx related documents beyond the GPEx project report. Cardinal Health will include all reasonably requested information in the GPEx project report and will include all information requested by a regulatory agency.

5.5 Quality Agreement. Any Quality Agreement executed by the parties related to the Services shall in no way determine liability or financial responsibility of the parties for the responsibilities set forth therein. In the event of a conflict between the terms of this Agreement and the Quality Agreement, this Agreement shall control.

5.6 Regulatory Compliance. Xencor shall be solely responsible for all permits and licenses required by any Regulatory Authority with respect to the Product, including any Product licenses, applications and amendments in connection therewith. Cardinal Health will be responsible to maintain all permits and licenses required by any Regulatory Authority with respect to the Services and the Facility. During the Term, each party will assist the other party with all regulatory matters relating to Services and Product, at the other party's request. Each party intends and commits to cooperate to satisfy all Applicable Laws relating to Services and Products.

5.7 Waiver of In Process Quality Control Holds. Project scheduling may include certain FDA "Points to Consider" ("**PTC**") assays and other in-process assays, as set forth in a SOW. PTC and in-process assays are typically required in "quality control (QC) holds" and may prevent a Project from progressing to subsequent scheduled events until the results of said PTC and in-process assays are completed, documented and audited by the appropriate QC group. In the event that Xencor wishes to expedite a Project by proceeding to subsequent Project events, without waiting for PTC and/or assay results ("**QC Hold Waiver**"), Xencor shall be fully responsible for the cost of all Services performed with respect to such Project after the QC Hold Waiver, regardless of whether the results of the PTC and/or other in-process tests indicate a problem with the Project or Product, unless such problem was caused by Cardinal Health's gross negligence, willful misconduct or breach of this Agreement, the Quality Agreement or the applicable SOW. Cardinal Health shall remain responsible for activities up to the QC Hold Waiver to the extent provided in this Agreement.

ARTICLE 6
CONFIDENTIALITY AND NON-USE

6.1 Mutual Obligation. Each party receiving Confidential Information (each, a "**Recipient**") from the other party (each, a "**Discloser"**), agrees that it will (i) only use Discloser's Confidential Information as specified herein, and for no other purpose whether for Recipient's own benefit or the

benefit of any third party and (ii) not disclose Discloser's Confidential Information to any third party without the prior written consent of the Discloser except to the limited extent required by Applicable Law or to enforce this Agreement; provided, however, that prior to making any such legally required disclosure, the Recipient shall give Discloser as much prior notice of the requirement for and contents of such disclosure as is practicable under the circumstances. Notwithstanding the foregoing, the Recipient may disclose the Discloser's Confidential Information to those of Recipient's employees or Affiliates that (A) need to know such Confidential Information for the purpose of performing this Agreement, and (B) are legally bound by obligations of confidentiality and non-use no less restrictive than the terms of this Article 6.

6.2 Definition. As used in this Agreement, the term "**Confidential Information**" includes all such information furnished by Cardinal Health or Xencor, or any of their respective representatives or Affiliates,, to the other party or its representatives or Affiliates, whether furnished before, on or after the date of this Agreement and furnished in any form, including, but not limited to, written, verbal, visual, electronic or in any other media or manner. Confidential Information includes all proprietary technologies, know-how, trade secrets, discoveries, inventions and any other Intellectual Property (whether or not patented), analyses, compilations, business or technical information and other materials prepared by either party, or any of its representatives or Affiliates, containing or based in whole or in part on any such information furnished by the other party or its representatives or Affiliates. Confidential Information also includes the existence of this Agreement and its terms, except that each party may disclose this Agreement or its terms to any of its advisors, lawyers, accountants, investment bankers, or actual or potential investors, acquirors or merger parties, provided that such recipient is bound by contractual or other legal obligations of non-use and non-disclosure with respect to such Confidential information consistent with the terms of this Article 6.

6.3 Exclusions. Notwithstanding Section 6.2, Confidential Information does not include information that Recipient can demonstrate by competent evidence (A) is or becomes generally available to the public or within the industry to which such information relates other than as a result of a breach of this Agreement, or (B) is already known by the Recipient at the time of disclosure as evidenced by the Recipient's written records, or (C) becomes available to the Recipient on a non-confidential basis from a source that is entitled to disclose it on a non-confidential basis, or (D) was or is independently developed by or for the Recipient without use of or reference to the Confidential Information, as evidenced by the Recipient's written records.

6.4 No Implied License. Recipient will obtain no right of any kind or license under any patent application or patent by reason of this Agreement. All Confidential Information will remain the sole property of Discloser.

6.5 Return of Confidential Information. Upon termination of this Agreement, Recipient shall, upon Discloser's request, promptly return within […***…] all such information, including any copies thereof, and cease its use or, at the request of the disclosing party, shall promptly destroy the same and certify such destruction to the disclosing party; except for a single copy thereof, which may be retained for the sole purpose of determining the scope of the obligations incurred under this Agreement.

6.6 Survival. The obligations of this Article 6 will terminate […***…] from the expiration or termination of this Agreement for any reason.

ARTICLE 7
INTELLECTUAL PROPERTY

7.1 Ownership of Existing Technologies.

A. All rights to and interests in Xencor's Intellectual Property, including, without limitation, all Intellectual Property covering or claiming the Products or any use thereof, and Xencor's Confidential Information shall remain vested solely in Xencor (or its licensors). No right or interest therein is transferred or granted to Cardinal Health under this Agreement.

B. All rights to and interests in Cardinal Health's Intellectual Property and Cardinal Health's Confidential Information, including, without limitation, Cardinal Health's GPEx Technology, shall remain vested solely in Cardinal Health. No right or interest therein is transferred or granted to Xencor under this Agreement, except as is specifically set forth in Section 7.3.

7.2 Improvements, Inventions & Developments. All Intellectual Property arising during the performance of any Project (an "**Invention**") shall be the property of the party whose employees conceive of or make the Invention; *except that* (a) all improvements in the process of gene expression in cells, vectors for gene expression, Packaging Cell Lines created for gene expression or to the GPEx Technology, Cardinal Health Intellectual Property or Cardinal Health Confidential Information made by either party or jointly by the parties shall be the property of Cardinal Health, and (b) all improvements to, new uses of, or any substance produced or isolated with or by use of, the Product, Xencor Intellectual Property or Xencor Confidential Information or cDNAs, genes, or cell lines provided by Xencor made by either party or jointly by the parties shall be the property of Xencor. If either party develops an Invention that is the property of the other party, such party (the "Inventing Party") shall promptly disclose such Invention to the other party (the "Owning Party") in writing and hereby assigns to the Owning Party all right, title and interest in and to such Invention, or if assignment is not permitted by law, waives such rights or grants to the Owning Party an exclusive, fully paid, perpetual, irrevocable, worldwide license under such rights for any and all purposes, and will execute any documents to this effect, if requested to do so by the Owning Party. In addition, at the Owning Party's request and expense (to the extent of any out of-pocket expenses), the Inventing Party agrees to cooperate with the Owning Party or its designee(s), both during and after the term of this Agreement, in the procurement and maintenance of the Owning Party's rights in such Invention and to assist the Owning Party in every proper way to obtain, and from time to time enforce, Intellectual Property rights relating to such Invention in any and all countries. To that end, the Inventing Party will execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as the Owning Party may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such

Intellectual Property rights in the Invention and the assignment thereof. Except as expressly provided above in this Section7.2, jointly-made Inventions shall be jointly owned by both parties, with each party having an undivided interest therein. The parties further agree to disclose to each other all Inventions that such party believes to be jointly invented. At the time of such disclosure, the parties shall designate patent counsel to file a patent application or applications on the jointly

owned Invention, if applicable, with each party equally sharing the costs of applying for, prosecuting and maintaining patent rights for the jointly owned Invention. Either party mall be permitted to commercially exploit jointly owned Inventions without the written consent of the other party.

7.3 Research Rights and Portability.

A. Research Field of Use. If the scope of any Project includes development of one or more cell lines by Cardinal Health using its GPEx Technology, then, at Xencor's option, any resulting cell lines shall be licensed to Xencor or its Affiliates solely for non-cGMP research use, at a cost to Xencor of […***…] Dollars ($[…***…]) per […***…] for a period of up to […***…] after the date of, in each case, the relevant SOW on commercially reasonable terms to be separately agreed upon by the parties in good faith within […***…] of Xencor's notice to Cardinal Health that it wishes to exercise such option. Without limiting the generality of the foregoing, such terms shall include the right of Xencor to transfer any licensed cell line to third party customers of Xencor for non-cGMP activities and evaluation purposes, at no additional cost to Xencor, on commercially reasonable terms to be separately agreed upon by the parties in good faith. Such option shall be exercisable within […***…] after the date of the first delivery of each cell line (or any Product derived therefrom). For sake of clarity, […***…] which are being developed for the same Product application shall be subject to a single research license and will not require additional license fee payments.

B. Commercial Field of Use. Xencor shall also have the option to license (which option shall be exercisable with respect to each cell line developed hereunder for a period of […***…] after the date of, in each case, the relevant SOW), […***…], cell lines developed using GPEx Technology for use in the production of clinical and commercial supplies of Products by Xencor and/or any third party contract manufacturer of Xencor, subject to payment to Cardinal Health of the applicable amounts set forth below in this Section 7.3(B) and another commercially reasonable terms to be separately agreed upon by the parties in good faith within […***…] of Xencor's notice to Cardinal Health that it wishes to exercise such option (it being understood that the payments set forth below in this Section 7.3(B) are the only payments that will be due under any such license, other than reimbursement of any reasonable and documented costs incurred by Cardinal Health in packaging and shipping such cell line and providing any other technology transfer in connection therewith that may be reasonably requested by Xencor).

(i) Upfront Fee. Xencor shall pay to Cardinal Health the applicable upfront fee set forth below (if any) for each cell line licensed by Xencor pursuant to this Section 7.3(B), with the amount of such upfront fee to be determined based on how many cell lines Xencor has licensed and on whether such cell line is used for cGMP manufacturing activities at (i) Xencor's or its licensee's cGMP manufacturing facility, or (ii) a third party's (other than a licensee of Xencor) cGMP manufacturing facility:

	Upfront Fee	
	cGMP manufacturing at third party site (other than a licensee of Xencor):	cGMP manufacturing at Xencor or its licensee site:
[…***…]	$ […***…]	$ […***…]
[…***…]	$ […***…]	$ […***…]
[…***…]	[…***…]	[…***…]

(ii) Annual License Maintenance Fee. Xencor shall pay to, Cardinal Health an annual license maintenance fee for each cell line licensed of […***…] Dollars ($[…***…]) during the term of such license, payable on the anniversary of the date such cell line was licensed, with the first such fee due on the first anniversary of such license.

(iii) Milestone Payments. Xencor shall report to Cardinal Health once a year the status of each cell-line transferred to Xencor and pay to Cardinal Health the applicable milestone payments set forth below (if any) for each cell line transferred to Xencor pursuant to this Section 7.3(B) within […***…] after the achievement of each applicable milestone by a Product produced using such cell line, with the amounts of such milestones to be determined based on how many cell lines Xencor has licensed and on whether such cell line is to be used by Xencor or its designee:

	Milestone Payments	
Cell Line	If for use by CMO:	If for use by Xencor:
[…***…]	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]
	[…***…]	[…***…]

	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]

provided, however, that if Xencor licenses a cell line pursuant to this Section 7.3(B) after the achievement of one or more milestones by a Product produced using such cell line, then the payment(s) associated with such previously-achieved milestone(s) under this subparagraph (iii) shall not be due for such cell line. Following conduct of an audit pursuant to Section 5.1 hereof of the Facility by qualified representatives of Xencor, Xencor shall promptly provide a written summary of any audit observations to Cardinal Health. Cardinal Health shall have […***…] from the time of receipt of such summary to resolve to Xencor's reasonable satisfaction any Critical cGMP Deficiencies (as defined below) specifically identified in such summary. If Cardinal Health fails to resolve any such Critical cGMP Deficiency to Xencor's

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reasonable satisfaction within such […***…] period, then Xencor may elect to transfer such cGMP activities to a third party CMO, and each of the payment amounts set forth in subparagraphs (i), (ii), and (iii) of this Section 7.3(B) shall be reduced by […***…] ([…***…]%); *provided, however*, that such payments shall not be reduced in the event that Xencor elects to so transfer such cGMP activities during any period of time following the […***…] period for so long as Cardinal Health is continuing to diligently and timely pursue the resolution of the relevant Critical cGMP)Deficiency or has resolved such deficiency. If Cardinal Health and Xencor disagree as to whether any audit finding is a Critical cGMP Deficiency, then the parties shall appoint a qualified third party cGMP expert within […***…] after a written request by either party to the other party. The parties shall provide the expert with all relevant information on the disputed audit finding within […***…] following the appointment of such cGMP expert. The cGMP expert shall prepare and deliver to the parties a written, reasoned opinion conferring its decision within […***…] after receiving the information on the disputed audit finding from the parties. The opinion of such cGMP expert shall be final and binding on the parties. The fees and expenses of any cGMP expert appointed under this Section 7.3(B) shall be paid by the non-prevailing party.

For the purposes of this Agreement, the term "**Critical cGMP Deficiency**" shall mean a practice (or absence of a practice) that is a critical part of the Processing of Product that, if not corrected, would cause a Product Processed in such manner to not materially comply with applicable cGMPs (notwithstanding any reasonable rework, retesting or other remediation permitted by Applicable Laws) and that would justify the recall of such Product under Applicable Laws, or in the case of Product used or proposed to be used under an Investigational New Drug Exemption (or its equivalent), that would justify placement of ongoing or proposed studies in human subjects on clinical hold.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES

8.1 Cardinal Health. Cardinal Health represents, warrants and covenants to Xencor that, unless otherwise agreed to by the parties in the SOW, for the duration of the Term: (i) Cardinal Health will perform each Project in accordance with all Applicable Laws, (ii) the Services hereunder shall be performed with requisite care, skill and diligence, in accordance with industry standards by individuals who are appropriately trained, experienced and qualified, (iii) when manufacturing Product under this Agreement, Cardinal Health will use reasonable commercial efforts to manufacture Product that complies with any Specifications agreed to by the parties, and (iv) none of the Cardinal Health personnel assigned to the Product have been subject to debarment under the Generic Drug Enforcement Act or any other penalty or sanction by FDA.

8.2 Xencor. Xencor represents, warrants and covenants to Cardinal Health for the duration of the Term that:

A. It has all necessary authority and all right, title and interest in and to any Intellectual Property related to each Product, or that is otherwise provided by Xencor, under this Agreement;

B. It has provided all safe handling instructions; health and environmental information and material safety data sheets applicable to the Product or to and any Xencor-Supplied Materials,

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except as disclosed to Cardinal Health in writing by Xencor in sufficient time for review and training by Cardinal Health prior to delivery;

C. All Product delivered to Xencor by Cardinal Health will be held, used and/or disposed of by Xencor in accordance with all Applicable Laws; and

D. Xencor will comply with all Applicable Laws applicable to Xencor's performance under this Agreement and its use of any materials or Products provided by Cardinal Health under this Agreement or any SOW.

8.3 Mutual. Each party hereby represents and warrants to the other party that:

A. Existence and Power. Such party (1) is duly organized, validly existing and in good standing under the laws of the state in which it is organized, (2) has the power and authority and the legal right to own and operate its property and assets, and to carry on its business as it is now being conducted, and (3) is in compliance with all requirements of Applicable Laws, except to the extent that any noncompliance would not materially adversely affect such party's ability to perform its obligations under the Agreement;

B. Authorization and Enforcement of Obligations. Such party (1) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (2) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

C. Execution and Delivery. This Agreement has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms;

D. No Consents. All necessary consents, approvals and authorizations of all Regulatory Authorities and other persons required to be obtained by such party in connection with the Agreement have been obtained; and

E. No Conflict. The execution and delivery of this Agreement and the performance of such party's obligations hereunder (1) do not conflict with or violate any requirement of Applicable Laws; and (2) do not materially conflict with, or constitute a material default or require any consent under, any contractual obligation of such party.

8.4 Limitations. THE REPRESENTATIONS AND WARRANTIS SET FORTH IN THIS ARTICLE 8 AND IN SECTIONS 4.1 AND 4.2 ARE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES MADE BY EITHER PARTY TO THE OTHER PARTY AND NEITHER PARTY MAKES ANY OTHER REPRESENTATIONS, WARRANTIES OR GUARANTEES OF ANY KIND WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE FOR THE AVOIDANCE OF DOUBT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, CARDINAL HEALTH MAKES NO REPRESENTATIONS OR WARRANTIES RESPECTING PRODUCT OR CELL LINE

CHARACTERIZATION, PERFORMANCE, PURITY, COMPARABILITY, BIO-SIMILARITY, POTENCY AND/OR EXPRESSION LEVELS.

ARTICLE 9
INDEMNIFICATION

9.1 Indemnification by Cardinal Health. Cardinal Health shall indemnify, defend and hold harmless Xencor, its Affiliates, and their respective directors, officers, employees and agents ("**Xencor Indemnitees**") from and against any and all suits, claims, losses, demands, liabilities, damages, costs and expenses (including reasonable attorneys' fees) in connection with any suit, demand or action by any third party ("**Losses**") arising out of or resulting from (A) any breach by Cardinal Health of its representations, warranties or obligations set forth in this Agreement, the Quality Agreement or any SOW; (B) any negligence or willful misconduct by Cardinal Health, except to the extent that any of the foregoing arises out of or results from any Xencor Indemnitee's negligence, willful misconduct or breach of this Agreement; or (C) a claim that Cardinal Health's use or practice of the GPEx™ Technology, Cardinal Health Confidential Information or Cardinal Health Intellectual Property hereunder infringe the Intellectual Property rights of a third party.

9.2 Indemnification by Xencor. Xencor shall indemnify, defend arid hold harmless Cardinal Health, its Affiliates, and their respective d1rectors, officers, employees and agents ("**Cardinal Health Indemnitees**") from and against all Losses arising out of or resulting from (A) any breach by Xencor of its representations, warranties or obligations set forth in this Agreement, the Quality Agreement or any SOW; (B) any manufacture (excluding the Services) by Xencor or any sublicensee, sale, promotion, distribution, use of or exposure to the Product or any Xencor-Supplied Materials, including, without limitation, product liability or strict liability; (C) Xencor's exercise of control over the Project to the extent that Xencor's instructions or, directions violate Applicable Law; (D) the conduct of any clinical trials relating to any material or Product which is the subject of this Agreement or any SOW; (E) a claim that Cardinal Health's use or practice of any Intellectual Property provided by Xencor hereunder, including, without limitation, any cell line, raw material or process provided by Xencor, infringes the Intellectual Property rights of a third party; *provided, however*, that such use or practice are in accordance with the terms of this Agreement, the Quality Agreement and the applicable SOW and with Xencor's specific written instructions; or (F) any negligence or willful misconduct by Xencor, except to the extent that any of the foregoing arises out of or results from any Cardinal Health Indemnitee's negligence, willful misconduct or breach of this Agreement.

9.3 Exception to Indemnity Obligations. Notwithstanding the foregoing or any other provision of this Agreement, neither party shall have any obligation to indemnify the other party with respect to any claim of infringement under the Cabilly Patent relating to the manufacture, use or sale of any Products or to the performance of either party's obligations under this Agreement.

9.4 Indemnification Procedures. All indemnification obligations in this Agreement are conditioned upon the party seeking indemnification: (A) promptly notifying the indemnifying party of any claim or liability of which the party seeking indemnification becomes aware (including a copy of any related complaint, summons, notice or other instrument); *provided, however*, that failure to provide such notice within a reasonable period of time shall not relieve the indemnifying

party of any of its obligations hereunder, except to the extent the indemnifying party is prejudiced by such failure; (B) cooperating with the indemnifying party in the defense of any such claim or liability (at the indemnifying party's expense); and (C) not compromising or settling any claim or liability without prior written consent of the indemnifying party.

ARTICLE 10
LIMITATIONS OF LIABILITY

10.1 […***…] LIABILITY UNDER THIS AGREEMENT FOR ANY AND ALL CLAIMS, LOSSES OR DAMAGES, INCLUDING FOR LOST, DAMAGED OR DESTROYED API OR XENCOR-SUPPUED MATERIALS WHETHER OR NOT SUCH API OR XENCOR-SUPPLIED MATERIALS ARE INCORPORATED INTO FINISHED PRODUCT SHALL NOT EXCEED XENCOR'S ACTUAL COST FOR SUCH LOST, DAMAGED OR DESTROYED XENCOR SUPPLIED MATERIALS.

10.2 CARDINAL HEALTH'S TOTAL LIABILITY, WHETHER IN CONTRACT OR TORT, INCLUDING, WITHOUT LIMITATION, CARDINAL HEALTH'S INDEMNITY OR OTHER FINANCIAL OBLIGATIONS UNDER ARTICLE 9, SHALL:

(A) […***…]

(B) […***…]

10.3 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF PERFORMANCE UNDER THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, LOSS OF REVENUES, PROFITS OR DATA,

WHETHER IN CONTRACT OR TORT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 11
INSURANCE

11.1 Cardinal Health

A. During the Term of this Agreement, Cardinal Health shall obtain and maintain the following insurance with limits not less than those specified below:

i. Commercial General Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence.

ii. Products and Completed Operations Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence.

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iii. Worker's Compensation and Employers Liability Insurance with statutory limits for Workers' Compensation and Employers' Liability limits of […***…] Dollars ($[…***…]) per accident.

iv. Professional Services Liability insurance with a limit of […***…] Dollars ($[…***…]) per claim.

B. Cardinal Health may self-insure any or a portion of the required insurance. In the event that any of the required policies of insurance are written on a claims made basis, then such policies shall be maintained during the entire term of this Agreement and for a period of not less than […***…] years following the termination or expiration of this Agreement.

C. Cardinal Health shall waive subrogation rights against Xencor for workers' compensation benefits and shall obtain a waiver from any insurance carriers with which Cardinal Health carries workers' compensation insurance releasing their subrogation rights against Xencor.

D. Xencor shall be named as an additional insured under the Commercial General Liability and Products and Completed Operations Liability insurance policies with respect to Xencor's liability for damages arising from the Services provided under this Agreement. Such additional insured status shall end upon the termination or expiration of this Agreement unless the policies are written on a claims made basis, in which case such additional insured status will continue for the period of time Cardinal Health is required to maintain such insurance under the terms of this Agreement.

E. Cardinal Health shall furnish certificates of insurance to Xencor evidencing the required insurance and additional insured status as soon as practicable after the Effective Date and within […***…] after renewal of such policies. Such certificates shall state that Cardinal Health's insurers will endeavor to provide […***…] written notice of any cancellation prior to the policy(ies) expiration date(s). Each insurance policy that is required under this Section 11.1 shall be obtained from an insurance carrier with an A.M. Best rating of at least A-VII.

11.2 Xencor.

A. During the Term of this Agreement, Xencor shall obtain and maintain the following insurance with limits not less than those specified below:

i. Commercial General Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence.

ii. Products and Completed Operations Liability insurance with a limit of […***…] Dollars ($[…***…]) per occurrence (to be maintained only immediately prior to and during use of Product in humans).

iii. Worker's Compensation and Employers Liability Insurance with statutory limits for Workers' Compensation and Employers' Liability limits of […***…] Dollars ($[…***…]) per accident.

iv. All Risk Property Insurance, including transit coverage, in an amount equal to full replacement value covering Xencor's property while it is at Cardinal Health's facility or in transit to or from Cardinal Health's facility.

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B. In the event that any of the required policies of insurance are written on a claims made basis, then such policies shall be maintained during the entire period of this Agreement and for a period of not less than […***…] following the termination or expiration of this Agreement.

C. Xencor shall waive subrogation rights against Cardinal Health for Workers' compensation benefits and shall obtain a waiver from any insurance carriers with which Xencor carries workers' compensation insurance releasing their subrogation rights against Cardinal Health.

D. Cardinal Health, Inc. and its subsidiaries and affiliates shall be named as additional insureds under the Commercial General Liability and Products and Completed Operations Liability insurance policies. Xencor's Commercial General Liability and Products and Completed Operation Liability policies shall provide that Xencor's insurance is primary (with respect both to any insurance issued to Cardinal Health and to any self-insurance amount retained by Cardinal Health) with regard to Cardinal Health's liability for damages arising out of those Products for which they have been added as additional insureds. Such additional insured status shall end upon the termination or expiration of this Agreement unless the policies are written on a claims made basis, in which case such additional insured status will continue for the period of time Xencor is required to maintain such insurance under the terms of this Agreement.

E. Xencor shall furnish certificates of insurance to Cardinal Health evidencing the required insurance and additional insured status as soon as practicable after the Effective Date and within […***…] after renewal of such policies. Such certificates shall state that Xencor's insurers will endeavor to provide […***…] written notice of any cancellation prior to the policy(ies) expiration date(s). Each insurance policy which is required under this Section 11.2 shall be obtained from an insurance carrier with an A.M. Best rating of at least A-VII.

ARTICLE 12
TERM AND TERMINATION

12.1 Term. The term of this Agreement shall commence as of the Effective Date and shall continue until either party terminates this Agreement as set forth in Section 12.2 or Section 12.3 ("**Term**").

12.2 Termination. Xencor may terminate this Agreement or activities under any SOW associated with this Agreement without cause at any time during the Term of the Agreement on ninety (90) days prior written notice to Cardinal Health, subject to payment of any cancellation or other fees set forth in Article 3. Cardinal Health may terminate this Agreement without cause at any time during the Term of the Agreement on twenty-four (24) months prior written notice to Xencor; *provided, however*, that as of the effective date of any such termination Cardinal Health shall have completed all Deliveries required under all SOWs then in effect. Nothing contained in this Agreement shall be construed as requiring either party to enter into additional SOW's or to perform additional services other than such as are mutually agreed to by the parties in their sole discretions. […***…]

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12.3 Immediate Termination. Either party shall have the right to immediately terminate this Agreement effective on written notice to the other party if (A) the other party files a petition in bankruptcy, or enters into an agreement with its creditors; or applies for or consents to the appointment of a receiver or trustee, or makes an assignment for the benefit of creditors, or suffers or permits the entry of any order adjudicating it to be bankrupt or insolvent and such order is not discharged within thirty (30) days; or(B) if the other party materially breaches any of the provisions of this Agreement, and such breach is not cured within thirty (30) days after the giving of written notice of such breach to the breaching party.

12.4 Effect of Termination. Expiration or termination of this Agreement shall be without prejudice to any rights or obligations that accrued to the benefit of either party prior to such expiration or termination. In the event that this Agreement or any SOW is terminated, Xencor shall pay Cardinal Health for all Services performed in accordance with the applicable SOW up to the date of termination plus any additional amounts due pursuant to Section 3.1E, and will reimburse Cardinal Health for all costs and expenses incurred, and all non-cancelable commitments made, in the performance of Services pursuant to a SOW.

12.5 Second Source. Subject to the requirements of Section 7.3, in the event that Xencor wishes to manufacture, or have manufactured any Products after this Agreement expires or is terminated for any reason (other than due to Xencor's material breach), Cardinal Health shall, at Xencor's cost and expense, cooperate and participate with Xencor or its designee in enabling Xencor or its designee to perform such manufacturing. Such cooperation by Cardinal Health shall include providing to Xencor or its designee a copy of all manufacturing data and information generated during the performance of the Services as reasonably necessary or appropriate to make and have made Products; *provided, however*, that any such data, know how, technology or information that is Cardinal Health Intellectual Property or Cardinal Health Confidential Information shall continue to remain and be treated as such, but it may be disclosed to any bona fide designee of Xencor pursuant to a written agreement containing confidentiality, non-use and intellectual property provisions substantially similar to the ones set forth herein.

ARTICLE 13
NOTICE

All notices and other communications hereunder shall be in writing and shall be deemed given: (A) when delivered personally; (B) when delivered by facsimile transmission (receipt verified); (C) when received or refused, if mailed by registered or certified mail (return receipt requested), postage prepaid; or (D) when delivered if sent by express courier service, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof):

To Xencor:
Xencor, Inc.
111 W. Lemon Ave.
Monrovia, CA 91016
Attention: Senior Vice President, Business Development
Facsimile: (626) 256-3562

With a copy to:
Xencor, Inc:
111 W. Lemon Ave.
Monrovia, CA 91016
Attention: Vice President, Intellectual Property
Facsimile: (626) 256-3760

To Cardinal Health:
Cardinal Health PTS, LLC
8137 Forsythia Street
Middleton, Wisconsin 53562
Attention: President
Facsimile: (608) 824-9930

With a copy to:
Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: Associate General Counsel,

ARTICLE 14
MISCELLANEOUS

14.1 Entire Agreement; Amendments. This Agreement, Exhibit A hereto, all SOWs, the Quality Agreement, and any amendments to any of the foregoing, constitute the entire understanding between the parties and supersede any contracts, agreements or understanding (oral or written) of the parties with respect to the subject matter hereof including, without limitation, the Letter of Intent, dated November 30, 2004, which Letter of intent (including the Project Plan and Quotation attached thereto) is hereby terminated in its entirety. No term of this Agreement maybe amended, except upon written agreement of both parties, unless otherwise provided in this Agreement.

14.2 Captions. The captions in this Agreement are for convenience only and are not to be interpreted or construed as a substantive part of this Agreement.

14.3 Further Assurances. The parties agree to execute, acknowledge and deliver such further instruments and to take all such other incidental acts as may be reasonably necessary or appropriate to carry out the purpose and intent of this Agreement.

14.4 No Waiver. Failure by either party to insist upon strict compliance with any term of this Agreement in any one or more instances will not be deemed to be a waiver of its rights to insist upon such strict compliance with respect to any subsequent failure.

14.5 Severability. If any term of this Agreement is declared invalid or unenforceable by a court or other body of competent jurisdiction, the remaining terms of this Agreement will continue in full force and effect.

14.6 Independent Contractors. The relationship of the parties is that of independent contractors, and neither party will incur any debts or make any commitments for the other party, except to the extent expressly provided in this Agreement. Nothing in this Agreement is intended to create or will be construed as creating between the parties the relationship of joint ventures, co-partners, employer/employee or principal and agent.

14.7 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties, their successors and permitted assigns. Neither party may assign this Agreement, in whole or in part, without the prior written consent of the other party, except that either party may, without the other party's consent, assign this Agreement to an Affiliate or to a successor to substantially all of the business or assets of the assigning company to which this Agreement relates (or the assigning company's business unit responsible for performance under this Agreement), whether by acquisition, merger, sale of stock, sale of assets, change of control or otherwise.

14.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Ohio, excluding its conflicts of law provisions. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

14.9 Alternative Dispute Resolution. If any Dispute arises between the parties, such Dispute shall be presented to the respective presidents or senior executives of Cardinal Health and Xencor for their consideration and resolution for a period of up to thirty (30) days. If such parties cannot reach a resolution of the Dispute within such period, then at either party's request (the "**Requesting Party**"), such Dispute shall be resolved by binding alternative dispute resolution in accordance with the then existing commercial arbitration rules of CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017, and judgment on the arbitration award may be entered in any court having jurisdiction thereof; *provided, however*, that no Dispute concerning the validity or infringement of any Intellectual Property of either party shall be subject to the provisions of this Section 14.9. Any such arbitration shall be conducted before a panel of three neutral and experienced arbitrators, one chosen by Cardinal Health, one chosen by Xencor and the third chosen by the foregoing two arbitrators. The parties shall be entitled to conduct reasonable discovery, within limitations to be established by the arbitrators. Arbitration shall be conducted in the jurisdiction of the non-Requesting Party. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a party's compensatory damages. Except to the extent necessary to confirm an award or as may be required by law, neither a party nor any arbitrator may disclose the existence, content; or results of an arbitration without the prior written consent of both parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable Ohio statute of limitations. Each party shall bear its own attorneys' fees, costs and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; *provided, however*, that the arbitrators shall be authorized to determine whether a party is the prevailing party, and if so, to award to that prevailing party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.) and/or the, fees and costs of the arbitrators. Each party shall fully perform and satisfy the arbitration award within fifteen (15) days of the service of the award. By agreeing to this binding arbitration provision, the parties understand that they are waiving certain rights and protections which may otherwise be available if a dispute

between the parties were determined by litigation in court, including, without limitation, the right to seek or obtain certain types of damages precluded by this provision, the right to a jury trial, certain rights of appeal and a right to invoke formal rules of procedure and evidence. Notwithstanding the foregoing provisions of this Section 14.9, each party acknowledges and agrees that, due to the unique and valuable nature of the other party's Intellectual Property and Confidential Information, there can be no adequate remedy at law for any breach by such party of the provisions of this Agreement, that any such breach may result in irreparable harm to the other party for which monetary damages would he inadequate to compensate such party and that the other party shall have the right, in addition to any other rights available under applicable law, to obtain from any court of competent jurisdiction injunctive relief to restrain any breach or threatened breach of, or otherwise to specifically enforce, any covenant or obligation of such party under such provisions without the necessity of posting any bond or security.

14.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of the executed Agreement shall constitute an original.

14.11 Publicity. Neither party will make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other party's express prior written Consent, except as required under applicable law or by any governmental agency, in which case the party required to make

the press release or public disclosure shall use commercially reasonable efforts to obtain the approval of the other party as to the form, nature and extent of the press release or public disclosure prior to issuing the press release or making the public disclosure.

14.12 Survival. The rights and obligations of the parties shall continue under Articles 1 (Definitions), 6 (Confidentiality), 7 (Intellectual Property), 9 (Indemnification), 10 (Limitations of Liability), 11 (Insurance), to the extent expressly stated therein, 13 (Notice), 14 (Miscellaneous) and Sections 12.4 (Effect of Termination) and 12.5 (Second Source), notwithstanding expiration or termination of this Agreement.

14.13 Force Majeure. Except as to payments required under this Agreement, neither party shall be liable in damages for; nor shall this Agreement be terminable or cancelable by reason of any delay or default in such party's performance hereunder if such default or delay is caused by events beyond such party's reasonable control, including, but not limited to, acts of God, regulation or law or other action or failure to act of any government or agency thereof, war or insurrection, civil commotion, destruction of production facilities or materials by earthquake, fire, flood or storm, labor disturbances, epidemic, or failure of suppliers, public utilities or common carriers; *provided, however*, that the party seeking relief hereunder shall immediately notify the other party of such cause(s) beyond such party's reasonable control. The party that may invoke this Section 14.13 shall use all reasonable endeavors to reinstate its ongoing obligations to the other party. If the cause(s) shall continue unabated for one hundred eighty (180) days, then both parties shall meet to discuss and negotiate in good faith what modifications to this Agreement should result from this force majeure.

IN WITNESS WHEREOF, the parties have caused their duly authorized representative to execute this Agreement effective as of the date first written above.

CARDINAL HEALTH PTS, LLC		**XENCOR, INC.**	
By:	/s/ Paul M. Weiss	By:	/s/ Bassil Dahiyat
Name:	Paul M. Weiss, PhD	Name:	Bassil Dahiyat, PhD
Its:	President, Gala Biotech business unit	Its:	President & CEO

Exhibit 10.19

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

CONFIDENTIAL
Execution Copy

COLLABORATION AND LICENSE AGREEMENT

This **COLLABORATION AND LICENSE AGREEMENT** (this "**Agreement**") is entered into as of June 27, 2010 (the "**Effective Date**") by and between **XENCOR, INC**., a Delaware corporation with its principal offices at 111 West Lemon Avenue, Monrovia, CA 91016 ("**Xencor**"), and **MORPHOSYS AG**, a German corporation with its principal offices at Lena-Christ-Strasse 48, 82152 Martinsried/Planegg, Germany ("**MorphoSys**").

BACKGROUND

1. Xencor has developed a proprietary monoclonal antibody to CD19 that has high ADCC activity, XmAb5574, more particularly defined below;

2. MorphoSys has expertise in the research, development, and partnering of antibody-based therapeutic products;

3. MorphoSys is interested in obtaining an exclusive license to further develop and commercialize Xencor's XmAb5574 (and certain related antibodies and products, more particularly defined below) worldwide; and

4. Xencor is willing to grant such license to MorphoSys on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and the covenants and obligations set forth in this Agreement, the Parties agree as follows:

AGREEMENT

ARTICLE 1

DEFINITIONS

The initially capitalized terms below in this Article have the following meanings as used throughout this Agreement. Derivative forms of these defined terms shall be interpreted accordingly. "Includes," "including" and all other conjugations of "to include" shall be deemed followed by "without limitation" regardless of whether "without limitation" is actually written there (and drawing no implications from inconsistent usage as to whether such phrase is or is not actually written).

1.1 "**ADCC**" means antibody-dependent cell-mediated cytotoxicity, which is an immune response, in which an Antibody coats a target-bearing cell and engages Fc receptors on immune effector cells and thereby activates the immune effector cells to lyse the target-bearing cells. For clarity, this is not restricted to effects mediated by natural killer cells, but includes e.g., other effector cells as well.

1.2 "**Affiliate**" means, with respect to a Party, any entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Party. For this purpose, "control" means the ownership of fifty percent (50%) or more of the voting securities entitled to elect the directors or management of the entity, or the actual power to elect or direct the management or policies of the entity, whether by law, contract or otherwise.

1.3 "**Affinity Constant of Binding**" means the affinity of an Antibody Fc to a Fcg receptor as determined using the protocol in Exhibit L. The Affinity Constant of Binding is increased, greater or higher if the K_A value is nominally increased; as an example a K_A of 10^7 1/M is increased, greater or higher than 10^6 1/M.

1.4 "**ALL**" means acute lymphoblastic leukemia.

1.5 "**Antibody**" means any antibody, whether naturally occurring, artificially produced, raised in an artificial system, or created through modification of another antibody or otherwise; any fragment of any of the foregoing; and any chemically modified versions of the foregoing antibodies (including versions that are conjugated with another chemical entity, such as a drug or toxin; pegylated versions (regardless of whether containing amino acid substitutions in order to achieve pegylation); and other chemically modified versions).

1.6 "**Autoimmune Indication**" shall mean the treatment or prophylaxis of any autoimmune disease or condition (i.e., any disease or condition that is caused by dis- or de-regulation of the immune system leading to tissue injury by a reaction to an endogenous antigen but that is not primarily a malignant neoplasia).

1.7 "**BLA**" means a Biologic License Application (as defined in the U.S. Federal Food, Drug and Cosmetics Act and the regulations promulgated thereunder (21 C.F.R. §§ 600-680) in the United States or a comparable filing in any other jurisdiction (i.e., a Marketing Authorization Application submitted to a Regulatory Authority that must be made prior to importing, marketing and selling a biological product).

1.8 **"Budget"** has the meaning set forth in Section 3.1.

1.9 **"Candidate-Specific Patent License"** has the meaning set forth in Section 4.1.

1.10 "**CDC**" means complement-dependent cytotoxicity.

1.11 "**CD19**" means CD19 (Cluster of Differentiation 19) protein, which includes human and other species homologues.

1.12 "**CDR**" means a complementarity determining region of an antibody.

1.13 "**Clinical Regulatory Filings**" means data, filings or materials relating to Licensed Antibody or Licensed Products submitted to the applicable Regulatory Authorities, including (a) data derived from non-clinical studies and clinical trials, and (b) data, filings or materials relating to or contained in any CMC or DMF.

1.14 "**CLL**" means chronic lymphocytic leukemia.

1.15 "**CMC**" means the Chemistry, Manufacturing and Controls (or equivalent) portion of any Licensed Product BLA in the United States, or equivalent or similar portion of a Marketing Authorization Application or Marketing Authorization in another regulatory jurisdiction.

1.16 "**Collaboration Confidential Information**" has the meaning set forth in Section 1.22.

1.17 **"Collaboration Term"** means the time starting from the Effective Date until the earlier of (i) the Ongoing Phase 1 Trial is Completed (Reporting Purposes) and (ii) Xencor's sponsorship of the Ongoing Phase 1 Trial has been transferred to MorphoSys.

1.18 "**Commercially Reasonable Efforts**" means the efforts required in order to carry out a task in a diligent and sustained manner without undue interruption, pause or delay; which level is at least commensurate with (i) the level of efforts that MorphoSys, Xencor or a similarly situated biopharmaceutical company and (ii) regarding MorphoSys's Sublicensee after the Pre-Sublicensing Term, the level of efforts a company that is similarly situated as the respective Sublicensee, would devote to a product of similar potential and having similar commercial and scientific advantages and disadvantages resulting from the company's own research efforts (i.e. explicitly ignoring the royalty, milestone and all other payments due to Xencor under this Agreement), taking into account the product's safety and efficacy; the competitiveness of alternative products; the product's proprietary position; pricing and reimbursement; market-specific factors; technical, scientific and regulatory matters including estimated probabilities of success for future development stages; and all other relevant commercial factors. Commercially Reasonable Efforts requires (without limitation) that the Party exerting such efforts (i) promptly assigns responsibility for its obligations to specific employee(s) who are held accountable for progress and monitor such progress, on an ongoing basis, (ii) set and continue to seek to achieve specific and meaningful objectives for carrying out such obligations, and (iii) make and implement decisions and allocate resources designed to advance progress with respect to such objectives, in each case in a commercially reasonable manner.

1.19 "**Competing Antibody**" means any anti-CD19 Antibody that has […***…] and "**Competing Product**" means any pharmaceutical composition that contains at least one Competing Antibody.

1.20 **"Completed (Reporting Purposes)"** means with respect to the Ongoing Phase 1 Trial the date of receipt of the final and signed clinical study report.

1.21 "**Completed (Performance Metric)**" means that the last patient in the Ongoing Phase 1 Trial has received such patient's last dose of Licensed Product.

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1.22 "**Confidential Information**" means all proprietary information, including scientific, technical and manufacturing information and plans, marketing and business plans, and financial and personnel matters relating to a Party or its present or future products, sales, suppliers, customers, employees, investors or business, received by either Party from the other Party or disclosed by either Party to the other Party pursuant to this Agreement, or pursuant to or that is otherwise subject to the Prior CDA; in each case, which information is disclosed under circumstances reasonably indicating that it is confidential. Notwithstanding the foregoing, Confidential Information shall not include information that, in each case as demonstrated by competent written documentation:

(a) is publicly disclosed and made generally available to the public by the disclosing Party, either before or after it becomes known to the receiving Party;

(b) was known to the receiving Party, without obligation to keep it confidential, prior to the date of disclosure by the disclosing Party;

(c) is subsequently disclosed to the receiving Party by a Third Party lawfully in possession thereof without obligation to keep it confidential and without a breach of such Third Party's obligations of confidentiality;

(d) has been publicly disclosed or made generally available to the public other than through any act or omission of the receiving Party in breach of this Agreement; or

(e) has been independently developed by the receiving Party without the aid, application or use of the disclosing Party's Confidential Information (the competent written proof of which must be contemporaneous with such independent development);

Notwithstanding all of the foregoing, all Know-how, data and results generated by or on behalf of either Party (or its Affiliates) under this Agreement during the Collaboration Term and related to Licensed Antibody and/or Licensed Product ("**Collaboration Confidential Information**") shall be regarded as Confidential

Information of MorphoSys. All Know-how, data and results generated by or on behalf of Xencor (or its Affiliates) prior to the Effective Date in any pre-clinical studies and related to Licensed Antibody and/or Licensed Product ("**Xencor Pre-Clinical Confidential Information**") shall be regarded as Xencor Confidential Information.

For clarity, any further definition and/or description of Confidential Information stated in this Agreement shall also fall under this definition of Confidential Information.

1.23 **"Control**" means, with respect to any Know-How, Patent or other intellectual property right, possession (by means of ownership or license) by a Party, directly or through an Affiliate (other than pursuant to this Agreement), where the Party has the right to grant a license or sublicense as provided for in this Agreement. Any Patent, Know-How or other intellectual property right that is licensed or acquired by a Party following the Effective Date and that would otherwise be considered to be under the Control of a Party shall not be deemed to be under the Control of such Party if the application of such definition in the context of any licenses or sublicenses granted to the other Party under this Agreement would require the granting Party to make any additional payments or royalties to a Third Party in connection with such license or

sublicense grants, unless the other Party agrees to pay the additional payments or royalties to the Third Party

1.24 "**Cover**" means, with respect to a particular item and a particular Patent, that such Patent claims (as opposed to merely disclosing) directly or indirectly: (a) the composition of such item, any of its ingredients or formulations or any product containing or that is made using such item (by virtue of such product containing or being made using such item); (b) a method of making or using any of the foregoing things referred to in (a); and/or (c) an item used or present in the manufacture of any of the foregoing things referred to in (a) (for example, with respect to a biologic, any vector, plasmid or cell line used to manufacture such product or item or any ingredient in either of them).

1.25 **"Data Escrow Agent"** has the meaning set forth in Section 7.7.

1.26 "**Distributor**" means any non-Sublicensee Third Party (i.e., any Third Party that is not granted a Sublicense) that all of (a) has been granted the right to distribute or resell in the MorphoSys Territory any quantities of Licensed Product, which quantities are provided by MorphoSys or its Affiliates or its Sublicensee(s); (b) pays MorphoSys or its Affiliate or its Sublicensee(s) a transfer price that is independent of resale price; (c) does not pay MorphoSys or its Affiliate or its Sublicensee(s) a royalty calculated as a percentage of sales or net sales; and (d) does not pay MorphoSys or its Affiliate or its Sublicensee(s) any other consideration in connection with Licensed Antibody or Licensed Product.

1.27 "**DMF**" means a Drug Master File in the United States or equivalent filing or filing serving a similar purpose in another regulatory jurisdiction.

1.28 "**EMA**" means the European Medicines Agency or any successor entity.

1.29 **"Escrow Agent"** has the meaning set forth in Section 4.3 (d)(i).

1.30 **"Excluded Antibodies**" means all Antibodies to CD19, other than Licensed Antibodies. Excluded Antibodies specifically include (a) […***…] and (b) […***…]. It is understood and agreed, and MorphoSys is fully aware, that […***…] and […***…].

1.31 "**Fc**" shall mean the complete constant region of an antibody (meaning, e.g., IgG_1 from residue Alanine 118 (or the analogous residue in any other IgG heavy chain) to the carboxy terminus thereof, where the sequence numbering is defined using the EU numbering system (Edelman, GE, et al., Proceedings of the National Academy of Sciences USA, vol. 63, p. 78, 1969) as applied in the Kabat antibody sequence database, and any fragment or portion thereof), including both naturally occurring such fragments, naturally occurring variants of such fragments, and non-naturally occurring variants of such fragments.

1.32 "**FDA**" means the United States Food and Drug Administration or any successor entity.

1.33 "**Field**" means all fields of use.

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1.34 **"First Major Indication"** means […***…].

1.35 "**FTE**" means the equivalent of one (1) person working full time for one (1) year (whether provided through the working time of one (1) individual or more individuals) which equates to a total of one thousand six hundred sixty four (1,664) hours per year of work.

1.36 "**FTE Rate**" means […***…] dollars ($[…***…]) per FTE, adjusted annually for inflation by the percent change in the Manufacturers Price Index as reported by the U.S. Department of Labor, using 2010 as the reference year.

1.37 "**GAAP**" means then-current applicable Internationally Accepted Accounting Principles, consistently applied.

1.38 "**IND**" means an Investigational New Drug application (as defined in the U.S. Federal Food, Drug and Cosmetics Act and the regulations promulgated thereunder (21 C.F.R. §312) in the United States or a comparable filing in any other jurisdiction (i.e., a filing with a Regulatory Authority or Ethics Committee that must be made prior to commencing clinical testing in humans).

1.39 **"Joint Collaboration Product Inventions"** means any and all Product Inventions, for which Xencor (or its Affiliate) and MorphoSys (or its Affiliate) both have (meaning that Xencor (or its Affiliate) and MorphoSys (or its Affiliate) both employ or have engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. patent claiming such invention, that were invented in the course of MorphoSys' (or its Affiliate's) or

Xencor's (or its Affiliate's) anti-CD19 Antibody and/or product containing an anti-CD19 Antibody activities, other than any MorphoSys Core Improvement Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.40 **"Joint Collaboration Product Invention Patents"** means all Patents claiming Joint Collaboration Product Invention(s).

1.41 "**Joint Development Committee**" has the meaning given in Section 2.2(a) and "**JDC**" has the same meaning.

1.42 "**Know-How**" means (i) all information, techniques, data, inventions, practices, methods, processes, knowledge, know-how, skill, experience, technical data, test results (including pharmacological, toxicological, clinical, analytical and quality control data, regulatory submissions, correspondence and communications, and marketing, distribution, pricing, cost, manufacturing, patent and legal data or descriptions), and (ii) compositions of matter, assays, cell lines, vectors, plasmids and other materials.

1.43 "**Licensed** Antibody" means (a) XmAb5574, and (b) any other Antibody that specifically binds CD19 and that contains a Xencor High-ADCC/CDC Fc. "Licensed Antibody" excludes […***…].

1.44 "**Licensed Broader Anti-CD19 Patents**" means all Patents that claim priority to a Licensed Patent in existence on the Effective Date and […***…].

1.45 "**Licensed Candidate-Specific Patents**" means all Patents that claim priority to a Licensed Patent in existence on the Effective Date and that Cover XmAb5574 and no other Antibody. To avoid doubt, "Licensed Candidate-Specific Patents" exclude all Patents that Cover any Excluded Antibody(ies).

1.46 "**Licensed Core/Fc Platform Patents**" means those Licensed Patents and/or Post-Sublicensing Licensed Patents that contain claims that […***…].

1.47 "**Licensed Know-How**" means all unpatented Know-How that (i) is owned or Controlled by Xencor or its Affiliate as of the Effective Date of this Agreement, or owned or Controlled by Xencor or its Affiliate thereafter during the Collaboration Term, and (ii) is necessary or useful for Licensed Antibody, and/or Licensed Product development and/or commercialization (including Know-How relating to any method of making, using (including methods of administration and dosing regimens) or testing of (or in the case of testing, of or for the presence of) or manufacturing of a Licensed Antibody and/or Licensed Product) or any article necessary or useful to practice (including those present during the practice of any of such method) any of the foregoing; but specifically excluding computational protein design methods and drug discovery (but not development) methods and Know-How of an acquiror and/or the acquiring corporate family existing prior to or on the date of a Xencor Change of Control or independently of Xencor thereafter (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity").

1.48 "**Licensed Patents**" means (a) the Listed Xencor Patents, (b) all other Patents (including Xencor's interest in any Joint Collaboration Invention Patents meeting the requirements of the rest of this clause (b)) Controlled by Xencor or its Affiliate during the Term and claiming priority to a Patent in existence prior to the end of the Pre-Sublicensing Term that Cover Licensed Antibody and/or Licensed Product, and (c) all Post-Partnering Patents claiming priority to a Patent first filed during the Pre-Sublicensing Term, but excluding after a Xencor Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as Licensed Patents prior to the date of such Xencor Change of Control

shall remain part of Licensed Patents during the Term. To avoid doubt, Licensed Patents exclude […***…].

1.49 "**Licensed Products**" means any and all pharmaceutical compositions that contain any Licensed Antibody. Nothing in this Agreement shall be read to grant MorphoSys a license from Xencor to any Antibody that is not a Licensed Antibody, nor to any product to the extent containing an Antibody that is not a Licensed Antibody (e.g., in the case of a product that combines a Licensed Antibody with some other antibody that itself does not qualify as a Licensed Antibody, if that other antibody infringes any Patent of Xencor, no license is granted to MorphoSys with respect to such other antibody or with respect to the product to the extent Xencor's coverage on it is a result of the inclusion of such other antibody). For clarity, a license is granted by Xencor to MorphoSys to apply Xencor High-ADCC/CDC Fc(s) to Antibodies other than XmAb5574, only if such other Antibody by such application of such Xencor High-ADCC/CDC Fc(s) falls under the definition of Licensed Antibody. Furthermore, to avoid doubt, no license to MorphoSys to incorporate […***…].

1.50 "**Licensed Technology**" means all Licensed Patents, Post-Sublicensing Licensed Patents and Licensed Know-How.

1.51 "**Listed Xencor Patents**" means (a) all patents and patent applications listed in Exhibit B; (b) all patent applications (including provisional and utility applications) claiming priority to or common priority with or based on any of the foregoing, including all divisionals, continuations, continuations-in-part, patents of addition and substitutions of any of the foregoing; (c) all patents issuing on any of the foregoing, and all reissues, reexaminations, renewals and extensions of any of the foregoing, (d) all counterparts to the foregoing in other countries; and (e) all supplementary protection certificates, restoration or extension of patent term and other similar rights of Xencor and its Affiliates based on any of the foregoing. At the reasonable request of MorphoSys, but no more than once per year, Xencor shall provide MorphoSys with an updated list of Listed Xencor Patents and correct any typographical errors.

1.52 "**Major Countries**" means United States, Great Britain, France, Germany, Italy, Spain, and Japan.

1.53 **"M&A Event"** has the meaning set forth in Section 13.9.

1.54 "**Manufacturer**" means Xencor's Third-Party supplier of Licensed Antibody or Licensed Product, current or future […***…].

1.55 "**Marketing Authorization**" means, with respect to a Licensed Product, all approvals (including supplements, amendments, pre- and post-approvals), licenses, registrations and authorizations of any national, supra-national (e.g., the European Commission or the Council of the European Union), regional, state or local regulatory agency, department, bureau, commission, council or other governmental authority, necessary for the manufacture, distribution, use and/or sale of such Licensed Product in a regulatory jurisdiction, to avoid doubt

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excluding in all cases pricing and reimbursement approvals (whether governmental or private payor).

1.56 "**Marketing Authorization Application**" means a BLA or a comparable filing or filing serving to apply for Marketing Authorization in any other jurisdiction, in each case with respect to a Licensed Product.

1.57 "**Material MorphoSys Change**" shall mean any material change to the plan component of the MorphoSys Annual Development Report. Without limiting the generality of the foregoing the following kinds of changes are always considered material: (1) any change to the dosage; (2) any stop of dose escalation in any Phase 1 Trial; (3) any change to trial design, trial endpoints and/or protocols (or selection of them in the first instance); (4) change of Manufacturer; and (5) change to the Licensed Antibody and/or Licensed Product being pursued.

1.58 "**Material Xencor Change**" shall mean any material change to the Xencor Development Plan. Without limiting the generality of the foregoing the following kinds of changes are always considered material (and therefore always require JDC approval): (1) any change to the dosage; (2) any stop of dose escalation in any Phase 1 Trial; (3) any change to trial design, trial endpoints and/or protocols (or selection of them in the first instance); (4) any change to the manufacturing process of the Licensed Antibody and/or Licensed Product being pursued; (5) any change to product specifications communicated to Regulatory Authorities; (6) any change to release assays for Licensed Antibody and/or Licensed Products; (7) any change to the formulation of the Licensed Antibody and/or Licensed Product being pursued; (8) inclusion or exclusion of clinical sites; (9) change of the clinical CRO and/or any changes to contracts with CROs; (10) change of Manufacturer; and (11) change to the Licensed Antibody and/or Licensed Product being pursued.

1.59 **"Minor Indication"** means any disease or condition other than […***…]. The Minor Indications include […***…].

1.60 "**MorphoSys Annual Development Report**" means, for each calendar year, the written report that describes MorphoSys' clinical development plans for Licensed Product activities for the MorphoSys Territory for the Field for that year, and covers other subject matter as called for in Section 2.2 (c)(ii).

1.61 "**MorphoSys Change of Control**" means (a) any acquisition, sale or merger of MorphoSys (or all or substantially all of its assets), regardless of the form of the transaction (specifically including stock sales, asset sales, and reverse transactions), or (b) MorphoSys becoming Affiliated with any then-top-50 pharma based on pharmaceutical sales (as determined by reference to IMS Health data, or similarly reputable and reliable source).

1.62 **"MorphoSys Core Improvement Inventions"** means any and all Product Inventions, for which MorphoSys (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. Patent claiming such invention, that were invented in the course of MorphoSys' or its Affiliate's Licensed Product activities during the Term, and (A) relate to enhancing the antibody-dependent cytotoxic activity of an Fc in comparison to human wild type IgG1 antibodies, including, but not limited to, ADCC, CDC, and/or phagocytosis, and (B) are not claimed in patents all of the claims

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of which are limited by CD19, any other target, or by CDR or specificity of the Antibody. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.63 **"MorphoSys Core Improvement Invention Patents"** means all Patents claiming MorphoSys Core Improvement Invention(s).

1.64 **"MorphoSys Development Costs"** has the meaning set forth in Section 10.7 (e).

1.65 "**MorphoSys Know-How**" means all Know-How that MorphoSys or its Affiliate Controls during the Term that relates in any way to any Licensed Product, Licensed Antibody or a method of making, using (including methods of administration and dosing regimens) or testing of (or in the case of testing, of or for the presence of) any of the foregoing (or any article necessary or useful to practice (including those present during the practice of) any such method). The MorphoSys Know-How includes all clinical data generated in clinical trials of Licensed Product by or for MorphoSys or its Affiliates.

1.66 "**MorphoSys Pre-Sublicensing Patents**" means all Patents Controlled during the Term by MorphoSys or its Affiliate and claiming priority to any Patent in existence prior to the end of the Pre-Sublicensing Term that Cover any MorphoSys Product Invention (including MorphoSys Product Invention Patents and MorphoSys's interest in the Joint Collaboration Product Invention Patents), but specifically excluding (a) the MorphoSys Core Improvement Invention Patents (which are assigned to Xencor by this Agreement, such that Xencor owns them), and (b) after a MorphoSys Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such MorphoSys Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of MorphoSys (for clarity, in the case where MorphoSys is merged into another entity, the references here to "MorphoSys" and "independently of MorphoSys" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as MorphoSys Pre-Sublicensing Patents prior to the date of such MorphoSys Change of Control shall remain part of MorphoSys Pre-Sublicensing Patents during the Term.

1.67 "**MorphoSys Product Inventions**" means any and all Product Inventions, for which MorphoSys (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. Patent claiming such invention, that were invented in the course of MorphoSys' or its Affiliate's Licensed Antibody and/or Licensed Product activities during the Term, other than any Joint Collaboration Product Inventions and MorphoSys Core Improvement Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.68 "**MorphoSys Product Invention Patents"** means all Patents claiming MorphoSys Product Invention(s).

1.69 "**MorphoSys Territory**" means worldwide.

1.70 "**Net Sales**" means the gross amount invoiced by MorphoSys or its Affiliates or any Sublicensee(s) for the sale of Licensed Products in the MorphoSys Territory, less any of the following applicable deductions related to such sale and included in the invoiced amounts:

(a) […***…];

(b) […***…];

(c) […***…];

(d) […***…]; and

(e) […***…];

[…***…]

In the event that a Licensed Product is sold as part of a combination product, Net Sales of the Licensed Product, for the purpose of determining royalty payments, shall be determined by […***…]

Net Sales excludes […***…]

Net Sales includes […***…]

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[…***…].

Net Sales amounts shall be determined from the books and records of MorphoSys and its Affiliates maintained in accordance with GAAP consistently applied, and such amounts shall be calculated using the same accounting principles used for other MorphoSys (or MorphoSys Affiliate) products for financial reporting purposes.

1.71 "**NHL**" means non-Hodgkin lymphoma.

1.72 "**Ongoing Phase 1 Trial**" means the clinical trial as described in the U.S. IND number […***…] and all related activities identified in the Xencor Development Plan, which IND was submitted by Xencor to the FDA and filed by the FDA prior to the Effective Date.

1.73 "**Other Licensee(s)**" means any Third Party to whom Xencor or any of its Affiliates has granted a license or sublicense to research, develop, manufacture and/or commercialize any XmAb5871 Product.

1.74 "**Party**" means Xencor or MorphoSys and "**Parties**" means both of them.

1.75 "**Patent**" means any patent application or patent anywhere in the world, including all of the following kinds: provisional, utility, divisional, continuation, continuation-in-part, and substitution applications; and utility, re-issue, re-examination, renewal and extended patents, and patents of addition, and any supplementary protection certificates, restoration of patent terms and other similar rights.

1.76 "**Phase 1 Trial**" means, with respect to a Licensed Product, a clinical trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (a).

1.77 "**Phase 2 Trial**" means, with respect to a Licensed Product, a clinical trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (b).

1.78 **"Phase 3 Trial"** means, with respect to a Licensed Product, a clinical trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (c).

1.79 "**Post-Partnering Patents**" means all issued Patents that both (X) claim inventions invented by Xencor and/or its Affiliate(s) and/or an Other Licensee (meaning that any of the foregoing employs or has engaged as a consultant at least one (1) person who would be a properly named inventor on such Patent) claiming priority to a Patent first filed after the Pre-Partnering Term, and (Y) contain only claims that recite the sequence or make reference to the sequence of the CDRs or variable regions, or portions thereof (whether or not also providing for homology to such sequences), of XmAb5574 […***…] and/or any and all indications

or applications thereof, but excluding after a Xencor Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as Licensed Patents prior to the date of such Xencor Change of Control shall remain part of Licensed Patents during the Term.

1.80 **"Post-Sublicensing Licensed Patents"** means (a) all Patents (including Xencor's interest in any Joint Collaboration Product Invention Patents described by the rest of this clause (a)) Controlled by Xencor or its Affiliate during the Term and claiming priority to a Patent first filed after the Pre-Sublicensing Term that Cover Product Inventions, and (b) all Post-Partnering Patents claiming priority to a Patent first filed after the Pre-Sublicensing Term, but excluding after a Xencor Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Post-Sublicensing Licensed Patents that qualified as Post-Sublicensing Licensed Patents prior to the date of such Xencor Change of Control shall remain part of Post-Sublicensing Licensed Patents during the Term.

1.81 "**Post-Sublicensing Patents**" means all issued Patents that both (1) claim inventions invented by MorphoSys and/or its Affiliate(s) and/or its Sublicensee(s) (meaning that any of the foregoing employs or has engaged as a consultant at least one (1) person who would be a properly named inventor on such Patent (or its U.S. counterpart, if it is not a U.S. patent)) that claim priority to a Patent first filed after the Pre-Sublicensing Term, and (2) contain only claims that recite the sequence or make reference to the sequence of the CDRs or variable regions, or portions thereof (whether or not also providing for homology to such sequences), of XmAb5574 and/or XmAb5871 and/or any and all indications or applications thereof; but excluding after a MorphoSys Change of Control all Patents of the acquiror and/or the acquiring corporate family existing prior to or on the date of such MorphoSys Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of MorphoSys (for clarity, in the case where MorphoSys is merged into another entity, the references here to "MorphoSys" and "independently of MorphoSys" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as Post-Sublicensing Patents prior to the date of such MorphoSys Change of Control shall remain part of Post-Sublicensing Patents during the Term.

1.82 "**Pre-Partnering Term**" means the time from […***…].

1.83 "**Pre-Sublicensing Term**" means the time from […***…].

1.84 "**Prior CDA**" means that certain Mutual Confidential Disclosure Agreement dated […***…] and that certain confidentiality agreement between the Parties dated […***…].

1.85 "**Product Inventions"** means any and all patentable inventions that constitute or relate in any way to (a) any Licensed Antibody, Licensed Product, Antibody in the XmAb5871 Program, or pharmaceutical composition containing any such Antibody, (b) any method of making, using (including methods of administration and dosing regimens) or testing (in the case of testing, of or for the presence of) any of the foregoing, and/or (c) any article necessary or useful to practice (including those present during the practice of) any method referred to in clause (b) (including cell lines, vectors and plasmids used in production).

1.86 "**Regulatory Authority**" means any national (e.g., but without limitation, the FDA), supra-national (e.g., but without limitation, the EMA), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity in any jurisdiction of the world involved in the granting of Marketing Authorization and/or authorizations for clinical trials for pharmaceutical products or medical devices (including regulated diagnostics).

1.87 **"Royalty Term"** has the meaning set forth in Section 5.4.

1.88 "[…***…]" shall mean […***…].

1.89 **"Second Major Indication"** means […***…].

1.90 "**Sublicense**" means a sublicense or other right (including any option for a sublicense) for any Licensed Antibody, specifically excluding rights granted to Distributors.

1.91 "**Sublicensee**" means a Third Party to whom MorphoSys (or its Affiliate) has granted a Sublicense, specifically excluding Distributors.

1.92 "**Sublicensing Revenue**" means all consideration received by MorphoSys or any of its Affiliates from Sublicensees in connection with […***…], excluding only: […***…]

[…***…].

For this purpose, "Sublicensees" means both MorphoSys' and its Affiliate's direct Sublicensee, and all those entities obtaining rights directly or indirectly from such direct Sublicensee(s) (through one (1) or more layers).

To avoid any doubt "consideration received by MorphoSys or any of its Affiliates from Sublicensees in connection with […***…]" extends to and includes […***…].

Also to avoid doubt, Sublicensing Revenue includes […***…], *provided, however,* that […***…].

Also to avoid doubt, if MorphoSys or its Affiliate receives consideration under an option for a Sublicense, that consideration is taken into account in the calculation of Sublicensing Revenue, but the date of the granting of the option will not be taken into account for the purposes of determining the end of the Pre-Sublicensing Term.

1.93 "**Term**" has the meaning set forth in Section 10.1.

1.94 "**Third Party**" means any person or entity other than a Party or an Affiliate of a Party.

1.95 "**Valid Claim**" means (i) a claim of an issued and unexpired patent within the […***…] and/or […***…] which has not been found to be unpatentable, invalid or unenforceable by a court or other authority having jurisdiction, from which decision no appeal is taken or can be taken; and (ii) a claim of a pending application within the […***…] and […***…], which pending application (a) claims priority directly or indirectly to no application filed more than seven years earlier, and

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(b) which claim has not been finally abandoned. For the avoidance of doubt, any claim of an application which directly or indirectly claims priority to any application filed more than seven years earlier shall not be a Valid Claim unless and until such claim becomes the claim of an issued and unexpired patent falling within subsection (i) of this Section.

1.96 **"Wild Type IgG 1"** means the […***…], which has […***…] and a […***…] and the […***…] of which is set forth in Exhibit M. Protein, expression plasmid and production cell line are deposited at the Escrow Agent as further set out in Section 4.3 (d).

1.97 "**Xencor Change of Control**" means (a) any acquisition, sale or merger of Xencor (or all or substantially all of its assets), regardless of the form of the transaction (specifically including stock sales, asset sales, and reverse transactions), or (b) Xencor becoming Affiliated with any […***…] based on pharmaceutical sales (as determined by reference to IMS Health data, or similarly reputable and reliable source).

1.98 "**Xencor Development Plan**" means the plan attached as Exhibit J, as it may be updated in accordance with Article 2.

1.99 **"Xencor Fc Technology"** means all variants listed in Exhibit C, D and F, and all Fc variants owned and Controlled by Xencor during the Term.

1.100 "**Xencor High-ADCC/CDC Fc**" means an Fc that both of (a) and (b):

(a) contains either of (i) and (ii):

(i) solely any Fc variant(s) set forth in Exhibit D (as "variant" is defined in such Exhibit), *provided, however*, that the Antibody containing such Fc is […***…]; or

(ii) any Fc variant(s) that has been proven to […***…], including, but not limited to, […***…], and has an Affinity Constant of Binding […***…] that is […***…] greater than […***…] as measured by […***…] (as set forth in Exhibit L), and does not have an Affinity Constant of Binding to […***…] that is […***…] greater than […***…]; and that contains […***…]; and

(b) does not contain any of the variants referred to in Exhibit F (as "variant" is defined in such Exhibit F). Notwithstanding the foregoing, the restriction of this subsection (b) shall not apply to any of the variants listed in Exhibit D (as "variant" is defined in such Exhibit D).

1.101 "**Xencor Pre-Clinical Confidential Information**" has the meaning set forth in Section 1.22.

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1.102 **"Xencor Pre-Sublicensing Product Inventions"** means any and all Product Inventions, for which Xencor (or its Affiliate) has (meaning that Xencor (or its Affiliate) employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. patent claiming such invention, that were invented in the course of Xencor's (or its Affiliate's) Licensed Product and/or Licensed Antibody […***…] Program activities and for which a Patent was filed during the Pre-Sublicensing Term; other than any Joint Collaboration Product Inventions or MorphoSys Product Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.103 **"Xencor Pre-Sublicensing Product Invention Patents"** means all Patents claiming Xencor Pre-Sublicensing Product Invention(s).

1.104 "**Xencor Product Inventions**" means any and all Product Inventions, for which Xencor (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the U.S. Patent claiming such invention, that were invented in the

course of Xencor's (or its Affiliate's) Licensed Product and/or XmAb5871 Program activities during the Term; other than any Joint Collaboration Product Inventions, Xencor Pre-Sublicensing Product Inventions or MorphoSys Product Inventions. (Inventorship for purposes of this definition shall be determined in accordance with United States patent law.)

1.105 "**Xencor Product Invention Patents**" means all Patents claiming Xencor Product Invention(s).

1.106 "**XmAb5574**" means the monoclonal anti-CD19 Antibody that Xencor refers to as XmAb5574 as of the Effective Date, the amino acid sequence of which is set forth in Exhibit A. Protein, expression plasmid and production cell line are deposited at the Escrow Agent as set forth in Section 4.3 (d).

1.107 "[…***…]" means […***…].

1.108 **"**[…***…]" means […***…].

1.109 "[…***…]" means […***…]:

(1) either of:

(a) the Fc of such Antibody contains solely a variant listed in Exhibit C (as "variant" is defined in Exhibit C); *provided, however,* that such Antibody is […***…]; or

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(b) […***…] than […***…] and […***…]

(i) such Antibody […***…] by […***…] compared to […***…], […***…] compared to […***…] ([…***…]) of […***…], and […***…] that is […***…] than […***…], and

(ii) such Antibody does not have […***…] that is […***…] of […***…], and does not have […***…] that is […***…]

AND

(2) […***…]

ARTICLE 2

COLLABORATION MANAGEMENT AND DEVELOPMENT REPORTING

2.1 **Overview**. Initially, Xencor shall initiate and shall, subject to Sec. 2.2, 2.4, 2.5 and 3.11 hereof, continue to sponsor the Ongoing Phase 1 Trial, to the extent provided for in more detail below in Sections 3.1 through 3.3. Other than the Ongoing Phase 1 Trial, MorphoSys shall have sole responsibility for development and commercialization of the Licensed Antibody(ies) and/or Licensed Products for the Field during the Term. Information sharing, plan sharing, collaboration, coordination and development reporting between the Parties shall be as described in this Article 2. Technology transfer, regulatory transfer, and further development and commercialization obligations are as described in Article 3.

2.2 **Joint Development Committee**.

(a) **Committee Formation.** The Parties shall form the Joint Development Committee promptly after the Effective Date of this Agreement. Such Joint Development Committee shall be composed of an equal number of representatives from each Party (but in any event no less than two (2) representatives from each Party). Each Party's initial Joint Development Committee representatives are as written in Exhibit G. Each Party may change its representatives by written notice to the other Party. An alternate member designated by a Party may serve temporarily in the absence of a permanent member of the Joint Development Committee for such Party. Subject to Section 2.2 (b) below, the Joint

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Development Committee shall continue to exist until the […***…].

(b) **Meetings and Procedures**. The Joint Development Committee shall convene its first meeting within thirty (30) days after the Effective Date. During the Collaboration Term, Joint Development Committee meetings shall be held at least every […***…], and may also meet more frequently as and to the extent agreed by the Parties or if reasonably required by MorphoSys. After expiration of the Collaboration Term, meetings shall be held at least every […***…] ([…***…])[…***…] and may also be held more frequently as and to the extent agreed by the Parties. Joint Development Committee meetings may be held in person or by videoconference or teleconference, as the Parties may agree, except that at least one (1) meeting per year shall be in person. In-person meetings shall alternate between the Parties' respective facilities. In addition to its Joint Development Committee representatives a Party may have other personnel attend Joint Development Committee meetings but not to exceed eight (8) participants per Party. During the Collaboration Term, the Joint Development Committee shall be chaired by […***…] and […***…] of the Joint Development Committee, […***…], and the chairperson and co-chairperson of the Joint Development Committee shall be responsible for providing an agenda for each meeting and for preparing written minutes of each meeting for approval by each Party's Joint Development Committee representatives. MorphoSys and Xencor shall each bear all expenses, including travel expenses, of their respective JDC members related to their participation in the JDC. In the event Xencor (a) undergoes an M&A Event and the other party to the M&A Event, respectively, at that time (i) develops an enhanced B-cell cytotoxic anti-CD19-antibody or (ii) files or has filed an IND in any oncology indication for any

Antibody of the […***…], or (b) itself or its Other Licensee files or has filed an IND in any oncology indication for any Antibody of the […***…], then the JDC shall be discontinued. In the event MorphoSys enters into a Sublicense agreement after expiration of the Collaboration Term, the Joint Development Committee shall only continue to meet if the Sublicense provides for a committee between MorphoSys and its Sublicensee for discussion of development of Licensed Antibody(ies) and/or Licensed Products. The Joint Development Committee shall then meet with the same frequency as set out in the Sublicense regarding the committee meetings between MorphoSys and Sublicensee. If allowed by the Sublicense, Xencor may participate in such committee meetings according to the terms of the Sublicense. If Xencor's participation in such committee meetings is not allowed by the Sublicense, the Joint Development Committee shall meet within […***…] following each respective committee meeting between MorphoSys and its Sublicensee.

(c) Meeting Agendas and Reporting.

(i) By Xencor. Until the Ongoing Phase 1 Trial is Completed (Reporting Purposes), the agenda shall include a report by Xencor including all activities performed in such trial, status of the development of Licensed Antibody and/or Licensed Products, progress in such trial, any results of development, material meetings, minutes and correspondence with Regulatory Authorities relating to Licensed Antibody and/or Licensed Products, data reports, any inventions generated in such trial, upcoming milestones, and any planning matters relating to the ongoing conduct or transition of such trial. Xencor shall treat

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such reported information confidential and shall not disclose any of this reported information to any Third Party at any time. In addition, Xencor shall provide to MorphoSys upon MorphoSys's request its annual report(s) to the FDA.

(ii) By MorphoSys. In each calendar year, but subject to Section 2.3, MorphoSys shall provide to Xencor the MorphoSys Annual Development Report. The MorphoSys Annual Development Report shall include in reasonable detail: (1) a summary of MorphoSys' activities in […***…] (including clinical trials relating to Licensed Antibody and/or Licensed Products (including dosage, trial design and trial endpoints, protocols, Licensed Product being tested); material meetings, minutes, correspondence with Regulatory Authorities relating to Licensed Antibody and/or Licensed Products; Marketing Authorization Applications relating to Licensed Antibody and/or Licensed Products planned for filing; data reports; publications; conferences; all patent applications filed by MorphoSys or an Affiliate claiming MorphoSys Product Inventions from that year); and (2) to the extent available, a summary of MorphoSys' plan for Licensed Product development in the next […***…]. MorphoSys or — to the extent permitted by the Sublicense — its Sublicensee, shall further report to Xencor any Material MorphoSys Change to the MorphoSys Annual Development Report within […***…] after its occurrence. Within […***…] after each submission to FDA, MorphoSys shall also provide to Xencor its (or its Affiliate's) annual report(s) to the FDA relating to Licensed Antibody(ies) or Licensed Products. With respect to annual reports to the FDA relating to Licensed Antibody(ies) or Licensed Products submitted to the FDA by Sublicensee, MorphoSys shall use Commercially Reasonable Efforts to obtain such reports and the right from Sublicensee to share such reports with Xencor. Xencor shall treat such MorphoSys Annual Development Reports and such other annual report(s) to the FDA from MorphoSys, its Affiliate or — if applicable — its Sublicensee as MorphoSys' Confidential Information and shall not distribute such report(s) to any Third Party without prior written consent by MorphoSys. In the event that Xencor or its Affiliate (a) is party to a M&A Event and the other party to the M&A Event, respectively, at that time (i) develops or commercializes an enhanced B-cell cytotoxic anti-CD19-antibody or (ii) Xencor itself or an Other Licensee files or has filed an IND in any oncology indication for any Antibody of the […***…], or (b) itself files or has filed an IND in any oncology indication for any Antibody of the […***…] MorphoSys or its Sublicensee (as provided for in Section 2.6 below) shall only be required to provide to Xencor a short summary of the respective development status and results within the MorphoSys Annual Development Report. Xencor shall notify MorphoSys of any event described in (a)(i), (a)(ii) or (b) of the previous sentence. For the avoidance of doubt, in such cases (i.e., (a)(i), (a)(ii) or (b)) neither MorphoSys nor its Sublicensee(s) shall be obligated to report to Xencor any Material MorphoSys Changes, nor to provide to Xencor its respective annual report(s) to the FDA relating to Licensed Antibody(ies) or Licensed Products.

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(d) Functions and Powers. The Joint Development Committee shall have no power to amend, modify or waive compliance with this Agreement. It shall have only such powers as are specifically set forth in this Agreement for the Joint Development Committee to perform. The Joint Development Committee meeting minutes, regardless of whether approved by senior representatives of both Parties, shall not be deemed to amend, modify or waive compliance with this Agreement. The Joint Development Committee's responsibilities shall include:

(i) during the Collaboration Term, encourage and facilitate ongoing cooperation and information exchange between the Parties concerning the Ongoing Phase I Trial;

(ii) discuss any coordination of activities that the Parties may desire concerning the Ongoing Phase 1 Trial;

(iii) approve any Material Xencor Changes to the Xencor Development Plan (truly immaterial changes do not require JDC approval, however Xencor shall inform MorphoSys promptly of any such changes).

(iv) provide a forum for discussion of the MorphoSys Annual Development Report (without implying any decision-making rights with respect to planned activities contained in such Report);

(v) subject to the other provisions of this Article 2, [...***...],

(vi) discuss any [...***...].

(e) JDC Decisionmaking. The JDC shall only have the power to make decisions related to the Ongoing Phase 1 Trial. The JDC shall make decisions by consensus, with each Party having one vote. If the JDC cannot reach consensus as to any decision, then MorphoSys shall have the final say. However, notwithstanding anything express or implied in the foregoing:

(i) MorphoSys shall exercise its final say solely in a manner consistent with MorphoSys' obligations under this Agreement and the final say to be clear does not diminish MorphoSys's obligations under this Agreement;

(ii) Subject to Section 3.1, any addition of activities to the Xencor Development Plan that would increase Xencor's costs to conduct such plan shall require Xencor's consent or MorphoSys's legally binding commitment to reimburse Xencor for all costs necessary to complete such additional activities, but only the amount which exceeds the Budget (as set forth in Section 3.1); and

(iii) Subject to Sec. 2.2 (e)(ii) above, MorphoSys' final say shall always prevail unless such final say would require Xencor to violate any of its legal obligations as a sponsor as contained in 21 C.F.R §312 or any other applicable regulatory or legal jurisdiction of the Ongoing Phase 1 Trial. Both Parties agree that these decisions (whether MorphoSys's final say, or Xencor's rejection of a final say by MorphoSys due to causing Xencor to violate any such legal obligation (but to be clear not other circumstances where Xencor simply disagrees with MorphoSys's decision)) will only be made after thorough consideration of the other Party's argumentation for its position and after providing to the other Party a detailed written description of the reasons why the Party believes the decision would or would not violate Xencor's legal obligations as a sponsor of the Ongoing Phase 1 Trial. In the event that a Party disagrees with the reasons provided by the other Party as to whether the final say will result in such a violation of such a legal obligation, then such first Party may refer the matter for resolution under Article 12, unless the matter is related to an urgent safety issue in the Ongoing Phase 1 Trial, in which case Xencor shall be entitled to take the decision it deems appropriate under the then prevailing circumstances. The foregoing shall not limit the remedies of either Party.

(f) This Section 2.2 does not provide and shall not be used by either Party or their counsel to imply decisionmaking authority of the JDC as to any contractual disputes that may arise in connection with this Agreement.

2.3 Affiliate/Sublicensee Activities and Plans. MorphoSys shall include MorphoSys' Affiliates' and, to the extent permitted by the Sublicense, Sublicensees' accomplishments and activities (past and planned) in MorphoSys Annual Development Report. Xencor recognizes that if and when MorphoSys grants a Sublicense, that thereafter MorphoSys shall not be required to provide Xencor with the same level of detail as before for MorphoSys' Annual Development Report, *provided, however,* that it shall always contain [...***...].

2.4 Xencor Initial Development Plan. The Xencor Development Plan, for the initial clinical development of Licensed Antibody and/or Licensed Product through the Ongoing Phase 1 Trial, is attached as Exhibit J. Xencor is entitled to make truly immaterial changes to the Xencor Development Plan without JDC or MorphoSys consent, but shall inform MorphoSys about such immaterial changes promptly after such change occurs. If Xencor and/or MorphoSys believe that a Material Xencor Change is needed, then Xencor and/or MorphoSys shall call a JDC meeting and present the proposed Material Xencor Change and reasons for it. The JDC shall act promptly in its consideration of any such Material Xencor Change proposed by Xencor and/or MorphoSys, and shall reasonably consider the comments of the respective other Party. MorphoSys acting through its JDC members shall not unreasonably withhold consent to any such Material Xencor Change proposed by Xencor.

2.5 Project Team Interaction and Urgent Matters. During the Collaboration Term, the Parties' project teams for the XmAb5574 project (as set forth in Exhibit G) shall communicate with each other on a regular basis (at least monthly), including making promptly available all documents, data and reports relating to Licensed Antibody(ies) and/or Licensed

Products (including drafts of the foregoing) to the other Party by the Party that created and/or received such documents and reports. Moreover, during the Collaboration Term, Xencor shall within […***…] after reported to Xencor senior management, notify MorphoSys about any serious adverse events reportable to the FDA and any finding suggesting significant risk for human safety.

2.6 Sublicensee Participation. If MorphoSys grants any Sublicense during the Collaboration Term, then the Sublicensee may also participate in the JDC meetings, and MorphoSys is entitled, at its sole discretion, to delegate its final say on the JDC to the Sublicensee; *provided*, to avoid doubt, that such final say shall remain subject to all of the same limitations as set forth in Section 2.2.

2.7 Termination of Committee Meeting Obligations. After the Ongoing Phase 1 Trial is Completed (Reporting Purposes) or its sponsorship has been transferred to MorphoSys, Joint Development Committee interactions are intended primarily as a right of Xencor as a licensor, to allow for a collaborative information exchange between the Parties and for discussion of MorphoSys Annual Development Report. After the Ongoing Phase 1 Trial is Completed (Reporting Purposes) or its sponsorship has been transferred to MorphoSys, Xencor shall be entitled to terminate Joint Development Committee meeting obligations at any time by written notice to MorphoSys. If Xencor provides this notice, then each Party shall provide its reports and updates directly to the other Party, rather than to the Joint Development Committee (including all information to be provided by MorphoSys to the Joint Development Committee under this Agreement).

ARTICLE 3

DEVELOPMENT, COMMERCIALIZATION, DILIGENCE AND KNOW-HOW AND MATERIAL TRANSFER

3.1 Initial Phase 1 Clinical Trial. Xencor shall be the sponsor of the Ongoing Phase 1 Trial. Xencor shall conduct such trial in accordance with […***…] and the Xencor Development Plan as set forth in Exhibit J as it may be updated in accordance with this Agreement. Xencor shall pay all costs necessary to complete all activities listed in the Xencor Development Plan. The estimated budget for such costs is the amount of […***…] US Dollars ($[…***…]) (the "**Budget**"). For clarity, if the costs necessary to complete all activities listed in the Xencor Development Plan exceed the Budget, such costs shall be borne by Xencor. Notwithstanding the foregoing, in the event MorphoSys changes any material aspect of the listed activities or includes additional activities in the Xencor Development Plan in accordance with Section 2.2(e)(ii), [...***...]. Xencor shall also bear the costs for additional Licensed Product manufacturing after the Effective Date to supply Xencor's needs for the Ongoing Phase 1 Trial, to the extent such the Licensed Product from such additional manufacturing is used in the Ongoing Phase 1 Trial. For the costs of the remaining Licensed Product from such additional manufacturing, [...***...]

[...***...], whereby MorphoSys shall use Commercially Reasonable Efforts to use such material. In the event that manufacturing material from the same batch shall be used by Xencor for the Ongoing Phase 1 Trial and by MorphoSys for a clinical trial under its own sponsorship, the Parties shall closely communicate with each other and seek to find the most advantageous way to enable such split of material. In case safety, regulatory or any other issues arise in the course of the Ongoing Phase 1 Trial in relation to which Xencor and/or MorphoSys reasonably conclude that Ongoing Phase 1 Trial should be stopped temporarily or entirely, decision making in such case shall be in accordance with the provisions of Section 2.2(e) (iii). To the full extent permitted by law, Xencor will include MorphoSys in monitoring visits and audits of clinical trials sites (but solely if permitted by the sites), Manufacturer and other Third Parties involved in the Ongoing Phase 1 Trial conduct.

3.2 Regulatory. Subject to Section 3.3 below, Xencor shall retain sponsorship for the Ongoing Phase 1 Trial, until such trial has been Completed (Reporting Purposes), is discontinued or sponsorship is transferred to MorphoSys. Promptly after the Effective Date, the JDC and the Parties' project teams for Licensed Product shall communicate and seek to find the most advantageous way to enable MorphoSys [...***...] as soon as is commercially reasonable under the circumstances (by granting MorphoSys in writing access to the data and information contained in the currently effective […***…], by transfer of the electronic files underlying Xencor's prior IND submission, transfer of sponsorship of the existing IND at the appropriate time, or other means).

3.3 Diligence Obligations of Xencor and Transfer of Ongoing Phase 1 Trial. Xencor shall use Commercially Reasonable Efforts to carry out its responsibilities under the Xencor Development Plan as it may be amended from time to time by the JDC, which shall include for the purposes of this Section, using the facilities and equipment in a good scientific manner and in compliance with applicable scientific standards, laboratory practices and legal and regulatory requirements, adhering to the timelines according to Exhibit J, adhere to all applicable national and international regulations and guidelines, appointing and retaining adequately trained personnel and engage, retain and control adequately qualified external personnel (e.g., CROs and consultants) and thereby collecting and retaining all relevant Know-How for the development and commercialization of Licensed Antibody(ies) and/or Licensed Products, and at any time use the same diligence and efforts as a similar biotechnology company, but in no event less than such efforts Xencor would use for the clinical trials of its own program(s) to complete all of the activities included in the Xencor Development Plan in Exhibit J, as it may be amended from time to time by the JDC, and shall use Commercially Reasonable Efforts to do so within the timeframe for Completion (Reporting Purposes) suggested in the Xencor Development Plan.

(a) In the event that Xencor does not meet the Xencor Development Plan timeline for Completion (Performance Metric), by more than […***…] due to a […***…] then the milestone payments for milestone events 1. and 2. for oncology indications according to Section 5.2 shall be reduced by […***…] ([…***…]%). To avoid doubt, this reduction shall not be made to the extent the delay of Completion (Performance Metric) relative to the timeline of the Xencor Development Plan results in whole or in part from any reason other than a […***…].

(b) Moreover, if Xencor does not meet the Xencor Development Plan timeline for Completion (Performance Metric), by more than […***…], then:

(i) Regardless of whether the delay is a […***…] or not, upon MorphoSys' request, Xencor shall arrange for transfer of the sponsorship for the Ongoing Phase 1 Trial to MorphoSys without undue delay and in agreement with MorphoSys, and MorphoSys, in its sole discretion (subject to its diligence obligations under this Agreement), may assume responsibility for the Ongoing Phase 1 Trial. In the event that sponsorship for the Ongoing Phase 1 Trial is transferred to MorphoSys, Xencor shall use Commercially Reasonable Efforts to provide MorphoSys with any information within the Licensed Know-How and/or assistance requested by MorphoSys, including assisting MorphoSys as requested in conducting the Ongoing Phase 1 Trial to a successful completion in the shortest amount of time reasonably possible; and

(ii) If the delay resulted from a […***…], then (x) the milestone payments for milestone events 1. and 2. for oncology indications according to Section 5.2 shall each be reduced by […***…] ([…***…]%), (y) no Sublicensing Revenue shall be paid by MorphoSys to Xencor in any case, and (z) any costs that MorphoSys has to bear to complete the Ongoing Phase 1 Trial will be credited against future payments due to Xencor by MorphoSys under this Agreement, *provided however*, that the sum of such credited costs shall not exceed the difference between the Budget and all costs, which Xencor already spent for completion of such activities until the arrangement of transfer of the sponsorship to MorphoSys. To avoid doubt, this Section 3.3(b) (ii) shall not apply to the extent the delay of Completion (Performance Metric) relative to the timeline of the Xencor Development Plan results in whole or in part from any reason other than a […***…].

(c) Notwithstanding anything express or implied in this Agreement (including Article 10), the remedies set forth in Section 3.3(a) and (b) (ii) shall be the sole and exclusive remedies for […***…], and no other remedies shall be available to MorphoSys for […***…], express or implied, under this Agreement, at law, or in equity.

3.4 Disclosure Assistance to MorphoSys. Within […***…] after the Effective Date, unless MorphoSys extends such period at its sole discretion for certain Licensed Know-How, Xencor shall disclose and/or transfer to MorphoSys (a) copies of all Licensed Know-How that were in the data room prior to the Effective Date (and to be clear this excludes all information with respect to […***…]), and (b) the tangible materials and copies of the documents listed in Exhibit K. Xencor shall disclose and/or transfer to MorphoSys copies of all Licensed Know-How created during the Collaboration Term as soon as such copies become available to Xencor, including clinical source data. Within […***…] of the Effective Date, Xencor shall provide written permission to permit its third party contractors […***…] and any other Third Party that generates data as described above, to transfer copies of such data to MorphoSys to the extent such data are Licensed Know-How. If there is raw data within the Licensed Know-How that was not in the data room (1) that MorphoSys reasonably believes is required for communication with Regulatory Authorities or is actually requested by any Regulatory Authority, then MorphoSys may request this of Xencor and Xencor shall reasonably promptly provide it to MorphoSys; or (2) that does not fall within (1) but is reasonably needed by MorphoSys then MorphoSys may request such raw data whether or not listed in Exhibit K once a year and Xencor shall reasonably

promptly provide it reasonably promptly after such request. Xencor shall have no obligation to translate documents provided pursuant to this Section into any language other than English.

3.5 Active Contracts

(a) Active Contracts Transfer to MorphoSys. In addition, to assist MorphoSys in making a smooth transition to commence its Licensed Product development activities and/or its Licensed Antibody development activities, the list of licenses and contracts set forth in Exhibit H is a list of all licenses and contracts between Xencor and Third Parties relating to the Licensed Antibody and Licensed Products that provide for currently ongoing or future services with respect to such Licensed Antibody and Licensed Products or are otherwise relevant for Licensed Product development activities and/or Licensed Antibody development activities("**Active Contracts**"). To avoid any misunderstanding, Active Contracts exclude consulting agreements, confidentiality agreements and materials transfer agreements. To the extent Xencor becomes aware that any Active Contracts existing as of the Effective Date have been omitted unintentionally from the list in Exhibit H but remain in effect or are otherwise relevant for Licensed Product development activities and/or Licensed Antibody development activities, Xencor will promptly notify MorphoSys of the omitted license or contract. To the extent requested by MorpoSys, other than licenses or contracts that Xencor needs to retain in order to perform its responsibilities with respect to the Ongoing Phase 1 Trial or that are master services agreements pertaining to other services for Xencor (identified in such Exhibit under the heading "Excluded Contracts" and referred to in this Agreement as "**Excluded Contracts**"), Xencor will seek to assign (or, if Xencor obtains consent of the counterparty, novate over to MorphoSys) the Active Contracts existing as of the Effective Date that Xencor has the right to assign in these circumstances to MorphoSys, provided with respect to each such license or contract that it is assignable to MorphoSys and MorphoSys agrees to assume financial responsibility and all other post-assignment performance obligations under each such license or contract; and provided, further, that assignment (or novation) of the contract shall not be deemed to assign to MorphoSys any Patents (or any license to Patents) that may have been assigned (or licensed) or are required to be assigned (or licensed) to Xencor under the contract based on inventions prior to the time the contract is assigned to MorphoSys (provided Patents assigned and/or licensed to Xencor shall be included in Licensed Patents and Post-Sublicensing Licensed Patents).

If any Excluded Contracts (which are not assigned to MorphoSys under the foregoing paragraph) are master services contracts, the Parties will cooperate and Xencor shall use Commercially Reasonable Efforts to seek to assign the appropriate work order(s) or otherwise transition the appropriate services in a reasonable way. To avoid doubt, Commercially Reasonable Efforts in this context does not require Xencor to pay any consideration to the counterparty to the Excluded Contracts.

Xencor is not required under this Section 3.5 to assign to MorphoSys any license or contract that Xencor does not have the right to assign in these circumstances, but will use Commercially Reasonable Efforts to seek in good faith, from Xencor's counterparties whose consent is required, consent to do so or if preferred by Xencor and acceptable to MorphoSys consent for a novation and to re-form the contract directly with MorphoSys. To avoid doubt, Commercially Reasonable Efforts in this context does not require Xencor to pay any consideration to the counterparty to the Excluded Contracts.

(b) Additional Manufacturing. Within […***…] of the Effective Date, Xencor shall request a manufacturing slot from its third party contractor […***…] for the next available […***…] production slot by sending a change order notification. Xencor shall use Commercially Reasonable Efforts to schedule all activities for the foregoing production slot timely with all Manufacturers for completion of manufacturing the respective drug substance and drug product, including fill and finish operations for such production run.

3.6 Allocation of Responsibility for Further Development and Commercialization. Other than Xencor's responsibilities with respect to the Ongoing Phase 1 Trial, MorphoSys shall be responsible for all further development of Licensed Antibody(ies) and/or Licensed Products for, and commercialization (including marketing, promotion and sales) of Licensed Products in the MorphoSys Territory for the Field. MorphoSys (and its Affiliates and Sublicensees) shall have the right to file in its own name, and to own, all new INDs, Marketing Authorization Applications and Marketing Authorizations for Licensed Products in the MorphoSys Territory for the Field and may delegate and/or assign these rights to Affiliates and Sublicensees. As between the Parties, MorphoSys shall have the sole and exclusive right to select the product trademarks for the Licensed Products in the MorphoSys Territory for the Field (and may delegate and/or assign this right to Affiliates and Sublicensees). Licensed Product labeling and promotional materials shall in any event (to the extent permitted by applicable law and except solely as provided in the last sentence of this paragraph) state that the Licensed Product is under license from Xencor (or its successor) and include if requested by Xencor in writing (and MorphoSys shall query Xencor in writing at the time the label is being designed in each country) — to the extent permitted by applicable law — the Xencor name and then-current Xencor logo in a size no smaller than one quarter the size of the logo of the marketing entity, and subject to Xencor's then-current quality control guidelines with respect to such trademarks, a copy of which Xencor shall provide in writing to MorphoSys upon MorphoSys's written request. Notwithstanding the foregoing, if (a) Licensed Product is marketed by a Sublicensee, and the applicable Sublicense provides that neither of MorphoSys nor Xencor shall be referenced on the labeling and promotional materials (meaning that the Sublicense also provides that MorphoSys not be referenced), or (b) there is a legal requirement for MorphoSys to be on the label in any sublicensed country, then in these sole circumstances and solely within the scope of the applicable Sublicense's territory (or in the case of (b) the country of the legal requirement), the statement as to being under license from Xencor and the inclusion of Xencor's name and logo shall not be required if the Sublicense does not permit it.

3.7 Cost of Development and Commercialization. Other than the costs of the Ongoing Phase 1 Trial, as between the Parties, MorphoSys is responsible for all costs relating to the development and commercialization of Licensed Products for the MorphoSys Territory for the Field, including manufacturing, regulatory, clinical and registration costs.

3.8 Diligence Obligations of MorphoSys.

(a) MorphoSys shall use Commercially Reasonable Efforts to (i) achieve the milestone events as set out in Section 5.2, (ii) develop a human therapeutic or prophylactic Licensed Antibody and/or Licensed Product in a way that supports its Market Authorization in Major Markets and (iii) [...***...]. The scope of such development and

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commercialization activities shall include clinical development, manufacturing, process development and scale-up, seeking Marketing Authorization, providing for a reasonable commercial launch in those countries where Marketing Authorization is obtained and thereafter actively promoting to all appropriate audience(s), to the extent Commercially Reasonable. In all of the foregoing activities, MorphoSys shall use Commercially Reasonable efforts to: use the facilities and equipment in a good scientific manner and in compliance with applicable scientific standards, laboratory practices and legal and regulatory requirements, adhere to all applicable national and international regulations and guidelines, appoint and retain adequately trained personnel and engage and control adequately qualified internal or external personnel and thereby collecting all relevant Know-How for the development and commercialization of Licensed Antibody(ies) and/or Licensed Products, and at any time use the same diligence and efforts as a similar biotechnology company.

(b) MorphoSys shall not be relieved of its diligence obligations under this Agreement by the mere granting of any Sublicense(s). With respect to Sublicensee's diligence obligations, it shall, however, be taken into account what would be deemed Commercially Reasonable Efforts by the respective Sublicensee(s). The activities and achievements of any Sublicensee(s) shall be counted towards MorphoSys' performance under this Agreement.

3.9 Records. MorphoSys shall maintain complete and accurate records of all work (including research, development, clinical, manufacturing and commercialization) it conducts (itself or through its Affiliates or by Third Parties other than Sublicensee(s) if any activities are subcontracted by MorphoSys and/or its Affiliates) under this Agreement and all results, data and developments made pursuant to its efforts under this Agreement. Such records shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of this Agreement in sufficient detail and in good scientific manner appropriate for Patent and regulatory purposes.

3.10 Communications with Regulatory Authorities. During the Collaboration Term, Xencor shall provide MorphoSys with reasonable advance notice of any meeting or substantive telephone conference with any Regulatory Authority relating to any Licensed Antibody and/or Licensed Product. MorphoSys shall have the right to attend and observe (but not participate actively in) any material meeting or material conference call with any Regulatory Authority regarding any of MorphoSys (or its Affiliate's or Sublicensee's) Licensed Antibody and/or Licensed Products. In addition, Xencor shall promptly furnish to MorphoSys copies of all correspondence that Xencor (or its Affiliate) receives from, or submits to, any Regulatory Authority (including contact reports concerning conversations or substantive meetings) relating to any Licensed Antibody and/or Licensed Product. Xencor shall also provide to MorphoSys any meeting minutes that reflect material communications with any Regulatory Authority regarding a Licensed Antibody and/or Licensed Product. Subject to the provisions of Section 2.2(c)(ii), MorphoSys shall provide in its MorphoSys Annual Development Reports to Xencor, and through JDC discussion, information regarding its (or its Affiliate's or, to the extent permitted by the Sublicense, Sublicensee's) interactions with Regulatory Authorities with respect to all Licensed Antibodies and/or Licensed Products in its respective Territory. In addition, to the extent permitted by law and subject to Section 3.6, Xencor may participate in communications and meetings with any Regulatory Authority to the extent the name and/or then-current Xencor logo is used on the drug product label and such labeling is being discussed in such communication or meeting. Notwithstanding MorphoSys' obligations under this Article 3,

MorphoSys shall not be required to share with Xencor any information which MorphoSys is not permitted to share with Xencor under the applicable laws or regulations of the Securities & Exchange Commission or other regulatory body of the US or elsewhere.

3.11 Simultaneous Clinical Trials.

Prior to such time as the Parties are both simultaneously sponsoring human clinical trials of Licensed Antibody and/or Licensed Products (if ever), the Parties shall, as soon as it becomes evident that both Parties will simultaneously sponsor human clinical trials of Licensed Antibody and/or Licensed Products, mutually agree in writing as to a more detailed protocol regarding the exchange of all adverse event information and/or findings that could potentially affect the safety and/or well-being of patients, and/or materially change the scientific value of such clinical trials on an ongoing basis, including a timeline. Such protocol must provide a timeline and scope for reporting between the Parties that is at least sufficient to allow both Parties to satisfy their reporting obligations to Regulatory Authorities (current or future, worldwide). Such protocol and the data exchanged under it shall be provided in English language. Once the protocol is agreed in writing, each Party shall comply with it as an obligation under this Agreement, and may propose updates to it from time to time. To be clear, while the language above describes establishing the protocol before simultaneous trials by both Parties are ongoing, the intention is for the Parties to then follow the protocol during the time periods when they have simultaneous trials ongoing.

3.12 Legal Compliance. In conducting any development and commercialization activities under this Agreement, each of MorphoSys and its Affiliates and Sublicensee(s), and Xencor and its Affiliates, shall: (a) use Commercially Reasonable Efforts to ensure that its employees, agents, clinical institutions and clinical investigators as well as any further entities actively involved in the conduct of development work (such as CROs, CMOs, laboratories, etc.) comply with all applicable statutory and regulatory requirements with respect to Licensed Antibodies and/or Licensed Products, including (as applicable): the Federal Food, Drug and Cosmetic Act, as amended (FFDCA), the Public Health Service Act (PHSA), the rules governing medicinal products in the European Union and further national legislation, regulatory provisions regarding protection of human subjects, financial disclosure by clinical investigators, Institutional Review Boards (IRB) and independent ethics committees, Good Clinical Practices, Good Laboratory Practices, Good Manufacturing Practices, IND regulations, and any conditions imposed by a reviewing IRB or Regulatory Authority, and comparable statutes and regulatory requirements in other jurisdictions; and (b) not, to the best of its knowledge, utilize, in conducting such studies, any person or entity that at such time is debarred by, or that, at such time, is under investigation by the FDA or other Regulatory Authority for debarment action pursuant to the provisions of the Generic Drug Enforcement Act of 1992 (21 U.S.C. Section 335), and comparable statutes and regulatory requirements in other jurisdictions. Notwithstanding anything express or implied in the foregoing or in any exercise of a final say by MorphoSys on the JDC, Xencor is only required to comply with U.S. standards in the conduct of the Ongoing Phase 1 Trial, unless (a) MorphoSys covers the incremental cost of compliance with any ex-U.S. standards requested by MorphoSys, or (b) there is no incremental cost of additionally complying with ex-U.S. standards requested by MorphoSys.

ARTICLE 4

LICENSING

4.1 License to MorphoSys. Subject to the terms and conditions of this Agreement, Xencor hereby grants to MorphoSys

(a) an exclusive, royalty-bearing (in accordance with Article 5) license under the Licensed Patents and Licensed Know-How to research, have researched, develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, import, have imported, export

and have exported Licensed Antibody(ies) and/or Licensed Product(s) for the Field in the MorphoSys Territory; the making, using, selling, offering for sale or importing of which would, but for the License granted hereunder, infringe Licensed Patents;

(b) an exclusive license to all necessary rights to make and use all Licensed Know-How solely in order to practice the license of Section (a) (and specifically excluding all uses in support of activities outside the scope of the license in Section 4.1(a));

(c) a non-exclusive, royalty-free license under the Post-Sublicensing Licensed Patents to research, have researched, develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, import, have imported, export and have exported Licensed Antibody(ies) and/or Licensed Product(s) for the Field in the MorphoSys Territory; the making, using, selling, offering for sale or importing of which would, but for the License granted hereunder, infringe Post-Sublicensing Licensed Patents for the purpose of sublicensing such rights to MorphoSys' Sublicensee(s). To avoid doubt, to the extent MorphoSys enters into a *bona fide* co-development, co-marketing, or co-promotion agreement with a Sublicensee, then MorphoSys shall as part of such relationship be entitled to itself practice the license of this Section 4.1(c); outside of such circumstance, MorphoSys itself shall not have the right to practice the license of this Section 4.1(c), although this shall not be read to undermine MorphoSys's ability to Sublicense the license of this Section 4.1(c). Also to avoid doubt, the royalty-free nature of the license of this Section 4.1(c) shall not alter in any way the royalty-bearing nature of the license of Section 4.1(a) or of Section 4.1(d), even if applying to the same Licensed Product(s).

(d) an exclusive, royalty-bearing license, with the right to sublicense, in the MorphoSys Territory for all activities for all fields and applications to the Licensed Candidate-Specific Patents ("Candidate-Specific Patent License"); *provided, however,* that if for any reason any claim ever exists in a Licensed Candidate-Specific Patent that is broader than provided for in the definition thereof, the applicable Patent shall be subject to the license of Section 4.1(a) not this Section 4.1(d) until and unless it again is narrowed to the scope provided for in the definition of Licensed Candidate-Specific Patent. To avoid doubt, when the license of Section 4.1(a) and Section 4.1(d) both apply, then the royalties shall remain as written in Article 5 and there shall be no doubling of the royalties based on both such licenses applying.

Xencor retains the right, notwithstanding the exclusivity of the licenses in Sections 4.1(a), 4.1(b) and 4.1(d), but subject to Article 2 and 3 above, to conduct the Ongoing Phase 1 Trial to completion.

The licenses granted to MorphoSys in this Section 4.1 shall be sublicensable solely as provided in Section 4.2, but shall otherwise be non-assignable and non-transferable (except as explicitly permitted by Article 10 or Section 13.9).

4.2 Sublicensing by MorphoSys. MorphoSys shall be entitled to grant Sublicenses under its license of Section 4.1, subject to all of the following and the rights of Xencor set forth in Section 4.11:

(a) MorphoSys must promptly notify Xencor after granting a Sublicense and […***…] within […***…] for the sole purpose of […***…]. Such […***…] may be […***…] in the event that […***…]. Xencor shall ensure that […***…], except solely to the extent required by law or to assert Xencor's rights under this Agreement […***…].

(b) Such Sublicensees cannot further sublicense except if all of the following conditions are satisfied: (1) the further Sublicenses must be on terms consistent with this Agreement, including this Section 4.2; and (2) if […***…], then the economic terms of the further Sublicenses must be such that the further sublicensing does not reduce the consideration that will be paid to Xencor under this Agreement, relative to what it would have been had MorphoSys' direct Sublicensee conducted the activities; and

(c) in the event that MorphoSys enters into a […***…] and to the extent such Sublicence provides for consideration in form of any "quids" (such as, by way of example but not limitation, rights for MorphoSys in any of the Sublicensee's other product candidates or products or intellectual property unrelated to Licensed Products), then except as may be otherwise agreed in writing by Xencor and MorphoSys, Xencor and MorphoSys shall mutually agree on and then consult an independent expert on the valuation of such quid before signature of the Sublicense agreement. Such expert shall render his valuation decision within thirty (30) days after signature of the Sublicense agreement. Xencor and MorphoSys shall jointly bear the costs for such expert. Such independent expert's opinion shall be final and binding upon both Parties.

(d) in the event MorphoSys' Sublicensee — at the time of entering into the Sublicense — […***…], the Sublicense shall (i) […***…] for the purpose of […***…] for Licensed Antibody and/or Licensed Product and (ii) […***…] that Sublicensee will perform the development of Licensed

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Antibody and/or Licensed Product […***…]; and (iii) […***…].

4.3 Exclusivity and Related Covenants.

(a) By Xencor. Xencor hereby covenants that, during the Term, it and its Affiliates shall not (and Other Licensees specifically do not covenant, and Xencor does not covenant that the Other Licensees shall not) (i) develop or commercialize any […***…]; or (ii) license any Xencor Fc Technology to any Third Party in any scope for any activity of any anti-CD19 Antibody except that Xencor may license any Xencor Fc Technology to Third Parties in connection with […***…] (to avoid doubt, this means that the Xencor Fc Technology shall be licensed solely with respect to anti-CD19 Antibodies that as modified by or incorporating Xencor Fc Technology meet the definition of […***…]), but such license regarding Xencor Fc Technology shall specifically exclude the right to license Xencor High-ADCC/CDC Fcs. The foregoing covenants (1) shall not — at any time — apply to any Antibody in clinical development or on the market as of or before the date of a Xencor Change of Control by or for any acquirer of Xencor, or of the acquiring corporate family not Covered by any Patent owned or controlled by Xencor immediately prior to such Xencor Change of Control; and (2) shall not — at any time — apply to prohibit licensing of any Patent owned or controlled by the acquiror or its corporate family prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity").

(b) By MorphoSys.

(i) […*…]**. Subject to (i) MorphoSys' and/or its Affiliates' existing (as of the Effective Date) HuCAL agreements, comprising any obligation for MorphoSys and/or its Affiliate(s) to generate or have generated antibodies to which MorphoSys' and/or its Affiliates' contract partners have any rights whatsoever, and (ii) any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s), MorphoSys hereby covenants that, during the Term, it and its Affiliates shall not preclinically develop, develop in any human clinical trial, seek Market Authorization for, or in any way commercialize in the MorphoSys Territory any […***…]. Sublicensees specifically do not make such covenant, and MorphoSys does not make such covenant as to Sublicensees.

(ii) Licensed Antibodies. Subject to (i) MorphoSys' and/or its Affiliates' existing (as of the Effective Date) HuCAL agreements, comprising any obligation for MorphoSys and/or its Affiliate(s) to generate or have generated antibodies to which MorphoSys' and/or its Affiliates' contract partners have any rights whatsoever, and (ii) any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s), MorphoSys hereby covenants

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that, during the Term, MorphoSys and its Affiliates shall not preclinically develop, develop in any human clinical trial, seek Market Authorization for, or in any way commercialize in the MorphoSys Territory any […***…] other than any Licensed Antibody and/or Licensed Products that are payment-bearing to Xencor under this Agreement (other than a Licensed Product for which the Royalty Term has expired, after such expiration; this covenant does not apply at such times to such Licensed Product). Sublicensees specifically do not make such covenant, and MorphoSys does not make such covenant as to Sublicensees.

(iii) The covenants in this Section 4.3(b)(i) and (ii) shall not — at any time — apply to any Antibody in clinical development or on the market as of or before the date of a MorphoSys Change of Control by or for any acquirer of MorphoSys, or of the acquiring corporate family not Covered by any Patent owned or controlled by MorphoSys immediately prior to such MorphoSys Change of Control, and and shall not — at any time — apply to prohibit licensing of any Patent owned or controlled by the acquiror or its corporate family prior to or on the date of such MorphoSys Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of MorphoSys (for clarity, in the case where MorphoSys is merged into another entity, the references here to "MorphoSys" and "independently of MorphoSys" mean to refer to "the merged entity" and "independently of the merged entity").

(c) By both Parties

The Parties agree […***…]. The Parties, however, acknowledge that they or their respective Sublicensee or Other Licensee may have an interest to leverage the full potential of their respective products by […***…]. Hence, Xencor and MorphoSys shall be entitled to develop and commercialize more than […***…] Antibody from […***…] and more than […***…] Licensed Antibody, respectively, at any time; *provided* that […***…]. A Commercializing Party may also consist of several companies (e.g. within a co-marketing or co-promotion agreement), including in the situation in which the component entities of such a Commercializing Party may opt out of the commercialization activities at any time.

(d) Storage of Reference Material, Examination Rights, Data Update and Restriction on Material Transfer. […***…] In order to […***…], the Parties agree to the following:

(i) Storage

Reference material according to Exhibit A, Exhibit E and M […***…] shall be stored at an independent third party reasonably acceptable to MorphoSys and Xencor (the "Escrow Agent") promptly after the Effective Date. The Parties and the Escrow Agent shall enter into a three-party storage

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agreement which shall be negotiated in good faith and which shall contain provisions that the Escrow Agent shall release such reference material to either MorphoSys or Xencor solely to determine its Binding Constants of Affinity to […***…] […***…] (including […***…]), […***…], […***…] and/or […***…] (including […***…]), and may be requested by the other Party at any time with reasonable frequency. MorphoSys shall bear the costs associated with the storage of such reference material at the Escrow Agent's facilities, and each Party shall bear the costs of shipping to such Party by the Third Party in response to such Party's request. All of the testing provided for in this Section 4.3(d)(i) shall be using reference material produced in […***…], using the cell lines that were deposited into the escrow.

(ii) Additional Data.

Xencor shall promptly notify MorphoSys if Xencor discovers any XmAb5574 data or […***…] data generated by or on behalf of Xencor or its Affiliate(s) prior to the end of the Pre-Partnering Term with respect to the Affinity Constants of Binding relevant to the definition of […***…] Antibody or to antibody-dependent cytotoxicity relevant to the definition of […***…] Antibody; and in each case which has not yet been disclosed to MorphoSys, Xencor shall disclose such data to MorphoSys.

(iii) Restriction on Material Transfer

Xencor and its Affiliates shall not make available and/or transfer to Third Parties, other than those reasonably required for performance of the Ongoing Phase 1 Study, any Licensed Antibody or Licensed Product during the term of this Agreement after the Effective Date.

4.4 License from MorphoSys. MorphoSys hereby grants to Xencor (i) […***…] (other than any pass-through costs to MorphoSys' un-Affiliated licensors) […***…], (ii) […***…], and (iii) […***…] (other than any pass-through costs to MorphoSys' un-Affiliated licensors) […***…] in each case to research, develop, make, have made, use, sell, offer for sale, import and export […***…] Antibodies worldwide for any and all fields and applications, subject, however, to Xencor's covenant in Section 4.3(a) and 4.3(c). Such license shall be sublicenseable only in connection with the […***…] through one (1) or

more tiers of sublicensees without the need to obtain prior consent from MorphoSys. Notwithstanding anything express or implied in the foregoing, Xencor shall not have the right to transfer any documents received from MorphoSys (including reports and plans under this Agreement) or any copies thereof to its Other Licensees or use such documents in […***…] Antibody activities.

4.5 Discussion of Possible Sublicensing. If Xencor has not partnered its […***…], and MorphoSys' actual Sublicensee, or possible Sublicensee in serious negotiations with MorphoSys, wishes to discuss being the partner of the […***…], MorphoSys shall notify Xencor in writing, and Xencor agrees to discuss this possibility with MorphoSys' actual or possible Sublicensee. Nothing in this Agreement shall restrict Xencor from partnering its […***…].

4.6 Reservation of Rights; No Implied Licenses. No right, title or interest is granted by either Party whether expressly or by implication to or under any Patents or Know-How, other than those rights and licenses expressly granted in this Agreement. Each Party reserves to itself all rights not expressly granted under this Agreement. Subject to the covenants agreed by the Parties hereunder, including the covenants according to Sec. 4.3, this Agreement shall not be deemed to restrict a Party from exploiting any of its rights not expressly granted to the other Party under this Agreement.

4.7 [Intentionally omitted.]

4.8 Technology Sublicensed from Third Parties. The licenses granted under this Article 4, to the extent they include (or come to include) sublicenses under Patents or Know-How of a Third Party, shall be subject to the terms and conditions of the agreement with the Third Party governing the license under which the sublicense is granted; *provided, however*, that no such Third Party agreement shall conflict with the requirements of Section 4.11. For clarity, Licensed Patents and Licensed Know-How as of the Effective Date are not in-licensed and instead are owned by Xencor and thus do not carry any pass-through costs for MorphoSys.

4.9 Use of Patents and Know-How. Each Party hereby covenants that it (and its Affiliates and Sublicensees) shall not practice the Patents or Know-How (to avoid doubt, including any and all research materials provided under this Agreement) licensed to such Party under this Agreement outside the scope of the licenses to such Party under this Agreement. Notwithstanding the foregoing, if a Party unintentionally uses non-tangible Know-How of the other Party learned under this Agreement, outside the scope of a license to such first Party set forth in this Agreement, this shall not be considered a breach of this Agreement and such other Party agrees not to bring suit (including arbitration under Article 12) against such first Party.

4.10 Change of Control. A change of Control for either Party shall not be deemed to trigger any of the Sublicenses (for MorphoSys) and/or partnering provisions (for Xencor) of this Agreement.

4.11 Coordination of Sublicenses and Rights of Other Licensees with this Agreement.

(a) MorphoSys shall ensure that its agreements with Sublicensees are consistent with and impose obligations consistent with the applicable terms and conditions regarding Sublicensees set forth in this Agreement, including Sections 2.2(c)(ii), 2.3, 2.6, 3.6, 3.8(b), 3.10, 3.12, 4.2, 4.3(c), 4.9, 4.11(a), 5.11, 5.13(d), 6.5(h), 6.9, 7.2(e), and 9.1 (the Sublicensee shall make an equivalent indemnification of the Xencor Indemnitees), and 10.6(l). Subject to Section 4.4, MorphoSys shall in particular require its Sublicensees to […***…]. Information provided by a Sublicensee (or of a Sublicensee provided by MorphoSys) to Xencor and, to the extent permitted by this Agreement, its Other Licensees under this Section 4.11(a) shall be treated as Confidential Information of MorphoSys.

(b) Xencor shall ensure that its agreements with Other Licensees are consistent with and impose on its Other Licensees obligations consistent with the applicable terms and conditions set forth in this Agreement, including Sections 4.1 (with respect to Post-Partnering Patents and providing the necessary license), 4.3 (c), 4.4, 4.9, 4.11(b), 4.12 (as regards the protection of Confidential Information by the Other Licensee), 6.5(h), and 7.2(e). Xencor shall in particular require its Other Licensees to provide to Xencor ownership of or an exclusive (with respect to activities permitted under this Agreement), sublicenseable (through one (1) or more tiers) license under all Post-Partnering Patents, other than Post-Sublicensing Licensed Patents, for which it shall suffice for Xencor to obtain a non-exclusive license back which license as sublicensed to MorphoSys shall (in all of the foregoing cases) be free of additional payments (including royalties). Information provided by an Other Licensee (or of an Other Licensee provided by Xencor) to MorphoSys and, to the extent permitted by this Agreement, its Sublicensees under this Section 4.9(b) shall be treated as Confidential Information of Xencor.

4.12 Inventions by Service Providers. MorphoSys shall […***…], as well as all underlying original data and documentation, for purposes of development and commercialization of Licensed Antibody(ies), and Licensed Product(s) in the Field after a termination event under this Agreement that would lead to reversion to Xencor under Article 10, and (ii) […***…]. To avoid doubt, this does not apply to Sublicensees and Other Licensees, which are dealt with in Section 4.11. Information provided by a MorphoSys contractor (or of a MorphoSys contractor provided by MorphoSys) to Xencor and, to the extent permitted by this Agreement, its Other Licensees under this Section 4.12 shall be the Confidential Information of MorphoSys.

ARTICLE 5

COMPENSATION

5.1 Up-Front Payment. In consideration of the license granted to MorphoSys under Sec. 4.1, MorphoSys shall pay Xencor a one-time upfront payment of thirteen million dollars ($13,000,000), due upon execution of this Agreement and payable […***…] of the Effective Date. Such amount shall be non-refundable and shall not be creditable against any other amount due hereunder.

5.2 Milestone Payments. Subject to Section 3.3 and 5.2 (f) and (g), MorphoSys shall also pay the following milestone payments to Xencor, each due upon the first achievement of each milestone event indicated below (whether achieved by or on behalf of either Party or its Affiliate, Sublicensee, or any other entity acting on behalf of any of them) with respect to the first Licensed Product comprising […***…], achieving such milestone event; provided, however, that such milestone payments for the events (i) "[…***…]" and (ii) "[…***…]" are only applicable and the related payment shall only be due if such event occurs in a Major Country. MorphoSys shall notify Xencor upon achievement of any milestone event as set forth in this provision, and shall pay the applicable milestone payment within […***…] if such milestone event was achieved by MorphoSys and within […***…] if such milestone event was achieved by Sublicensee.

ONCOLOGY INDICATIONS

Milestone Event	Milestone Payment
1. […***…]	[…***…] dollars ($ […***…])
2. […***…]	[…***…] dollars ($ […***…])
3. […***…]	[…***…] dollars ($[…***…])
4. […***…]	[…***…] dollars ($[…***…])
5. […***…]	[…***…] dollars ($ […***…])
6. […***…]	[…***…] dollars ($ […***…])
7. […***…]	[…***…] dollars ($ […***…])
8. […***…]	[…***…] dollars ($ […***…])

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Milestone Event	Milestone Payment
9. […***…]	[…***…] dollars ($ […***…])
10. […***…]	[…***…] dollars ($ […***…])
11. […***…]	[…***…] dollars ($ […***…])
12. […***…]	[…***…] dollars ($ […***…])
13. […***…]	[…***…] dollars ($ […***…])
14. […***…]	[…***…] dollars ($ […***…])
15. […***…]	[…***…] dollars ($ […***…])
16. […***…]	[…***…] dollars ($ […***…])
17. […***…]	[…***…] dollars ($ […***…])
TOTAL CUMULATIVE AVAILABLE ONCOLOGY MILESTONES	**One hundred and fifty one million dollars ($ 151,000,000)**

AUTOIMMUNE INDICATIONS

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Milestone Event	Milestone Payment
1. […***…]	[…***…] dollars ($ […***…])
2. […***…]	[…***…] dollars ($ […***…])
3. […***…]	[…***…] dollars

	($ […***…])
4. […***…]	[…***…] dollars ($ […***…])
5. […***…]	[…***…] dollars ($ […***…])
6. […***…]	[…***…] dollars ($ […***…])
7. […***…]	[…***…] dollars ($ […***…])
8. […***…]	[…***…] dollars ($ […***…])
9. […***…]	[…***…] dollars ($ […***…])
10. […***…]	[…***…] dollars ($ […***…])
11. […***…]	[…***…] dollars ($ […***…])
12. […***…]	[…***…] dollars ($ […***…])
13. […***…]	[…***…] dollars ($ […***…])
14. […***…]	[…***…] dollars ($ […***…])

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Milestone Event	Milestone Payment
15. […***…]	[…***…] dollars ($ […***…])
16. […***…]	[…***…] dollars ($ […***…])
TOTAL AVAILABLE AUTOIMMUNE MILESTONES	**One hundred and one million dollars ($ 101,000,000)**

SALES MILESTONES

Milestone Event	Milestone Payment
1. […***…]	[…***…] dollars ($ […***…])
2. […***…]	[…***…] dollars ($ […***…])
TOTAL AVAILABLE SALES MILESTONES	**Fifty million dollars ($ 50,000,000)**

(a) For the sake of clarity, each milestone shall be paid only once, and only for the first Licensed Product to reach such milestone.

(b) Each milestone payment shall be nonrefundable and noncreditable against any other payments due under this Agreement, except as provided in Section 3.3.

(c) If a milestone is achieved without the earlier milestones in the same table having been paid that would normally be steps along the way to achieve the later milestone, then MorphoSys shall pay the payment for the earlier milestone(s) along with the payment for such subsequent milestone (and the earlier milestone(s) shall be deemed achieved and payable). By way of non-limiting example with respect to the oncology indications milestones, if milestone event 10 is achieved without the milestone payment for milestone event 5 having been paid, then MorphoSys shall pay the payment for milestone event 5 along with the payment for milestone event 10. This same principle shall apply (and the earlier milestone shall be deemed achieved and payable), if for example milestone event 16 is achieved before any of milestone events 6, and 11.

(d) For all purposes under this Section, whether an […***…](if applicable) for any given

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milestone event will be determined not based on […***…]

(e) MorphoSys or its Affiliate achieves the milestone event "[…***…]" by […***…] and the respective milestone payment becomes due thereupon. In case of a Sublicense, achievement of such milestone event is deemed to have occurred at the event provided for in the Sublicense, i.e. either by […***…] or by […***…].

(f) If more than one […***…] is pursued in the same […***…], then only one (1) […***…] milestone event (and for clarity, in all cases the highest applicable milestone event) shall be triggered by the commencement of such […***…]; *provided, however* that if a […***…] is achieved for more

than one (1) such […***…] pursued in the same […***…] (or if a […***…] is obtained for more than one (1) […***…] without the […***…] milestone event having first been achieved for more than one (1) such oncology indication (i.e. […***…]), then a back milestone payment shall be due for each […***…] milestone that was not previously due under this Agreement due to the foregoing in this sentence, on the same timing as the […***…] milestone (or if earlier […***…]) becomes due for such subsequent oncology indication. (It is understood and agreed that the timing of […***…] milestones (whether in relation to […***…]) being due shall be determined in accordance with Section 5.2(e).)

(g) Limitations on Post-Sublicensing Milestones. With respect to all milestones under this Section 5.2 achieved after a Sublicense by MorphoSys becomes effective ("**Post-Sublicensing Milestones**"), MorphoSys shall only be required to pay each Post-Sublicensing Milestones to the extent:

(i) aggregate Post-Sublicensing Milestones through the time a given Post-Sublicensing Milestone becomes due do not exceed […***…] ([…***…]%) of the number equal to aggregate […***…] received by MorphoSys (or its Affiliate) through such time minus […***…] ($[…***…]); and

(ii) total Post-Sublicensing Milestone payments payable in the MorphoSys fiscal year in which the individual Post-Sublicensing Milestone would otherwise be payable do not exceed the number equal to […***…] received by MorphoSys (or its Affiliate) in such fiscal year plus […***…] dollars ($[…***…]).

The portion of any Post-Sublicensing Milestone that is not paid at the time it would otherwise be due, because of the operation of the payment limitations set forth in subsections (i) and/or (ii) of this Section 5.2(g), shall remain as a credit to Xencor, and be paid to Xencor as soon as MorphoSys (or its Affiliate) has received sufficient […***…] that the applicable limitation(s), whether (i) and/or (ii), no longer apply(ies). This may occur in the same or in a subsequent MorphoSys fiscal year or years, depending when MorphoSys or its Affiliate receives additional […***…]. To avoid doubt, the payment limitations set forth in subsections (i) and/or (ii) of this Section 5.2(g) apply whether the Sublicense is worldwide or less than worldwide. For the avoidance of doubt, in the case if the […***…] ([…***…]%) limitation under this Section 5.2(g) is applied and if […***…] would have been

due on the same Sublicense under Section 5.3, then the […***…] ([…***…]%) under this Section 5.2(g) and the […***…] percent ([…***…]%) under Section 5.3 shall not add together, and instead only the […***…] ([…***…]%) under this Section 5.2(g) shall be due.

5.3 Sublicensing Revenue. In the event that MorphoSys enters into a Sublicense prior to […***…] for a Licensed Product covered by the Sublicense, but subject to Section 3.3(b), MorphoSys shall pay to Xencor […***…] ([…***…] %) of all Sublicensing Revenue. Notwithstanding the foregoing, in the event that MorphoSys enters into a Sublicense […***…] or later after the Effective Date, an amount of […***…] US Dollars ($ […***…]) shall be deducted from […***…] received by MorphoSys from Sublicensee before calculating Xencor's share of Sublicensing Revenue due under this Section 5.3. For the purpose of this Section, a Sublicense is deemed granted the date it is committed to in a legally binding way, including in the case of an option for a Sublicense, the date the legally binding document granting the option is signed or otherwise becomes effective. For amounts of consideration for Sublicense paid to MorphoSys or its Affiliates by its Sublicensees, which amounts are received for achievement of the milestone events set forth in Section 5.2, to the extent that MorphoSys actually pays such amounts to Xencor pursuant to Section 5.2, the Milestone Payments according to Sec. 5.2 hereof shall be deducted from […***…] before calculating Xencor's share of Sublicensing Revenue due under this Section.

The percentage of Sublicensing Revenue is due to Xencor after MorphoSys or its Affiliate receives the underlying Sublicensing Revenue and. MorphoSys shall inform Xencor about the receipt of any Sublicensing Revenue and shall make the respective payment to Xencor within […***…] of such receipt.

5.4 Royalty Payments.

(a) MorphoSys shall pay to Xencor royalties on Net Sales of Licensed Products at the applicable rate selected from the following table with respect to all Net Sales achieved in a given calendar year and during the applicable Royalty Term of such Licensed Products (determined on a country-by-country basis).

Worldwide Net Sales of Licensed Products in any Calendar Year	Royalty Due to Xencor (as a percentage of Net Sales)
Level 1: That portion of Net Sales in any given calendar year that is less than or equal to […***…] dollars ($[…***…])	[…***…] ([…***…]%)
Level 2: That portion of Net Sales in any given calendar year that is greater than $[…***…], but less than or equal to […***…] dollars ($[…***…])	[…***…] ([…***…]%)
Level 3: That portion of Net Sales in any given calendar year that is greater than […***…] dollars ($[…***…]), but less than or equal to […***…] dollars ($[…***…])	[…***…] ([…***…]%)
Level 4: That portion of Net Sales in any given calendar year that exceeds […***…] dollars ($[…***…])	[…***…] ([…***…]%)

The royalty rates under this Section are incremental with respect to the annual Net Sales of Licensed Product. As an example, if Licensed Products achieve in any given calendar year […***…] dollars ($[…***…]) in Net Sales, then a […***…] ([…***…]%) royalty shall be paid on the first […***…] dollars ($[…***…]), an […***…] ([…***…]%) royalty shall be paid on the next […***…] dollars ($[…***…]), and a […***…] ([…***…]%) royalty shall be paid on the remaining […***…] dollars ($[…***…]).

(b) Offset for Third-Party Composition Patents. If MorphoSys or its Affiliate(s) or Sublicensee(s) enter into any agreement with a Third Party for a license under an issued Patent which Covers the specific composition of matter of: (i) XmAb5574 due to and because of the sequence of its Fv or of its Fc variants, or of (ii) the Xencor High-ADCC/CDC Fc variants of any other Licensed Antibody which is under development or commercialization by

MorphoSys or its Affiliate(s) or Sublicensee(s) due to and because of the sequence of such Xencor High-ADCC/CDC Fc variants ("**Issued Specific Composition Patents;**" to avoid doubt, an issued Patent will "Cover the specific composition" via a use claim if the scope of the use claims is limited to uses of such specific composition of matter due to and because of the sequence (meaning the Fv or Fc variants in the case of XmAb5574 and the Xencor High-ADCC/CDC Fc variants of such other Licensed Antibody) (and the foregoing specifically excluding Patents that apply due to any chemical modification thereto not present in the form thereof being tested in the Ongoing Phase 1 Trial), then […***…] ([…***…]%) of the net sales royalties actually paid to the Third Party under such license with respect to Net Sales in any given calendar quarter in any given country may be offset against the royalty that would otherwise have been payable to Xencor with respect to such Net Sales in such calendar quarter; *provided, however*, that the foregoing reduction shall not reduce the royalty owed to Xencor in any given calendar quarter below […***…] ([…***…]%) of Net Sales.

In the event MorphoSys enters into a Sublicense, and the Sublicense contains an offset for Issued Specific Composition Patents, MorphoSys shall be able to pass through to Xencor the entire such offset agreed in the Sublicense if such offset is defined as […***…] ([…***…]%) or less of the net sales royalties actually paid to the Third Party by Sublicensee on Issued Specific Composition Patents. In case such offset is more than […***…] ([…***…]%), MorphoSys shall only be able to pass through to Xencor an offset of […***…] ([…***…]%) of such net sales royalties on Issued Specific Composition Patents. As an example, in case the Sublicensee has a royalty burden of […***…] ([…***…]%) of Net Sales to a Third Party as described above, and passes through to MorphoSys a […***…] ([…***…]%) offset of […***…] ([…***…]%) of Net Sales royalties, MorphoSys shall be able to pass through the full offset to Xencor. In case the Sublicensee passes through to MorphoSys an offset of […***…] ([…***…]%) of such […***…]% royalty burden to a Third Party, i.e. […***…] ([…***…]%) of Net Sales royalties, then

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MorphoSys shall be able to only pass through to Xencor an offset of […***…] ([…***…]%) of such […***…]% royalty burden to a Third Party, i.e. […***…] ([…***…]%) of Net Sales royalties, and has to carry the remaining […***…] ([…***…]%) offset, i.e. […***…] ([…***…]%) of Net Sales royalties itself. To avoid doubt, all of the foregoing examples relate solely to royalties on Issued Specific Composition Patents.

To avoid doubt, the foregoing offset of the foregoing 2 paragraphs is not available for royalties to Third Parties on Know-How or on any of the following kinds of Patents: (1) Patents Covering production and manufacturing (including expression); (2) Patents Covering CD19; (3) Patents Covering formulations; (4) Patents Covering delivery (including Patents on delivery devices and Patents on modes of administration); and (5) Patents whose use claims are general and do not apply based on the sequence as described in the first sentence of this Section 5.4(b).

To further avoid doubt, if Xencor does not challenge MorphoSys's application of this Section to any particular Patent, this does not mean that Xencor believes, agrees or admits vis-à-vis Third Parties that the given Patent claims the composition of matter of XmAb5574 or the Xencor High-ADCC/CDC Fc portion of any Licensed Antibody, or that it is valid or enforceable. Xencor may have many reasons other than believing, agreeing or admitting the foregoing, for not challenging any given application of the offset of this Section by MorphoSys, including avoiding the costs of litigation, or not being in litigation with a licensee, or Xencor may judge that benefits of MorphoSys having in place a license that makes MorphoSys comfortable to continue with commercialization may outweigh the costs of allowing MorphoSys to take the offset even though Xencor disagrees with MorphoSys on whether the license is needed or the Patent(s) Cover or are valid or enforceable.

(c) **Royalty Term**. "**Royalty Term**" means the time from the first post-Marketing Authorization sale of the first Licensed Product in a given country, on a country by country basis, until the last to occur of (X) the expiration or invalidation of the last Valid Claim of Licensed Patents that would be infringed, but for the license of this Agreement or joint ownership of the particular Valid Claim, in any of the ways described in the definition of "Cover," by the making, using, selling, offering for sale, importing or exporting of the Licensed Product that is actually sold in such country in which such Licensed Product is manufactured or sold, and (Y) eleven (11) years after the first post-Marketing Authorization sale of the first Licensed Product in such country. Clause (X) of Royalty Term is determined on a country-by-country and Licensed Product-by-Licensed Product basis, whereas clause (Y) of Royalty Term is determined only on a country-by-country basis. The royalties payable with respect to Net Sales of Licensed Products shall be reduced to […***…] percent ([…***…]%) of the otherwise applicable rates, with respect to Net Sales of a Licensed Product in a country during any portion of the Royalty Term when there is not a Valid Claim of Licensed Patents that would be infringed, but for the license of this Agreement or joint ownership of the particular Valid Claim, in any of the ways described in the definition of "Cover," by the making, using, selling, offering for sale, importing or exporting of the Licensed Product that is actually sold in the country of manufacture or sale. For the avoidance of doubt, the […***…] percent ([…***…]%) reduction shall in this situation apply to every royalty rate otherwise applicable except for the "floor" of […***…] percent ([…***…]%) which shall be […***…] percent ([…***…]%) in this case.

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5.5 **Quarterly Payment Timings.** All royalties due under Section 5.4 shall be paid quarterly, on a country-by-country basis, due and payable with the relevant Royalty Payment Report referred to in Section 5.6 below.

5.6 **Royalty Payment Reports**. With respect to each calendar quarter for which royalties are due under this Agreement, within […***…] after the end of the calendar quarter, MorphoSys shall provide to Xencor a written report stating the number of all royalty-bearing sales of Licensed Products sold during the relevant calendar quarter; the gross sales associated therewith; and the calculation of Net Sales thereon, including the amount of any deduction provided for in the definition of Net Sales in Article 1 (broken down by category as enumerated in such definition). The report shall provide all such information on a country-by-country basis.

5.7 **Payment Method**.

(a) Except as provided in Section 5.10 regarding blocked currency, all payments due under this Agreement to Xencor shall be made by bank wire transfer in immediately available funds to an account designated by Xencor. All payments under this Agreement shall be made in the legal currency of the United States of America, and all references to "**$**" or "**dollars**" shall refer to United States dollars (i.e., the legal currency of the United States).

(b) Without prejudice to MorphoSys' payment obligations according to Section 5.1 through 5.4, Xencor shall use commercially reasonable efforts to provide MorphoSys with an invoice following the receipt of such payments.

5.8 No Credits or Refunds. All payments to Xencor hereunder shall be noncreditable, not subject to offset, and nonrefundable, except as set forth in Section 3.3 and except to the extent that an audit conducted pursuant to Section 5.13 below confirms that MorphoSys had overpaid amounts to Xencor, in which case MorphoSys shall have a credit applicable against any and all payments subsequently due under this Agreement and except for the offset according to Section 5.4 (b).

5.9 Taxes. MorphoSys shall be responsible for the amount of any taxes required to be withheld by MorphoSys under applicable law. Accordingly, if any such taxes are levied on such payments due hereunder ("**Withholding Taxes**"), MorphoSys shall (i) deduct the Withholding Taxes from the payment amount, (ii) pay all applicable Withholding Taxes to the proper taxing authority, and (iii) send evidence of the obligation together with proof of tax payment to Xencor within […***…] following that tax payment. Xencor is entitled to require that MorphoSys tender payment from a U.S. or a German bank account. If MorphoSys is required to deduct Withholding Taxes from a payment to Xencor under this Agreement, MorphoSys agrees to use reasonable efforts to assist Xencor in claiming exemption from such deductions or withholdings under any not-for-profit status, applicable double taxation or similar agreement or treaty.

5.10 Blocked Currency. In each country where the local currency is blocked and cannot be removed from the country, royalties accrued in that country shall be paid to Xencor

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in the country in local currency by deposit in a local bank designated by Xencor, unless the Parties otherwise agree.

5.11 Sublicenses. If MorphoSys grants any Sublicenses, MorphoSys shall include an obligation for the Sublicensee to (i) maintain records adequate to document and verify the proper Sublicensing Revenues to be paid to MorphoSys; (ii) provide reports with each Sublicensing Revenue payment to MorphoSys sufficient to allow such verification; and (iii) allow MorphoSys to conduct or have conducted on MorphoSys' behalf as requested by Xencor in accordance with Section 5.13(d) an audit to verify the proper payment of Sublicensing Revenues, milestones, Net Sales, royalties, as applicable.

5.12 Foreign Exchange. If any currency conversion shall be required in connection with the calculation of amounts payable hereunder, such conversion shall be made using the average of the exchange rates for the purchase and sale of U.S. dollars, as reported by the *Wall Street Journal* (or a successor entity) during the calendar quarter to which such payment pertains. With any payment in relation to which a currency conversion is performed to calculate the amount of payment due, MorphoSys shall provide to Xencor a true, accurate and complete copy of the *Wall Street Journal* (or a successor entity) exchange rates used in the calculation.

5.13 Records; Inspection.

(a) MorphoSys shall keep and ensure that its Affiliates keep complete and accurate records of its sales and other dispositions (including use in clinical trials, or provision on a compassionate use basis or as marketing samples) of the Licensed Products, including all such records that may be necessary for the purposes of calculating all payments due under this Agreement. MorphoSys shall make such records available for inspection by an accounting firm selected by Xencor under Section 5.13(c) at MorphoSys' s premises in Germany on reasonable notice during regular business hours (in accordance with the remaining provisions of this Section) no more than once in any calendar year.

(b) Upon timely request and at least […***…] prior written notice from Xencor, MorphoSys shall permit such audit to be conducted during regular business hours in such a manner as to not unnecessarily interfere with MorphoSys's normal business activities. Such audit shall be limited to results in any period that has not previously been audited under this Section, not to exceed […***…] prior to the audit notification.

(c) At Xencor's expense no more than once per calendar year, Xencor has the right to retain an independent certified public accountant from a nationally recognized (in the U.S.) accounting firm (that is not an Affiliate of Xencor) to perform on behalf of Xencor an audit, conducted in accordance with GAAP, of such books and records of MorphoSys and its Affiliates as are deemed necessary by the independent public accountant to report on Net Sales for the period or periods requested by Xencor and the correctness of any report or payments made under this Agreement (all subject to subsection (b)).

(d) MorphoSys shall ensure that its Sublicensees keep complete and accurate records of such Sublicensee's sales and other dispositions (including use in clinical trials, or provision on a compassionate use basis or as marketing samples) of the Licensed Products including all such records that may be necessary for the purposes of calculating all payments

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due under this Agreement. MorphoSys shall require that such Sublicensee make such records available for inspection by MorphoSys or an independent auditor reasonably acceptable to Sublicensee, once during any calendar year in which the agreement between MorphoSys and any Sublicensee is in effect and thereafter for a period of […***…] after the calendar year to which the audit pertains. Upon the reasonable request of Xencor, with respect to any such Sublicensee, and no more than once in any calendar year, MorphoSys shall exercise its audit rights with respect to such Sublicensee and shall report the results of such audit to Xencor in accordance with Section 5.13(f). The costs for such requested audit shall be paid by Xencor unless (i) an underpayment of more than […***…] ([…***…]%) is revealed as described in section 5.13 (g) or (ii) MorphoSys would also have performed an audit of its Sublicensee in that calendar year without Xencor's request.

(e) All information, data, documents and abstracts referred to in this Section shall be used only for the purpose of verifying compliance with this Agreement, shall be treated as MorphoSys' Confidential Information subject to the obligations of this Agreement and need not be retained more than […***…] from the end of the calendar year to which each shall pertain.

(f) Summary of audit results shall be shared by MorphoSys and Xencor to the extent reasonably necessary to enable Xencor to verify compliance with payment obligations. The auditor shall be under written obligations to MorphoSys (and, where applicable, any Sublicensee) of confidentiality and non-use (other than uses required by this Section).

(g) If the audit reveals an underpayment, MorphoSys shall promptly pay to Xencor the amount of such undisputed underpayment plus interest in accordance with Section 5.14. If the audit reveals that the undisputed monies owed by MorphoSys to Xencor has been understated by more than […***…] ([…***…]%) for the period audited, MorphoSys shall, in addition, pay the reasonable costs of such audit.

5.14 Interest. If MorphoSys fails to make any payment due to Xencor under this Agreement, then interest shall accrue on a pro-rated basis from the date after the particular payment is due (if not paid by that date) until paid at a rate equal to the Dollars prime or equivalent rate per annum quoted by *The Wall Street Journal* (or its successor, or, if neither then exists, a similarly reputable and authoritative source for such information) on the first business day after such payment is due, plus […***…] ([…***…]%).

ARTICLE 6

PATENTS

6.1 Ownership and Disclosure of Inventions.

(a) Ownership. Xencor shall solely own all right, title and interest in the Listed Xencor Patents, the Xencor Pre-Sublicensing Product Invention Patents, the Xencor Product Invention Patents and the MorphoSys Core Improvement Invention Patents, and to be

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clear, the Licensed Core/Fc Platform Patents, the Licensed Candidate-Specific Patents and the Licensed Broader Anti-CD19 Patents. As between the Parties, MorphoSys shall solely own all right, title and interest in the MorphoSys Product Invention Patents. Xencor and MorphoSys shall jointly own all right, title and interest in the Joint Collaboration Product Invention Patents. As between the Parties, Xencor shall solely own all right, title and interest in (or be the Licensee of a Third Party for) the Post-Partnering Patents and the inventions that they claim. As between the Parties, MorphoSys shall solely own all right, title and interest in (or be the licensee of a Third Party for) the Post-Sublicensing Patents.

(b) Implementation. Each Party hereby assigns to the other Party inventions and associated Patents and Know-How solely as necessary to achieve ownership as provided in Section 6.1(a). Each Party hereby assigns to the other Party, and hereby grants to the other Party all consents, licenses and waivers, in each case that are necessary to achieve such ownership worldwide. Each Party agrees to provide to the other Party and execute all documents and instruments evidencing or that may be required to record, perfect or enforce such assignments, consents, licenses and waivers promptly upon the other Party's request. Each Party hereby appoints the other Party as the appointing Party's attorney-in-fact to execute and deliver each of the foregoing documents and instruments if the appointed Party is unable, after making reasonable inquiry, to obtain the appointing Party's signature on any such documents and instruments. Each Party (and its Affiliates) shall perform its activities under this Agreement through personnel who have made a similar assignment and appointment to and of such Party or its Affiliate. Each assigning Party shall make its relevant personnel (and their assignments and signatures on such documents and instruments) reasonably available to the other Party for assistance in accordance with this Article at no charge.

(c) Invention Disclosure. Without modifying or limiting the ownership and rights as provided for in Section 6.1(a), each Party shall, prior to any public disclosure or filing of a patent application, disclose to the other Party any Xencor Pre-Sublicensing Product Invention, Xencor Product Invention, MorphoSys Core Improvement Invention, MorphoSys Product Invention, or Joint Collaboration Product Invention, as applicable, and allow reasonably sufficient time (at least […***…] from the date of receipt by the other party) for comment and review by the other Party as to whether such other Party would recommend for a Patent to be filed (but only by the Party or Parties who is or are entitled to do so in accordance with Section 6.2). Any public disclosure may be delayed by either Party's written request for a period not to exceed […***…] if it contains disclosure on which the other party desires to file a patent. Without modifying or limiting the ownership and rights as provided for in Section 6.1(a), each Party and/or its respective licensee shall disclose Post-Partnering Patents and Post-Sublicensing Patents to the other Party promptly after the filing of such patent application.

6.2 Prosecution of Patents.

(a) Licensed Core/Fc Platform Patents and MorphoSys Core Improvement Invention Patents. Xencor shall have the sole right in its sole discretion to perform the filing, prosecution and maintenance of the Licensed Core/Fc Platform Patents and MorphoSys Core Improvement Invention Patents on a worldwide basis. With respect to the prosecution and maintenance costs for Licensed Core/Fc Platform Patents and MorphoSys Core

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Improvement Patents, Xencor shall be responsible for […***…] ([…***…]%) of such costs.

(b) Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents. Xencor shall be responsible to perform the filing, prosecution and maintenance of Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents on a worldwide basis (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them). Regarding Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents, both which relate solely to Licensed Products, MorphoSys shall be responsible for all of the respective prosecution and maintenance costs. Xencor shall be responsible for all of the prosecution and maintenance costs of any Xencor Pre-Sublicensing Product Invention Patents and Xencor Product Invention Patents that do not relate solely to Licensed Products.

(c) Joint Collaboration Product Invention Patents. MorphoSys shall be responsible to perform the filing, prosecution and maintenance and be responsible for all of the prosecution and maintenance costs of Joint Collaboration Product Invention Patents on a worldwide basis (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them).

(d) MorphoSys Product Invention Patents. MorphoSys shall be responsible to perform the filing, prosecution and maintenance and be responsible for all of the prosecution and maintenance costs of MorphoSys Product Invention Patents (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them).

(e) Licensed Candidate-Specific Patents. As to Licensed Candidate-Specific Patents, where possible, Xencor shall file at least one (1) patent application for a Licensed Candidate-Specific Patent with the patent offices of the U.S., Japan, and the EPO, and in further countries if desired by MorphoSys; within […***…] of the Effective Date, in an effort to obtain an issued Patent that Covers Licensed Antibody but does not Cover […***…]. Upon such filing by Xencor and/or upon any further filing of a patent application for a Licensed Candidate-Specific Patent by Xencor, MorphoSys shall be solely responsible, in its own discretion, to perform the prosecution and maintenance of Licensed Candidate-Specific Patents on a worldwide basis (meaning in those countries of the world where it is consistent with the application of Commercially Reasonable Efforts (but not greater efforts) to file, prosecute and maintain them) and shall be responsible for all of the prosecution and maintenance costs. MorphoSys shall not knowingly take any position during prosecution that would limit the scope or validity of the specific Licensed Broader Anti-CD19 Patent, which is the parent to the respective Licensed Candidate-Specific Patent, unless Xencor approves of such position or has already taken such position in prosecution.

(f) Licensed Broader Anti-CD19 Patents. Xencor shall have the sole right in its sole discretion to perform the filing, prosecution and maintenance of the Licensed Broader Anti-CD19 Patents worldwide. With respect to the prosecution and maintenance costs, the Parties […***…]

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[…***…]. MorphoSys shall have the right to opt out and no longer contribute towards the cost of prosecution and maintenance of individual Broader Anti-CD19 Patents, in such case, the individual Patent will fall outside of the Licensed Patents, the Post-Sublicensing Licensed Patents, and the License provided for in Section 4.1, notwithstanding anything else express or implied in this Agreement. In order to opt out under the foregoing sentence, MorphoSys will provide Xencor with written notice […***…] prior to Xencor incurring a cost in the individual Patent.

(g) Review and Comment. MorphoSys shall have the right to review and comment before each act of Xencor's filing and/or prosecution of Licensed Candidate-Specific Patents, Licensed Broader Anti-CD19 Patents and Xencor Pre-Sublicensing Product Invention Patents. Xencor shall have the right to review and comment before each act of MorphoSys's prosecution of Joint Collaboration Product Invention Patents and MorphoSys Product Invention Patents. For each of the foregoing, each Party shall provide the other Party with a copy of each substantive communication received from any patent authority within a reasonable time (ideally, within […***…] of the respective mailing date); and a copy of each proposed submission to a patent authority in the MorphoSys Territory regarding such Patent reasonably in advance of making such filing (normally […***…] in advance but sometimes less under exigent circumstances). Furthermore, with respect to the preparation, filing, prosecution and maintenance of each such Patents each Party agrees to the following: (i) keep the other Party reasonably informed with respect to such activities; (ii) consult with the other Party regarding such matters, including the final abandonment of any such Patent claims; and (iii) reasonably consider the other Party's comments.

(h) Abandonment. With regard to Licensed-Candidate Specific Patents and/or Joint Collaboration Product Invention Patents, if MorphoSys determines to abandon or not maintain any such Patent then MorphoSys shall provide Xencor written notice of such determination at least […***…] prior to the expiration of any deadline, which if not met would lead to abandonment of rights (or such other period of time reasonably necessary to allow Xencor to assume such responsibilities). In that case, Xencor shall confer with MorphoSys and consider in good faith its reasons for abandoning any such patent. Xencor shall have the right, at its option, to control the filing, prosecution and maintenance of any such Licensed-Candidate Specific Patents and/or Joint Collaboration Product Invention Patents at its own expense, without affecting any of the other financial terms set forth in this Agreement.

With respect to Licensed Broader Anti-CD19 Patents and Xencor Pre-Sublicensing Product Invention Patents, but specifically excluding any and all Licensed Core/Fc Platform Patents, if Xencor determines to abandon or not maintain any such Patent in the MorphoSys Territory, then Xencor shall provide MorphoSys written notice of such determination at least […***…] prior to the expiration of any deadline, which if not met would lead to abandonment of rights (or such other period of time reasonably necessary to allow MorphoSys to assume such responsibilities). In that case, MorphoSys shall confer with Xencor and consider in good faith its reasons for abandoning any such patent. Subject to Xencor's consent, MorphoSys shall have the right, at its option, to control the filing, prosecution and maintenance of any such Licensed Candidate-Specific Patent, Licensed Broader Anti-CD19 Patent and/or Xencor Pre-

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Sublicensing Product Invention Patent at its own expense, without affecting any of the other financial terms set forth in this Agreement.

(i) In-Licensed Patents. If there are at any time any Licensed Patents and/or Post-Sublicensing Licensed Patents that are in-licensed by Xencor instead of owned by Xencor (or any Xencor Affiliate), then Section 6.2(a) (as applicable) shall apply to the prosecution of such Licensed Patents and/or Post-Sublicensing Licensed Patents in the same way as if they were Licensed Patents and/or Post-Sublicensing Licensed Patents owned by Xencor, to the full extent Xencor has prosecution rights under the agreement by which Xencor (or the Xencor Affiliate) received its license rights to such Patents, and to the full extent permitted by such agreement.

j) Certain Proceedings. For the purposes of this Section 6.2, "prosecution" shall include communications with patent offices, and defending the applicable Patents in proceedings such as oppositions, reexaminations, interferences, nullifications or other administrative actions in which a Third Party contests the inventorship, validity, title or enforceability of a Patent.

6.3 Patent Term Extensions. Licensed Core/Fc Platform Patents are not available for extension. Prior to Market Approval or its equivalent, the Parties shall discuss and try to reach mutual agreement for which of the other Patents the Parties shall apply to extend the patent term with respect

to Licensed Products, pursuant to patent term extension laws or regulations or Supplemental Protection Certificate laws and regulations in the MorphoSys Territory. If the Parties are not able to reach mutual agreement, then MorphoSys shall be entitled to make the decision.

6.4 Non-Patent Regulatory Exclusivity. As between the Parties, MorphoSys shall have the exclusive right to apply for regulatory exclusivity for Licensed Products in the MorphoSys Territory for the Field.

6.5 Infringement of Patents by Third Parties.

(a) Notification. Each Party shall promptly notify the other Party in writing if the notifying Party reasonably believes that any Licensed Patent and/or Post-Sublicensing Licensed Patent is being or has been infringed or misappropriated in any Territory by a Third Party by Licensed Product activities within the scope of the license to MorphoSys in Section 4.1 (such infringement includes any potential generic version of a Licensed Product, where the infringement arises under the Hatch-Waxman Act or Biologics Price Competition and Innovation Act or foreign equivalent, "**Competitive Infringement**").

(b) Competitive Infringement of Candidate-Specific Patents.

(i) First Right. MorphoSys shall have the first right, but not the obligation, to enforce any Licensed Candidate-Specific Patent or Joint Collaboration Product Invention Patent with respect to all past, present and future during the Term activities or conduct of a Third Party in the Field and the MorphoSys Territory that involve Licensed Products in the MorphoSys Territory within the scope of the license to MorphoSys of Section 4.1 ("**Candidate-Specific Patent Competitive Infringement**"). The consent of Xencor is not required for

MorphoSys to bring such an enforcement action. MorphoSys shall reasonably consider Xencor's comments, if any, on any such enforcement activities, but for the avoidance of doubt, MorphoSys shall control the litigation in all respects and shall make all decisions in its own discretion, subject only to the provisions regarding settlement provided below in Section 6.5(f). Except as provided in Section 6.5(g), MorphoSys shall bear all costs and expenses for enforcement under this Section 6.5(b)(i) (including the costs of Xencor's cooperation as required under subsection (e)).

(ii) Back-up Right for Candidate-Specific Patent Competitive Infringement in the MorphoSys Territory. If MorphoSys does not bring action that it is permitted to bring under Section 6.5(b)(i) to prevent or abate Candidate-Specific Patent Competitive Infringement within […***…] (or initiate the exchange of patent lists within […***…] of receiving notice of a Biosimilar application within the framework of the Biologics Price Competition and Innovation Act or any foreign equivalent) after notification thereof to or by MorphoSys pursuant to Section 6.5(a), then Xencor shall have the right, but not the obligation, to bring, at its own expense, an appropriate action in the MorphoSys Territory against any person or entity engaged in such Candidate-Specific Patent Competitive Infringement directly or contributorily; *provided*, *however*, Xencor shall not initiate legal action without first conferring with MorphoSys and considering in good faith MorphoSys' reasons for not bringing any such action. The consent of MorphoSys is not required for Xencor to bring such an enforcement action and Xencor shall control the litigation in all respects and shall make all decisions in its own discretion, subject only to the provisions regarding settlement provided below in Section 6.5(f).

(c) Competitive Infringement of Shared Patents.

(i) With respect to any Infringement of any Licensed Broader Anti-CD19 Patents, Xencor Pre-Sublicensing Product Invention Patents or Xencor Product Invention Patents by Licensed Product activities within the scope of the license to MorphoSys in Section 4.1 ("**Shared Patent Competitive Infringement**"), Xencor shall have the first right, but not the obligation, to enforce the Licensed Broader Anti-CD19 Patents, Xencor Pre-Sublicensing Product Invention Patents or Xencor Product Invention Patents anywhere in the world. Xencor shall bear all related expenses and all related recoveries shall be divided as provided in Section 6.5(h). Xencor shall keep MorphoSys reasonably informed of Xencor's activities related to prevention or abatement of Shared Patent Competitive Infringement and will consider MorphoSys' comments on any such activities. If Xencor brings suit against a Third Party to enforce the Licensed Broader Anti-CD19 Patents, Xencor Pre-Sublicensing Product Invention Patents or Xencor Product Invention Patents against Shared Patent Competitive Infringement, MorphoSys shall have the right, at Xencor's consent, to join the proceedings as a plaintiff and MorphoSys will share in the costs depending on the extent of MorphoSys' participation.

(ii) If Xencor does not bring action to prevent or abate Shared Patent Competitive Infringement within […***…] (or initiate the exchange of patent lists within […***…] days of receiving notice of a Biosimilar application within the framework of the Biologics Price Competition and Innovation Act or any foreign equivalent), after notification thereof to or by Xencor pursuant to Section 6.5(a), then MorphoSys shall have the right, but not the obligation, to bring, at its own expense, an appropriate action in the MorphoSys Territory against any person or entity engaged in such Shared Patent Competitive Infringement directly or

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contributorily and retain all related recoveries; *provided*, however, MorphoSys shall not initiate legal action without first conferring with Xencor and considering in good faith Xencor's reasons for not bringing any such action.

(d) Other Infringement.

(i) General. With respect to any infringement of any Licensed Core/Fc Platform Patents, Xencor shall have the exclusive right (but not the obligation) to prevent or abate such Infringement, and as between the Parties shall bear all related expenses and retain all related recoveries.

(ii) Xencor Core Technology Patents. To avoid doubt and notwithstanding anything express or implied in this Agreement, Xencor retains all enforcement rights with respect to Licensed Core/Fc Platform Patents, subject to the following. If MorphoSys becomes aware of any Competitive Infringement with respect to Licensed Core/Fc Platform Patents, and Xencor has not yet initiated an infringement action to assert a Licensed Core/Fc Platform Patent against the other Party practicing Competitive Infringement, MorphoSys may request in writing to Xencor the right to enforce. Xencor shall respond in writing within […***…] which of the following Xencor elects in its sole discretion: (a) Xencor will initiate an action to enforce the Licensed Core/Fc Platform Patent within an additional […***…]; (b) Xencor will authorize MorphoSys to do so, or (c) Xencor grants MorphoSys a royalty accommodation in the

country, in which the Licensed Core/Fc Platform is not being enforced against Competitive Infringement equal to […***…] as set forth in Section 5.4 if (i) the other Party practicing Competitive Infringement achieves […***…] (based upon […***…]); and (ii) no other Licensed Patent and/or Post-Sublicensing Licensed Patent could be enforced against the other Party practicing Competitive Infringement. Xencor may elect between (a), (b) and (c) in its sole discretion, and Xencor's election shall be binding on both Parties. If Xencor elects (b), then MorphoSys shall not knowingly take any position in the suit that would make any admission as to the unenforceability or invalidity of any Licensed Core/Fc Patent, unless Xencor approves of such position or has already taken such position in litigation. In the event that Xencor elects (a), then Xencor shall retain its own counsel at its own expense.

(iii) **Infringement of MorphoSys Pre-Sublicensing and Post-Sublicensing Patents by Activities with respect to […***…] Program Antibodies by Third Parties**. Xencor shall not have any right to enforce the Post-Sublicensing Patents. As to the MorphoSys Pre-Sublicensing Patents, MorphoSys shall have the right to enforce them against Third Party research, development, manufacture, use, sale, offer for sale, importation or exportation of […***…] Program Antibodies (retaining all recoveries); *provided, however,* before doing so MorphoSys shall discuss with Xencor in good faith any concerns Xencor may have with respect to such enforcement for a period of not less than […***…]. Xencor shall only have the right to enforce MorphoSys Pre-Sublicensing Patents against Third Party research, development, manufacture, use, sale, offer for sale, importation or exportation of […***…] Program Antibodies (retaining all recoveries) if MorphoSys grants its withholdable consent for Xencor to do so. Xencor may request such consent and will meet and confer with MorphoSys as to the proposed enforcement. If Xencor elects to enforce, and MorphoSys consents, then MorphoSys shall cooperate by being joined in name as a party plaintiff (at Xencor's expense on a pass-

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through basis) and Xencor shall not knowingly take any position in the suit that would make any admission as to the unenforceability or invalidity of any MorphoSys Pre-Sublicensing Patent, unless MorphoSys approves of such position or has already taken such position in litigation.

(e) Participation of the Other Party with Respect to Infringement Suits. If a Party brings an action against infringement under this Section 6.5, the Party bringing the action shall maintain control of the action and the other Party shall be entitled to separate representation in such matter by counsel of its own choice and at its own expense, and such Party shall cooperate fully with the Party bringing such action including by being joined as a party plaintiff if necessary to obtain standing for such action (all at the expense on a pass-through basis of the prosecuting Party, including payment or reimbursement of reasonable attorneys fees of the Party being joined). Costs related to cooperation with the Party bringing the action will be reimbursed on an ongoing basis. Costs of the cooperating party that go beyond what is needed to reasonably cooperate will be reimbursed out of any recovery.

(f) Settlement.

(i) Xencor shall not settle a claim brought under Section 6.5(b) or Section 6.5(c) involving Licensed Patents in a manner that would reduce MorphoSys's market share of Licensed Products for use in the Field in the MorphoSys Territory, or would grant a conflicting license inside the scope of any exclusive license to MorphoSys under a Patent that is exclusively licensed to MorphoSys, in each case without the prior written consent of MorphoSys (which consent shall not be unreasonably withheld, conditioned or delayed).

(ii) Xencor shall not settle a claim brought under Section 6.5(b) or Section 6.5(c) involving Post-Sublicensing Licensed Patents in a manner that would prevent MorphoSys from selling Licensed Products for use in the Field in the MorphoSys Territory, or would grant a conflicting license under Post-Sublicensing Licensed Patents inside the scope of the non-exclusive license to MorphoSys (a conflicting license meaning a license that would be to the exclusion of MorphoSys, its Affiliates and/or Sublicensees), in each case without the prior written consent of MorphoSys (which consent shall not be unreasonably withheld, conditioned or delayed).

(iii) MorphoSys shall not settle a claim brought under this Section 6.5 involving Licensed Patents and/or Post-Sublicensing Licensed Patents that would limit, restrict or impair Xencor's rights under this Agreement, in each case without the prior written consent of Xencor (which consent shall not be unreasonably withheld, conditioned or delayed), or make any admission as to invalidity or unenforceability of any Licensed Patent and/or Post-Sublicensing Licensed Patent without the consent of Xencor.

(g) Allocation of Proceeds. If monetary damages are recovered from any Third Party in an action brought by a Party under Section 6.5(b), (c), or (d), such recovery shall be allocated first to the reimbursement of any costs and expenses incurred by the Party controlling such litigation (including, for this purpose, a reasonable allocation of expenses of internal counsel or other personnel acting in such capacity (i.e., coordination of litigation matters and the like)), not previously reimbursed, and then the costs and expenses of the non-controlling Party (including, for this purpose, a reasonable allocation of expenses of internal

counsel or other personnel acting in such capacity (i.e., coordination of litigation matters and the like)), and any remaining amounts shall be split as follows:

(i) If the action was brought solely under Section 6.5(b), then:

(1) the portion of any such remaining amounts that represents recovery for Competitive Infringement ("**Remaining Competitive Recovery**") on any action brought under Section 6.5(b)(i), (a) to the extent not representing treble or punitive damages shall be allocated to Xencor in an amount equal to the royalty that would have been payable to Xencor under Article 5 if MorphoSys had made Net Sales equivalent to the actual sales that underlie the Remaining Competitive Recovery, with the remaining portion of the Remaining Competitive Recovery under this subsection (1) that does not represent treble or punitive damages being allocated to MorphoSys; and (b) to the extent representing treble or punitive damages shall be allocated […***…] ([…***…]%) to Xencor and […***…] ([…***…]%) to MorphoSys ; and

(2) the Remaining Competitive Recovery on any action brought under Section 6.5(b)(ii), (a) to the extent not representing treble or punitive damages shall be allocated to Xencor in an amount equal to double the royalty that would have been payable to Xencor under Article 5 if MorphoSys had made Net Sales equivalent to the actual sales that underlie the Remaining Competitive Recovery, with the remainder of the Remaining Competitive Recovery under this subsection (2) that does not represent treble or punitive damages being solely allocated to MorphoSys; and (b) to the extent representing treble or punitive damages shall be allocated […***…] ([…***…]%) to MorphoSys and […***…] ([…***…]%) to Xencor.

(ii) If the action was brought solely under Section 6.5(c) or (d) or jointly under Sections 6.5 (b) and (c) and/or (d), then any recovery on Infringement other than Competitive Infringement shall be deducted and the remainder (a) to the extent not representing treble or punitive damages shall be allocated to Xencor in an amount equal to the royalty that would have been payable to Xencor under Article 5 if MorphoSys had made Net Sales equivalent to the actual sales that underlie the Remaining Competitive Recovery, with the remaining portion of the Remaining Competitive Recovery under this subsection (ii) that does not represent treble or punitive damages being allocated to MorphoSys; and (b) to the extent representing treble or punitive damages shall be allocated […***…] ([…***…]%) to Xencor and […***…] ([…***…]%) to MorphoSys.

(h) Affiliates/Sublicensees/Other Licensees. MorphoSys may grant to its Affiliates or Sublicensees its rights to prosecute and/or enforce Licensed Patents and/or Post-Sublicensing Licensed Patents as set forth in this Section 6.5, and Xencor may do the same for its Affiliates and Other Licensees.

(i) Non-exclusively Licensed Patents. For the Post-Sublicensing Licensed Patents, the license grants to MorphoSys with respect to which are non-exclusive, notwithstanding anything express or implied in this Agreement, MorphoSys has no right to enforce the Post-Sublicensing Licensed Patents.

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6.6 Infringement of Third-Party Rights. If any Licensed Product manufactured, used or sold by either Party, its Affiliates, Sublicensees or Other Licensees becomes the subject of a Third Party's claim or assertion of infringement of a Patent relating to the manufacture, use, sale, offer for sale or importation of Licensed Product, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Unless the Parties otherwise agree in writing, each Party shall have the right to defend itself against a suit that names it as a defendant, subject to the indemnification provisions of Article 9. Neither Party shall enter into any settlement of any claim described in this Section 6.6 that affects the other Party's rights or interests without such other Party's written consent, which consent shall not be unreasonably withheld, conditioned or delayed. In any event, the Parties shall reasonably assist one another and cooperate in any such litigation at the other Party's request and expense.

6.7 Patent Oppositions and Other Proceedings. If either Party desires to bring an opposition, action for declaratory judgment, nullity action, interference, reexamination or other attack upon the validity, title or enforceability of a Patent owned or controlled by a Third Party that covers or may cover the manufacture, use for the Field or sale of any Licensed Product, such Party shall so notify the other Party.

6.8 Patent Challenges. If MorphoSys or its Affiliate or Sublicensee challenges in a court or before a patent office the validity, enforceability or scope of any Licensed Patents existent as of the Effective Date, and within […***…] days after written notice from Xencor calling MorphoSys's attention to this the challenge is not irrevocable withdrawn, then […***…], and Xencor may terminate this Agreement and any license granted hereunder immediately. Notwithstanding the foregoing, MorphoSys or its Affiliate shall be permitted to take any action reasonably required in order to comply with any applicable law, regulation or court order in any proceeding that is not initiated directly or indirectly by MorphoSys or its Affiliate, whether or not such proceeding relates to any challenge or dispute concerning the validity of the Licensed Patents in a patent office proceeding or court of law.

6.9 Trademarks. As between the Parties, the trademarks on Licensed Products sold by MorphoSys (and its Affiliates and Sublicensees) in the MorphoSys Territory shall be owned or controlled by MorphoSys (or its Affiliates or Sublicensees). Neither Party grants to the other any license under trademarks owned or controlled by such Party except as expressly provided for in this Agreement.

ARTICLE 7

CONFIDENTIALITY

7.1 Treatment of Confidential Information. The Parties agree that during the Term, and for a period of […***…] after the Term expires in the last country in which it expires or is terminated, a Party receiving Confidential Information of the other Party shall (a) maintain in confidence such Confidential Information to the same extent such Party maintains its own confidential, proprietary information (but at a minimum each Party shall use

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Commercially Reasonable Efforts), (b) not disclose such Confidential Information to any Third Party without prior written consent of the other Party, and (c) not use such Confidential Information for any purpose except those permitted by this Agreement.

7.2 Authorized Disclosure. Notwithstanding Section 7.1, a Party may disclose Confidential Information of the other Party to the extent such disclosure is reasonably necessary in the following instances:

(a) filing for, prosecuting or maintaining Patents owned by such Party;

(b) regulatory filings for which such Party is responsible under this Agreement;

(c) complying with applicable governmental regulations and/or submitting information to tax or other governmental authorities, *provided* that if the receiving Party is required by law to make any public disclosures of Confidential Information of the disclosing Party, to the extent it may legally do so, it will give reasonable advance notice to the disclosing Party of such disclosure and will use its reasonable efforts to secure confidential treatment of Confidential Information prior to its disclosure (whether through protective orders or otherwise) and the public filing of this Agreement shall be handled as provided in Section 7.5;

(d) prosecuting or defending litigation of this Agreement or defending any litigation, but subject to the same provisions as in (c);

(e) to (i) its Affiliates, to its legal and financial advisors, to its consultants, merger partners and acquirors (and their counsel in connection with diligence) and — other than […***…] Confidential Information — to prospective and actual Sublicensee(s) and (ii) others (but not Other Licensees) in order to (and solely to the extent required to) exercise such Party's rights or fulfill its obligations under this Agreement (including commercialization and/or granting a Sublicense to Licensed Patents and/or Post-Sublicensing Licensed Patents, Licensed Know-How or Licensed Products) on a need to know basis, each of whom in (i) and (ii) prior to disclosure must be bound by similar obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7 and that are of reasonable duration in view of the circumstances of the disclosure. MorphoSys may request to Xencor and Xencor shall grant and perform disclosure of all Xencor Confidential Information relating to […***…] that was made available to MorphoSys before entering into this Agreement to any potential Sublicensee under appropriate CDA; and

(f) to the extent mutually agreed to in writing by the Parties.

7.3 Termination of Prior CDA. This Agreement supersedes the Prior CDA. All information exchanged between the Parties under or otherwise subject to the Prior CDA shall be deemed Confidential Information (in accordance with and to the extent set forth in the definition of such term in Article 1), and shall be subject to the terms of this Article 7. For clarity, all Confidential Information exchanged between the Parties as of the Effective Date of this Agreement shall be Confidential Information as defined in this Agreement.

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7.4 Publicity. The Parties have agreed to the joint press release set forth in Exhibit G (in English; MorphoSys shall additionally be entitled after the English version is released or simultaneously a direct translation into German of such English version) for the initial public announcement of the execution of this Agreement. Any other publication, news release or other public announcement regarding the execution or terms of this Agreement, shall first be reviewed and approved by both Parties, which approval shall not be unreasonably withheld, conditioned or delayed. Both Parties agree that as part of their corporate communications policy and standard practice, Xencor and/or MorphoSys may need to announce the achievement of payment-bearing milestones under this Agreement, and shall be permitted to do so, if the respective other Party agrees in advance, which approval shall not be unreasonably withheld, conditioned or delayed, and the Parties will work together as needed to find — in good faith — acceptable wording as needed to the extent such announcement does not state the actual amount of any payment. In addition, and subject to the requirements of applicable securities and other laws governing such disclosures, each Party shall use good faith efforts to notify the other Party in advance of any significant public announcement regarding Licensed Products' performance and achievements under this Agreement. In case of any disclosure that is required by law as reasonably advised by the disclosing Party's counsel, such Party will provide the other Party with prompt notice of the required disclosure, such other Party shall not be entitled to withhold consent, but the Parties shall work together in good faith to find a mutually acceptable manner in which to make the disclosure. Permission to repeat information that has already been publicly disclosed shall not be required.

7.5 Terms of Agreement. The terms of this Agreement shall be treated as Confidential Information of both Parties. Such terms may be disclosed by a Party to individuals or entities covered by Section 7.2(e)(i) (but not Section 7.2(e)(ii)) above, each of whom prior to disclosure must be bound by similar obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7. The terms of this Agreement other than the financial terms and any attached development plans may be disclosed by Xencor to prospective Other Licensees, each of whom prior to disclosure must be bound by similar obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7. Disclosure of the terms of this Agreement (but not other Confidential Information received from the other Party) may also be made to actual or potential bankers, lenders and investors of the disclosing Party, who are bound to obligations of confidentiality and non-use substantially equivalent in scope to those set forth in this Article 7. In addition, if at any time a Party is legally required to file a copy of this Agreement with the Securities and Exchange Commission (or its counterpart in any country other than the U.S.) in connection with any public offering of such Party's securities or regular reporting obligations as a public company (if and when such Party becomes public), such Party shall attempt to obtain confidential treatment of economic and trade secret information for which such treatment is reasonably available in accordance with applicable laws and regulations and SEC (or counterpart) practice. To that end, the filing Party shall, at least […***…] in advance of any such filing, provide the other Party with a draft set of redactions to the Agreement for which confidential treatment will be sought, and incorporate such other Party's comments as to additional terms it would like to see redacted, and seek confidential treatment for such additional terms (except only in the limited circumstances where confidential treatment is manifestly unavailable), to the extent such comments are provided at […***…] in advance of the anticipated filing date.

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7.6 Publications. The Parties agree to provide the other Party the opportunity to review any proposed abstracts, manuscripts or scientific presentations (including verbal presentations) which relate to (a) its activities performed pursuant to this Agreement and/or (b) any Licensed Antibody and/or Licensed Product or either of their respective development, reasonably in advance to the publishing Party's intended submission for publication or presentation and agrees, upon request, not to submit any such abstract or manuscript for publication until the other Party is given a reasonable period of time to (i) secure patent protection for any material in such publication which the other Party believes to be patentable and/or (ii) to ascertain whether its Confidential Information would be disclosed by the publication. Such other Party shall then provide its comments, if any, within […***…] of receiving the manuscript or publication from the publishing Party. If patentable data and/or information is disclosed in the manuscript or publication, the other Party shall promptly request to the publishing Party and the publishing Party shall grant the other Party to withhold such manuscript or publication for up to […***…] after receiving the manuscript or other publication to allow the other Party to file the respective Patent application. If Confidential Information is disclosed in the manuscript or publication, the publishing Party shall promptly remove such Confidential Information and shall ensure that the manuscript or publication is published without such Confidential Information. For clarity, nothing contained in this Section 7.6 shall prohibit the inclusion of information necessary for a patent application, provided the nonfiling Party is given a reasonable opportunity to review the information to be included prior to submission of such patent application and to request deletion of its Confidential Information (subject to Section 7.2(a)). Notwithstanding the foregoing, Xencor shall not publish or first present in a public forum the scientific or technical results of any activities performed pursuant to this Agreement or any Confidential Information relating to Licensed Antibody and/or Licensed Product, including Collaboration Confidential Information and Xencor Pre-Clinical Confidential Information, without the prior written approval by MorphoSys, whereby such approval shall not be unreasonably withheld by MorphoSys with respect to Xencor Pre-Clinical Confidential Information. MorphoSys may publish and/or present Xencor Pre-Clinical Confidential Information without Xencor's prior approval, *provided, however,* that (A) Xencor shall be given the opportunity to secure

patent protection according to this Section, and (B) Xencor and/or the respective employees are appropriately acknowledged in such publication (including authorship of such employees in accordance with prevailing norms).

7.7 Due Diligence Data. All data provided by Xencor in the dataroom before the Effective Date for the purpose of MorphoSys performing due diligence ("Due Diligence Data") shall be Xencor Confidential Information. Xencor shall store such data on a CD and send it to an independent third party reasonably acceptable to MorphoSys and Xencor (the "Data Escrow Agent") promptly after a three-way-storage agreement between the Parties and the Data Escrow Agent has been executed. Such three-way-storage agreement shall be negotiated in good faith promptly after the Effective Date and shall contain provisions describing the events whereupon the Data Escrow Agent shall release such reference material to either MorphoSys, Xencor or an independent Third Party (including for verifying compliance with the warranties under Article 8). MorphoSys shall bear the costs associated with the storage of such reference material at the Data Escrow Agent's facilities. Furthermore, Xencor shall provide to MorphoSys a CD containing all Due Diligence Data, *excluding, however,* any data solely relating to […***…]

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ARTICLE 8

REPRESENTATIONS AND WARRANTIES

8.1 General Representations and Warranties. Each Party represents, warrants and covenants to the other that:

(a) The representing and warranting Party is duly organized and validly existing under the laws of its state or country of incorporation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) The representing and warranting Party is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has and have been duly authorized to do so by all requisite corporate action.

(c) This Agreement is legally binding upon it and enforceable in accordance with the Agreement's terms. The execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) The representing and warranting Party has not granted, and shall not grant during the Term of the Agreement, any right to any Third Party which would conflict with the rights granted to the other Party hereunder. It has (or shall have at the time performance is due) maintained and shall maintain and keep in full force and effect all agreements necessary to perform its obligations hereunder.

8.2 Xencor's Warranties. Xencor represents and warrants that:

(a) As of the Effective Date, the Listed Xencor Patents and Licensed Know-How are owned solely and exclusively by Xencor, free and clear of any liens, charges, and encumbrances or licenses in the Field, and following the Effective Date, it will take no action that results in any of the Listed Xencor Patents being (i) owned in whole or in part by any entity other than Xencor or its permitted successors and assigns other than in a manner that such Patents remain subject to the licenses and rights set forth in this Agreement, or (ii) encumbered by liens, charges, encumbrances or other licenses in each case with respect to Licensed Antibodies and/or Licensed Products in the Field.

(b) As of the Effective Date, the Listed Xencor Patents include all Patents owned or Controlled by Xencor anywhere in the world that may be extended into the MorphoSys Territory, that Cover Licensed Antibodies and/or Licensed Products.

(c) Neither Xencor nor its Affiliates has received from any Third Party any written notice stating any claim that any Patent or trade secret right owned or controlled by such Third Party would be infringed or misappropriated by the manufacture, use, sale, offer for sale or importation of XmAb5574 or the Licensed Product that is the subject of the Ongoing Phase 1 Trial as contemplated by this Agreement. To the best of knowledge of the officers of Xencor the

disclosures that Xencor made to MorphoSys in the course of intellectual property due diligence were true and accurate in all material respects and to the best of knowledge of such officers Xencor did not neglect to make further disclosures of information (including as to freedom to operate for XmAb5574 and the Licensed Product in development as of the Effective Date) within the knowledge of such officers necessary to make the disclosures by Xencor in intellectual property due diligence not misleading.

(d) As of the Effective Date, neither Xencor nor its Affiliates has received any formal written or oral notice of any offer to license any Patent purporting to Cover a Licensed Product, formal written notice of (i) an interference in the United States Patent and Trademark Office involving a Licensed Patent, (ii) any claim of inventorship or co-inventorship of any Licensed Patent(s) by any individual who is not currently listed as an inventor on such Licensed Patent(s), or (iii) any other adverse action by any Third Party in any patent office or court anywhere in the world relating to a Licensed Patent;

(e) As of the Effective Date, neither Xencor nor its Affiliates has granted, expressly or otherwise, any assignment, license or other extension of right, covenant not to sue, or other similar interest or benefit, exclusive or otherwise, to, under or in the Licensed Patents or the Licensed Know-How with respect to Licensed Antibody and/or Licensed Products in the Field, which license remains in effect.

(f) After the Effective Date but prior to the expiration or termination of this Agreement, neither Xencor nor its Affiliates will grant, expressly or otherwise, any assignment, license or other extension of right, covenant not to sue, or other similar interest or benefit, exclusive or otherwise, to, under or in the Licensed Patents and/or Post-Sublicensing Licensed Patents or the Licensed Know-How with respect to Licensed Antibody and/or Licensed Products in the Field.

(g) The data with respect to XmAb5574, and the data with respect to […***…] antibody-dependent cytotoxicity and B-cell-depleting properties (including any data of Xencor's with respect thereto in *in vivo* tumor models), that Xencor has disclosed to MorphoSys in writing prior to the Effective

Date is to Xencor's best knowledge true, accurate and complete in all material respects as of the Effective Date and to the best of knowledge of Xencor's officers there are no data generated by or for Xencor but not disclosed that would conflict with such data disclosed by Xencor to MorphoSys in writing.

(h) As of the Effective Date, to the knowledge of its officers, Xencor and/or its Affiliates have not made available any Licensed Antibody and/or Licensed Product to any Third Party other than those disclosed to MorphoSys in writing prior to the Effective Date (including disclosure via inclusion of an applicable agreement covering materials transfer in the data room to which MorphoSys was provided access for due diligence purposes).

8.3 MorphoSys Warranties. MorphoSys represents and warrants that:

(a) As of the Effective Date, MorphoSys intends to conduct significant additional clinical development of Licensed Product prior to sublicensing.

(b) As of the Effective Date, MorphoSys intends to complete […***…].

(c) As of the Effective Date, MorphoSys (i) has not initiated any discussion with any Third Party for […***…] and (ii) intends to […***…] not earlier than […***…] after the Effective Date.

(d) MorphoSys and its Affiliates are not party to any contract as of the Effective Date that would automatically or by request of the counterparty result […***…] with respect to Licensed Antibody or Licensed Product.

(e) As of the Effective Date and to the best of the knowledge of its officers, MorphoSys and its Affiliates do not own or Control any anti-CD19 Antibody identified and documented as such, except as (i) under any existing (as of the Effective Date) HuCAL agreement between MorphoSys and/or its Affiliate(s) and a third party, and (ii) relating to any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s).

(f) As of the Effective Date, MorphoSys and its Affiliates […***…], except as (i) under any existing (as of the Effective Date) HuCAL agreement between MorphoSys and/or its Affiliate(s) and a third party, and (ii) relating to any non-therapeutic, non-prophylactic activity of MorphoSys and/or its Affiliate(s).

8.4 Warranty and Covenant of No Debarment. Each of MorphoSys and Xencor represents, warrants and covenants that in the course of the development of Licensed Products, the representing, warranting and covenanting Party, to the best of such Party's knowledge, has not prior to the Effective Date used, and shall not during the Term use, any employee or consultant who has been debarred by the FDA or Regulatory Authorities, or, to the best of such Party's knowledge, who was or is the subject of debarment proceedings by the FDA or Regulatory Authorities.

8.5 Disclaimer Concerning Technology. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, THE PATENTS AND KNOW-HOW PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS" AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH PARTY EXPRESSLY DOES NOT WARRANT (I) THE SUCCESS OF ACTIVITIES PERFORMED PURSUANT TO THIS AGREEMENT OR (II) THE SAFETY, EFFICACY OR USEFULNESS FOR ANY PURPOSE OF THE PATENTS OR KNOW-HOW IT PROVIDES UNDER THIS AGREEMENT OR THE SUBJECT MATTER OF THEM. XENCOR PROVIDES LICENSED ANTIBODY UNDER THIS AGREEMENT "AS IS" AND EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN,

MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO.

ARTICLE 9

INDEMNIFICATION

9.1 Indemnification by MorphoSys. MorphoSys shall indemnify, hold harmless and defend Xencor, Xencor's Affiliates, Xencor's and its Affiliates' Other Licensees and all of the respective officers, directors, employees and agents of each of the foregoing entities (collectively the "**Xencor Indemnitees**") from and against any and all losses, damages, liabilities, judgments, fines, amounts paid in settlement, expenses and costs of defense (including reasonable attorneys' fees and witness fees) (collectively "**Losses**") resulting from any demand, claim, action or proceeding brought or initiated by a Third Party (each a "**Third-Party Claim**") against any Xencor Indemnitees(s) to the extent that such Third-Party Claim arises out of (i) the breach of any representation, warranty or covenant by MorphoSys in Article 8; (ii) the gross negligence or willful misconduct of any MorphoSys Indemnitee (defined in Section 9.2); or (iii) the research, development, manufacture, storage, handling, use, sale, offer for sale or importation of Licensed Antibody or Licensed Products by or for the MorphoSys Indemnitees (as defined below) (including, to avoid doubt, any and all Patent infringement liability not arising from a breach of a Xencor representation and warranty in Article 8); *provided* that (a) the Xencor Indemnitees comply with the procedure set forth in Section 9.3; and (b) such indemnity shall not apply to the extent Xencor has an indemnification obligation pursuant to Section 9.2 for such Loss. MorphoSys shall require equivalent indemnification of the Xencor Indemnitees as in clause (iii) of the foregoing sentence from each Sublicensee as to such Sublicensee's activities described in such clause (iii).

9.2 Indemnification by Xencor. Xencor shall indemnify, hold harmless and defend MorphoSys, MorphoSys' Affiliates, MorphoSys' and its Affiliates' Sublicensee(s) and all of the respective officers, directors, employees and agents of each of the foregoing entities (collectively the "**MorphoSys Indemnitees**") from and against any and all Losses resulting from any Third-Party Claim against them to the extent that such Third-Party Claim arises out of (i) the breach of any representation, warranty or covenant by Xencor in Article 8; or (ii) the gross negligence or willful misconduct of any Xencor Indemnitee; *provided* that (a) the MorphoSys Indemnitees comply with the procedure set forth in Section 9.3; and (b) such indemnity shall not apply to the extent MorphoSys has an indemnification obligation pursuant to Section 9.1 for such Loss.

9.3 Procedure. To be eligible for its Xencor Indemnitees or MorphoSys Indemnitees (as applicable) to be indemnified hereunder, a Party shall provide the indemnifying Party with prompt notice of the Third-Party Claim giving rise to the indemnification obligation pursuant to this Article 9 and the exclusive ability to defend (with the reasonable cooperation of the indemnified Party, at the defending Party's expense on a pass-through basis) or settle any such Third-Party Claim; *provided, however*, that the indemnifying Party shall not enter into any settlement for damages other than monetary damages without the indemnified Party's written consent, such consent not to be unreasonably withheld, delayed or conditioned.

The indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any Third-Party Claim or suit that has been assumed by the indemnifying Party. If the Parties cannot agree as to the application of Sections 9.1 and 9.2 to any particular Third-Party Claim, the Parties may conduct separate defenses of such Third-Party Claim. Each Party reserves the right to claim indemnity from the other in accordance with Sections 9.1 and 9.2 above upon resolution of the underlying claim, notwithstanding the provisions of this Section 9.3 requiring the indemnified Party to tender to the indemnifying Party the exclusive ability to defend such claim or suit.

9.4 Insurance. Each Party shall procure and maintain insurance or self-insurance, including product liability insurance, adequate to cover its obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated, at all times during which any Licensed Product is being clinically tested in human subjects or commercially distributed or sold by or on behalf of such Party. At a minimum, prior to the first Marketing Authorization in the MorphoSys Territory, MorphoSys shall be insured for […***…] U.S. dollars (US$[…***…]) to cover its obligations under this Agreement. After the first Marketing Authorization in the MorphoSys Territory, MorphoSys shall be insured for a minimum of […***…] U.S. dollars (US$[…***…]) to cover its obligations under this Agreement**.** It is understood that such insurance or self-insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 9. Each Party shall provide the other with written evidence of such insurance or self-insurance upon request. Each Party shall provide the other with written notice at least […***…] prior to the cancellation, non renewal or material change in such insurance or self-insurance which materially adversely affects the rights of the other Party hereunder.

9.5 Limitation of Liability. NEITHER PARTY NOR ITS RESPECTIVE AFFILIATES AND LICENSEES (INCLUDING SUBLICENSEES AND OTHER LICENSEES) SHALL BE LIABLE FOR SPECIAL, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE. Reimbursement of Losses paid to Third Parties in accordance with the provisions of Section 9.1 or 9.2 shall not be read to be defeated by this Section 9.5.

ARTICLE 10
TERM AND TERMINATION

10.1 Term. This Agreement shall become effective on the Effective Date and shall continue until the expiration of the last Royalty Term or Sublicensing Revenue sharing obligation as set forth in Article 5 or is earlier terminated pursuant to this Article 10 (the "**Term**").

10.2 Termination for Material Breach.

(a) Notice. If either Party believes that the other is in material breach of this Agreement, then the non-breaching Party may deliver written notice of such breach to the other

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Party. To be an effective notice under this Section 10.2(a), the written notice must (i) explicitly reference this Section 10.2, and (ii) explicitly state that if the breach is not cured, the notifying Party will have the right to terminate this Agreement. The allegedly breaching Party shall have one hundred and twenty (120) days from receipt of such notice to cure such breach, or thirty (30) days in case of non-payment breaches. Furthermore, the allegedly breaching Party shall, in all cases, be permitted to seek resolution of the underlying dispute in accordance with Article 12 of this Agreement and shall inform the non-breaching Party promptly after receipt of the breach notice about its intent to seek dispute resolution. In such case, if determined under Article 12 by the arbitrator, the respective cure period as described above shall be stayed until the dispute has been decided in accordance with Article 12, subject to interest and penalties accruing during the dispute resolution under Article 12.

(b) Failure to Cure. Subject to Section 10.2(a), if the Party receiving notice of breach fails to cure such breach within such one hundred and twenty (120) day period after receipt of such notice (or thirty (30) days for non-payment breaches), the Party originally delivering the notice may terminate this Agreement effective immediately upon delivery of a second written notice to the allegedly breaching Party

10.3 Termination for Insolvency. Each Party shall have the right to terminate this Agreement upon written notice to the other Party with no second notice obligation or opportunity to cure; if the other Party: (i) shall become insolvent; (ii) shall make assignment for the benefit of creditors; or (iii) shall have a petition in bankruptcy filed for or against it not dismissed within one hundred twenty (120) days. Such termination shall be effective upon delivery of the first written notice to the other Party, unless such notice is in error.

10.4 Elective Termination. MorphoSys shall have the right, in its sole discretion, to terminate this Agreement in its entirety, by providing not less than ninety (90) days prior written notice of such termination to Xencor.

10.5 Certain Effects of Expiration and Termination; Accrued Rights.

(a) Upon expiration of this Agreement with respect to a particular Licensed Product in a particular country, the licenses to MorphoSys pursuant to Section 4.1, shall automatically become, with respect to such Licensed Product in such country, freely sublicensable, perpetual, irrevocable, non-exclusive, royalty-free, and fully paid as to all then-future exercise of the license. Unless this Agreement is earlier terminated as provided in this Article 10, the licenses granted to Xencor pursuant to Section 4.4 shall survive until the expiration of this Agreement with respect to […***…] […***…] Antibodies, at which time they shall automatically convert to become perpetual, irrevocable, non-exclusive, royalty-free, and fully paid (other than any pass-through costs to MorphoSys' un-Affiliated licensors). For clarity, the Post-Sublicensing Patents shall remain royalty-free.

(b) Expiration and termination of this Agreement shall not relieve the Parties of any liability which accrued under this Agreement prior to the effective date of such termination nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation.

(c) Notwithstanding Section 13.9, upon notice of termination of this Agreement, MorphoSys' interest in any Sublicenses granted by MorphoSys under this Agreement shall become assignable by MorphoSys to Xencor and MorphoSys' interest in this Agreement shall become assignable by MorphoSys to any Sublicensee, provided that such Sublicensee is in good standing under the Sublicense; *provided* that under no circumstance shall Xencor's obligations be increased by operation of this Section 10.5(c).

10.6 Xencor's Rights upon Certain Terminations. Upon termination of this Agreement by Xencor under Section 6.8 (Patent Challenge), 10.2 (Material Breach), or 10.3 (Insolvency), or by MorphoSys under Section 10.4 (At-Will), subject to Section 10.5(c) above:

(a) License Termination. The licenses granted by Xencor to MorphoSys under Article 4 shall terminate.

(b) Return of Licensed Know-How. Within ninety (90) days following such termination, MorphoSys shall return to Xencor all then still existing Licensed Know-How received from Xencor.

(c) Survival of Granted License. The licenses granted to Xencor pursuant to Section 4.4 shall survive and shall automatically convert to become perpetual, irrevocable, royalty-free, and fully paid. However, any associated pass-through costs already provided for in this Agreement shall continue to be due.

(d) License Grant; Patent and Know-How Assignment. Effective upon termination as provided in the first sentence of this Section 10.6, MorphoSys hereby:

(i) assigns to Xencor any and all MorphoSys Pre-Sublicensing Patents (to the extent of MorphoSys' or its Affiliate's interest therein) that solely Cover any of the following and any combination of the following: […***…] […***…]; for the avoidance of doubt, "solely Cover" means the Patents Cover only antibodies, products and/or pharmaceutical compositions falling within each of the defined terms, and no other antibody, product and/or pharmaceutical composition (for further avoidance of doubt, Xencor shall have the sole right to enforce the foregoing Patents to the extent assigned hereunder);

(ii) grants to Xencor an exclusive, royalty-free (other than any pass-through costs to MorphoSys' un-Affiliated licensors), irrevocable (except for uncured failure to pay pass-through costs), perpetual (except for uncured failure to pay pass-through costs) license under […***…] and […***…] generated by MorphoSys or on MorphoSys' behalf during the Pre-Sublicensing Term (and Patents (i) […***…] and (ii) […***…]), in each of the foregoing cases that are not assigned to Xencor in accordance with Section 10.6(d)(i), to make, have made, use, sell, offer to sell and import Licensed Antibody(ies), Licensed Product(s), […***…] and/or any pharmaceutical composition containing the foregoing; but — with respect to the foregoing […***…] that are not owned by but are instead licensed to MorphoSys — such license shall only be granted to the extent permitted under MorphoSys's agreement with the licensor of such […***…]

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and Xencor shall adhere to the terms of such agreement between MorphoSys and licensor. MorphoSys shall have the sole right to enforce such Patents outside the scope of the foregoing license to Xencor. MorphoSys shall have the first right to enforce the foregoing patents against activities within the scope of the foregoing license to Xencor. Prior to exercising such right, MorphoSys shall discuss the matter with Xencor and reasonably consider any concerns Xencor may have. If MorphoSys does not exercise such right to enforce within […***…] after a notice between the Parties of the infringement, then Xencor shall have the back-up right to enforce limited exclusively to enforcement against activities within the scope of the foregoing license to Xencor, for which purposes MorphoSys shall agree to be joined at Xencor's cost on a pass-through basis if necessary for standing purposes. Prior to initiating any such suit Xencor shall discuss the matter with MorphoSys and reasonably consider any concerns MorphoSys may have. Recoveries on MorphoSys's such enforcement shall go […***…]% to MorphoSys and […***…]% to Xencor; recoveries on Xencor's such enforcement shall go […***…]% to Xencor and […***…]% to MorphoSys. The foregoing license shall be freely sublicensable through one (1) or more tiers of sublicensees without the need to obtain consent. For the avoidance of doubt, […***…].

(iii) grants to Xencor a non-exclusive, royalty-free (other than any pass-through costs to MorphoSys' un-Affiliated licensors), irrevocable (except for uncured failure to pay pass-through costs), perpetual (except for uncured failure to pay pass-through costs) license under […***…] generated by MorphoSys or on MorphoSys' behalf during the Pre-Sublicensing Term (and Patents (i) […***…] and (ii) […***…]), in each of the foregoing cases that are not assigned to Xencor in accordance with Section 10.6(d)(i), to make, have made, use, sell, offer to sell and import any and all anti-CD19 Antibodies and/or any pharmaceutical composition containing any of the foregoing; but — with respect to the foregoing […***…] that are not owned by but are instead licensed to MorphoSys — such license shall only be granted to the extent permitted under MorphoSys's agreement with the licensor of such […***…] and Xencor shall adhere to the terms of such agreement between MorphoSys and licensor. The foregoing license shall be freely sublicensable through one (1) or more tiers of sublicensees without the need to obtain consent.

(e) Reimbursement of development costs. In the case of all terminations covered by this Section 10.6, but excluding termination under Section 10.3 (Insolvency), Xencor shall reimburse MorphoSys for its fully burdened, documented costs incurred between the Effective Date of this Agreement and the termination date for the development of Licensed Antibody(ies) and Licensed Products including, but not limited to clinical trial costs and FTE-based compensation accounted for at the FTE rate (**"MorphoSys Development Costs"**), at the following rates and according to the following payment schedule:

(i) Termination prior to dosing the first patient in the first Phase 2 Trial for the Licensed Product: […***…] reimbursement

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(ii) Termination after dosing the first patient in the first Phase 2 Trial but prior to dosing the first patient in the first Phase 3 Trial for the Licensed Product: twenty […***…] reimbursement

(iii) Termination after dosing the first patient in the first Phase 3 Trial for the Licensed Product: […***…] reimbursement.

Xencor shall only be required to make such reimbursement at the time when Xencor receives or generates revenue related to the development and/or commercialization of Licensed Antibody(ies) and/or Licensed Products. Xencor shall only be required to pay to MorphoSys a maximum of […***…] of each installment of such received or generated revenue at any time and/or in any period until the time at which the applicable percentage of MorphoSys Development Costs has been fully reimbursed. As an example, if MorphoSys Development Costs are […***…] dollars ($[…***…]) and the applicable percentage of reimbursement is […***…] ([…***…]%), and Xencor receives a payment of […***…] dollars ($[…***…]) from a future licensee of Licensed Antibody(ies) and/or Licensed Products, then Xencor shall pay […***…] ($[…***…]) to MorphoSys and such payment shall count against the required reimbursement of […***…] dollars ($[…***…]).

(f) Contract Transfer and/or Assignment. To the extent requested by Xencor in writing […***…] following termination as provided in the first sentence of this Section 10.6 (and no later than […***…] following such a termination MorphoSys shall provide copies for review, but only to the extent permitted under such contracts, to enable Xencor to make such decision), and subject to cost reimbursement according to Section 10.6(j)(i) below, MorphoSys shall transfer and/or assign to Xencor all licenses, manufacturing agreements and other contracts specific to Licensed Antibody(ies) and Licensed Products (including clinical trial and manufacturing agreements with respect thereto), to the extent such licenses and other contracts are in effect as of the date of such termination and such transfer and/or assignment is permitted under the contract.

(g) Trademarks. To the extent requested by Xencor in writing within […***…] following termination as provided in the first sentence of this Section 10.6, to the extent permitted by applicable law, MorphoSys shall license or otherwise transfer rights to Xencor to all trademarks Controlled by MorphoSys and used solely in connection with the commercialization of Licensed Antibody(ies) and Licensed Products in the MorphoSys Territory.

(h) Regulatory.

(i) Transfer. To the full extent permitted by law MorphoSys shall take all actions reasonably necessary to transfer to Xencor all essential documentation, data, protocols and filings (including all raw clinical data, SAS datasets, trial master files, regulatory correspondence (including minutes of meetings with Regulatory Authorities), INDs, Marketing Authorization Applications, Marketing Authorizations, other regulatory filings related to any Licensed Antibody or Licensed Product that MorphoSys holds as of the time of such termination, and any other documentation or data needed in accordance with International Conference of Harmonization E6 Good Clinical Practice: Consolidated Guidance), in each case of the foregoing

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to the extent reasonably required to support continued clinical development. The foregoing transfer shall be subject to cost reimbursement according to Section 10.6(j)(i) below.

(ii) Ongoing Trials. If any Licensed Product clinical trial(s) are ongoing at the time of termination, which clinical trials are solely sponsored by MorphoSys, then Xencor shall notify MorphoSys in writing within […***…] after the effection date of the termination which of the following Xencor elects and MorphoSys shall comply with and carry out Xencor's election:

(1) MorphoSys shall continue such ongoing trial and/or transfer sponsorship of such ongoing Licensed Product clinical trial(s) to Xencor on a reasonable timeline. Xencor shall be responsible for (i) the costs of the continued conduct of the trial by MorphoSys and/or transfer (as applicable), which shall include that Xencor shall reimburse MorphoSys at MorphoSys' (or its Affiliate's) fully burdened cost, determined in accordance with GAAP , and (ii) for the costs of the trial as sponsored by Xencor (as applicable).

-OR-

(2) MorphoSys shall wind down the trial and shall be fully and solely responsible for all costs associated such wind-down, and shall continue to comply with all remaining obligations and commitments made to Regulatory Authorities by MorphoSys (including if applicable, patient registries), to the extent the compliance with such obligations and commitments is required by law, at MorphoSys's sole cost. Such costs shall be subject to reimbursement by Xencor to MorphoSys in accordance with Section 10.6 (e).

(i) No Further Representations. MorphoSys shall discontinue making any representation regarding its status as a licensee of Xencor in the MorphoSys Territory for Licensed Antibody and Licensed Products and shall cease conducting all activities with respect to the marketing, promotion, sale or distribution of all of the foregoing.

(j) Transition Assistance.

(i) Subject to Sections 10.6(d)-(h) above, to the extent reasonably permissible under the circumstances at the time, and to the extent requested by Xencor in writing within […***…] following termination as provided in the first sentence of this Section 10.6, MorphoSys shall also provide such assistance as may be reasonably necessary to transfer and/or transition over a reasonable period of time to Xencor any MorphoSys Know-How, trademarks, regulatory filings, licenses and other contracts specific to Licensed Antibody(ies) and Licensed Products including clinical trial and manufacturing agreements with respect thereto, and provided that Xencor agrees to assume financial responsibility and all other obligations under each such license or contract (other than the case where MorphoSys has failed to obtain royalty-free rights under the the Post-Sublicensing Patents). Xencor shall be responsible for the reasonable costs and expenses of MorphoSys in providing such assistance, other than FTE-based compensation, but including the expenses and costs of travel food and lodging.

(ii) In addition, to the extent that MorphoSys or a MorphoSys Affiliate is then manufacturing itself (respectively) Licensed Products in the MorphoSys Territory and

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upon Xencor's request, MorphoSys shall use Commercially Reasonable Efforts to (or cause its Affiliate to) continue to manufacture Licensed Products for Xencor's use in the MorphoSys Territory until the earlier of (i) two (2) years and if reasonably required by Xencor to fully accomplish the technology and transfer without supply interruption then an additional year (for a total in that case of three (3) years) after the effective date of termination, and (ii) such time as Xencor has validated an alternative manufacturer, and quantities of Licensed Product supplied by such manufacturer may legally be sold in the MorphoSys Territory. Any such Licensed Product shall be supplied to Xencor and Xencor shall reimburse MorphoSys at MorphoSys' (or its Affiliate's) fully burdened manufacturing cost, determined in accordance with GAAP.

(k) Remaining Inventories. Xencor shall have the right to purchase from MorphoSys (or its Affiliate) all of the inventory of Licensed Products held by MorphoSys (or its Affiliate) as of the effective date of termination at a price equal to MorphoSys' (or its Affiliate's) fully burdened manufacturing cost, determined in accordance with GAAP.

(l) Affiliates. MorphoSys shall cause its Affiliates to comply with Section 10.6(a)-(k) as if they were MorphoSys.

(m) Sublicensees. MorphoSys shall use Commercially Reasonable Efforts to obtain from each Sublicensee obligations in the Sublicense for the Sublicensee to comply with Sections 10.6(b), (d), (e), (h), (j) and (k) as if the Sublicensee were MorphoSys, on the same or better terms as provided for in Sections 10.6(b), (d), (e), (h), (j) and (k) (or to avoid doubt, obligations in the Sublicense for the Sublicensee to provide MorphoSys to provide the rights of Sections 10.6(b), (d), (e), (h), (j) and (k) to MorphoSys in case the Sublicense terminates, and for these to be passed on by MorphoSys to Xencor in case this Agreement also terminates). In any event, MorphoSys shall provide in each Sublicense that whatever rights (if any) and terms with respect to the subject matter of Sections 10.6(b), (d), (e), (h), (j) and (k) are granted to MorphoSys in case such Sublicense terminates shall be passed on to Xencor if this Agreement also terminates (as non-limiting examples: if MorphoSys obtains cost-free exclusive access to or ownership of intellectual property and clinical data, then this shall also be cost-free when passed on to Xencor if this Agreement terminates; if MorphoSys obtains a broader assignment back, then the assignment to Xencor shall be identically broadened if this Agreement terminates). Also in any event, MorphoSys shall in each Sublicense obtain at a minimum the following: The license to Xencor under Post-Sublicensing Patents of Section 4.4, including to the extent granted under Post-Sublicensing Patents of the Sublicensee, shall survive in case the Sublicense terminates. In case the Sublicense terminates, there shall be a non-exclusive, royalty-free, sublicensable (through one (1) or more tiers without consent) license back to MorphoSys under the Post-Sublicensing Patents to make, have made, use, sell, offer to sell, and import Licensed Antibodies and/or Licensed Products; which license shall be passed on to Xencor if this Agreement also terminates.

10.7 MorphoSys Rights upon Certain Terminations. Upon effective termination of this Agreement by MorphoSys under Section 10.2 (Material Breach) or 10.3 (Insolvency):

(a) Survival of Granted Licenses. The licenses granted by Xencor to MorphoSys under Section 4.1 shall survive and shall automatically convert to become freely sublicensable, perpetual (except in case of MorphoSys's failure to pay milestones and royalties

due on the continued use of the license not cured within […***…] after written notice from Xencor; *provided, however,* that the license is not lost during good faith dispute of the amount of such payment(s) subject to resolution under Article 12), and irrevocable (except in case of MorphoSys's failure to pay milestones and royalties due on the continued use of the license not cured within […***…] after written notice from Xencor; *provided, however,* that the license is not lost during in good faith dispute of the amount of such payments(s) subject to resolution under Article 12) and shall remain exclusive as to all then-future exercise of the license and continue to be payment-bearing at the rates provided for in this Agreement. For clarity, the license under Post-Sublicensing Licensed Patents shall remain royalty free and this Section 10.7(a) does not alter that.

(b) Transfer of Required Know-How, Data and Materials. Within […***…] following such termination, to the full extent permitted by law Xencor shall transfer to MorphoSys all essential documentation, data, protocols, and filings (including all raw clinical data, SAS datasets, trial master files, regulatory correspondence (including minutes of meetings with Regulatory Authorities), INDs, Marketing Authorization Applications, Marketing Authorizations, other regulatory filings related to any Licensed Antibody or Licensed Product that Xencor holds as of the time of such termination, and any other documentation or data needed in accordance with International Conference of Harmonization E6 Good Clinical Practice: Consolidated Guidance), in each case of the foregoing to the extent reasonably required to support continued clinical development.

(c) Pre-Sublicensing and Pre-Partnering Term. The Pre-Sublicensing and Pre-Partnering Term shall be deemed to have ended effective immediately upon such termination.

(d) JDC. The JDC shall no longer meet unless requested by MorphoSys and all obligations of MorphoSys relating to the JDC according to Article 2 shall not be applicable any longer.

(e) Initial Phase 1 Clinical Trial. If such termination occurs during the Collaboration Term, then, upon MorphoSys' request, Xencor shall transfer the sponsorship for the Ongoing Phase I Trial to MorphoSys without undue delay, and MorphoSys in its sole discretion may assume responsibility for the Ongoing Phase 1 Trial. In the event that sponsorship for the Ongoing Phase I Trial is transferred to MorphoSys, Xencor shall use commercially

reasonable diligence efforts to provide MorphoSys with any information and/or assistance requested by MorphoSys, including assisting MorphoSys as requested in conducting the Ongoing Phase 1 Trial to a successful completion in the shortest amount of time reasonably possible.

(f) Diligence Obligations of MorphoSys. The diligence obligations of MorphoSys as set forth in Section 2.2 (c)(ii), 3.1, 3.8, 3.12, 6.2(c) and 6.2(d) shall cease.

(g) Affiliates. Xencor shall cause its Affiliates to comply with this Section 10.7 as if they were Xencor.

(h) Other Rights and Obligations. All other rights and obligations of the Parties (including MorphoSys's payment obligations to Xencor; Sections 5.5 through 5.14 shall survive expiration or termination for such payment obligations) shall be unaffected.

10.8 Other Remedies. The remedies in this Article 10 are not exclusive. Either Party may elect to seek other relief and remedies available under law through an arbitration proceeding under Article 12.

ARTICLE 11

SURVIVAL

11.1 Survival. The following provisions shall survive any expiration or termination of this Agreement:

Article or Section	Title of Article or Section	Clarification (if any)
Article 1	Definitions	
Article 7	Confidentiality	Expiring later in accordance with its terms.
Article 8	Representations and Warranties	
Article 9	Indemnification	
Article 10.5-10.8	Term and Termination	For clarity, "all other rights and obligations" of the Parties according to Section 10.7 (h) (under termination to which Section 10.7 applies) shall not exclude — for the purpose of this Section — the provisions not listed in this table of Section 11 of surviving provisions, but subject to Sections 10.7 (a) through 10.7 (g).
Article 11	Survival	
Article 12	Dispute Resolution	
Article 13	Miscellaneous	
Sections 5.5 - 5.14	Quarterly Payment Timings	To the extent necessary to govern mechanics of any accrued during the Term payment obligations and related audits.
Sections 6.1(a) and 6.1(b)	Ownership of Inventions	With respect to Section 6.1(b), to the extent necessary to assign inventions generated during the Term under this Agreement.
Section 6.8	Patent Challenges	To the extent necessary to govern any accrued during the Term payment obligations under Section 6.8.

ARTICLE 12

DISPUTE RESOLUTION

12.1 Seeking Consensus. If any dispute, controversy or claim arising out of or relating to the validity, construction, enforceability, performance or breach of this Agreement (except for any dispute regarding the validity, scope or enforceability of any Licensed Patent and/or Post-Sublicensing Licensed Patent, and/or whether such Patent(s) is (are) infringed, which shall be submitted to a court of competent jurisdiction) arises between the Parties ("**Dispute**"), then upon the written request of either Party, the Parties shall have senior executive officers with decision-making authority of each Party meet and discuss in good faith the matter over a period of at least […***…]. If the Parties do not reach agreement through the discussions of such senior executives within such […***…], then the Parties' CEOs shall discuss and attempt to reach agreement as to the matter within an additional […***…]. If the Parties do not reach agreement as to the matter (the Dispute) within such additional […***…] by the CEO discussions, then either Party may by written notice demand dispute resolution under and in accordance with Section 12.2. The written request shall explain the nature of the Dispute and refer to the relevant provisions of the Agreement upon which the Dispute is based.

12.2 Arbitration, Rules and Place. Any Disputes not resolved after all procedures under Section 12.1 may be referred by either Party to final and binding arbitration in accordance with the remainder of this Article 12 by written notice to the other Party, and final and binding arbitration under this Article will in any event be the sole and exclusive means of dispute resolution under this Agreement (i.e., the Parties waive their rights to go to a court instead of arbitration (except either Party may seek a preliminary injunction or other equitable remedy pending arbitration or go to court to enforce the arbitral award)). If a Party intends to begin an arbitration to resolve a Dispute, such Party shall provide written notice by certified or registered mail to the other Party informing such other Party of such intention and the issues to be resolved. The complaining Party's notice shall include a detailed description of the Dispute. The arbitration shall be conducted before three (3) arbitrators, one chosen by each Party from the list provided by the commercial arbitration rules of the American Arbitration Association ("**AAA Rules**"), and the third appointed in accordance with the AAA Rules. The Parties shall employ procedures designed to resolve the conflict by arbitration within […***…] of the date of the written notice described above. Any situation not expressly covered by this Agreement shall be decided in accordance with the AAA's most applicable rules. The arbitration shall take place in New York City, New York State, U.S.A. The arbitration proceeding shall be conducted in English.

12.3 Governing Law. This Agreement will be construed in accordance with, and governed in all respects by, the laws of the State of New York (without giving effect to principles of conflicts of law).

12.4 **Legal Fees**. Subject to any award the arbitrators may make, each Party shall bear its own legal fees, costs and expenses.

12.5 **Payment**. Any monetary award shall be paid in U.S. dollars free of any tax, deduction or offset; and any costs or fees incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the Party resisting enforcement.

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12.6 **Enforcement by Court Action**. Each Party agrees that any award and any other remedy rendered by any arbitral tribunal referred to herein may be entered in a court of competent jurisdiction if necessary to its enforcement and as is permitted under the relevant laws, taking into account the provisions of Section 12.3.

12.7 **Confidentiality**. The arbitrators shall issue appropriate protective orders to safeguard each Party's Confidential Information and to keep the proceeding confidential (except to the extent a Party has a legal disclosure obligation).

12.8 **Survival**. Any duty to arbitrate under this Agreement shall remain in effect and be enforceable after termination of this Agreement for any reason.

12.9 **Waiver**. By agreeing to binding arbitration, the Parties understand that they are waiving certain rights and protections which may otherwise be available if a Dispute were determined by a litigation in court, including the right to seek or obtain certain types of damages precluded by the arbitration procedures set forth in this Article 12, the right to a trial by jury, and the right to invoke formal rules of procedure and evidence.

ARTICLE 13

MISCELLANEOUS

13.1 **Export Control**. This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States of America or other countries which may be imposed upon or related to Xencor or MorphoSys from time to time. Each Party agrees that it shall not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity.

13.2 **Entire Agreement; Amendment**. This Agreement (including the Exhibits hereto) sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersedes and terminates all prior agreements and understandings between the Parties (including the Prior CDA). There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

13.3 **Bankruptcy**. All rights and licenses granted under or pursuant to this Agreement by either Party to the other are and shall be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101(52) of the US. Bankruptcy Code. Each Party agrees that the other Party, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights

and elections under the U.S. Bankruptcy Code. Without limiting the foregoing, the Parties further agree that if a bankruptcy proceeding is commenced by or against one Party (the "**Debtor**") then, in the event the Debtor rejects this Agreement pursuant to Section 365 of the U.S. Bankruptcy Code or otherwise applicable law and the other Party elects to retain its rights hereunder pursuant to Section 365(n) of the U.S. Bankruptcy Code or otherwise applicable law, the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property. The Parties further agree, without limiting the foregoing, that unless and until the Debtor rejects this Agreement pursuant to applicable law, the Debtor shall perform all of its obligations hereunder or immediately provide to the other Party a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in the other Party's possession; *provided, however*, that upon assumption of this Agreement by the Debtor pursuant to Section 365 of the U.S. Bankruptcy Code or otherwise applicable law, the other Party shall promptly return all such tangible materials, intellectual property and embodiments thereof that have been provided to it solely as a result of this Section.

13.4 **Force Majeure**. Both Parties shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by a Force Majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued so long as the condition constituting Force Majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. For purposes of this Agreement, "**Force Majeure**" means conditions beyond a Party's reasonable control or ability to plan for, including acts of God, war, terrorism, civil commotion, labor strike or lock-out, epidemic, failure or default of public utilities or common carriers, and destruction of production facilities or materials by fire, earthquake, storm or like catastrophe.

13.5 **Notices**. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement and shall be deemed to have been sufficiently given for all purposes if mailed by express delivery service or personally delivered. The date of the notice shall be the date of receipt by the notified Party, or three (3) business days after sending by express delivery service, whichever is earlier. Unless otherwise specified in writing, the mailing addresses of the Parties shall be as described below.

If to Xencor:

Xencor, Inc.
111 West Lemon Avenue
Monrovia CA 91016
Attention: CEO

Facsimile: +1 (626) 305-0350

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

Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105

Attention: Laura O. Spiegelman
Facsimile: +1 (415) 268-7522

In the case of MorphoSys:

MorphoSys AG
Lena-Christ-Strasse 48
82152 Martinsried/Planegg
Germany
Attention: CEO
Facsimile: +49 (89) 899 27 222

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

Perkins Coie LLP
607 Fourteenth Street, NW
Washington, DC 20005
Attention: Colin G. Sandercock
Facsimile +1 (202) 654-9673

13.6 **Maintenance of Records**. Each Party shall keep and maintain all records required by law or regulation with respect to Licensed Products.

13.7 **Construction**. This Agreement has been prepared jointly and shall not be strictly construed against either Party. Any reference in this Agreement to an Article, Section, subsection, paragraph, clause, Schedule or Exhibit shall be deemed to be a reference to any Article, Section, subsection, paragraph, clause, Schedule or Exhibit, of or to, as the case may be, this Agreement. Except where the context otherwise requires, (a) any definition of or reference to any agreement, instrument or other document refers to such agreement, instrument other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (b) any reference to any laws refers to such laws as from time to time enacted, repealed or amended, (c) the words "herein," "hereof" and hereunder," and words of similar import, refer to this Agreement in its entirety and not to any particular provision hereof.

13.8 **Ambiguities**. Ambiguities, if any, in this Agreement shall not be construed against any Party, regardless of which Party may be deemed to have authored the ambiguous provision.

13.9 **Assignment. Neither** this Agreement nor any right or obligation hereunder may, except for as set out in Sec. 10.5(c), be assigned or otherwise transferred by any Party without the consent of the other Party; *provided, however,* that any Party may, without such consent, assign this Agreement in its entirety to such Party's Affiliate (for so long as the relationship of Affiliation endures) or if such Party merges with, or all or substantially all of its business or assets are acquired by, another entity (whether by merger, sale of assets, sale of stock or otherwise) (an "**M&A Event**"), to the Party's merger partner or the acquiror as part of that

M&A Event; provided, however, that (i) in case Xencor is a party to an M&A Event, Xencor shall for any assignment being performed under an M&A Event, which is contemplated during the Collaboration Term provide a written notice to MorphoSys, prior to or at closing the transaction of the respective M&A Event, with which Xencor and the future assignee guarantee performance under the Agreement, specifically including all of Xencor's obligations with respect to the Ongoing Phase 1 Trial, or (ii) in case MorphoSys is a party to an M&A Event and the other party at the time of the M&A Event has an enhanced B-cell depleting anti-CD19-program in development or on the market, the other party to the M&A Event shall (a) […***…], and (b) […***…], with which the assignee guarantees that it will (aa) […***…] […***…]; and (bb) […***…]. Xencor may assign this Agreement in whole or in part without MorphoSys's consent as may be necessary or useful in connection with the monetization, sale or other transfer of any of the payments due to Xencor under this Agreement. Xencor shall assure that any of its assignees takes over all of Xencor's obligations under this Agreement, or that Xencor or its Affiliate continues to be responsible for such obligations. Each Party agrees that, notwithstanding any provisions of this Agreement to the contrary, if this Agreement is assigned by a Party in connection with an M&A Event, such assignment shall not provide the non-assigning Party with rights or access to intellectual property or technology of the merger partner or acquiror of the assigning Party existing prior to such M&A Event. Any permitted assignment shall be binding on the successors of the assigning Party. In addition, notwithstanding anything express or implied in this Agreement, if Xencor and/or MorphoSys becomes part of the corporate family of a larger pharmaceutical or biopharmaceutical company, then under no circumstances shall any entities in that family other than Xencor and/or MorphoSys and its respective Affiliates prior to joining the corporate family, be deemed to be "Affiliates" of Xencor or MorphoSys for purposes of the intellectual property definitions in this Agreement. Other than an assignment under Section 10.5(c), any assignment or attempted assignment by either Party in violation of the terms of this Section shall be null and void.

13.10 **Performance by Affiliates**. Each of the Parties acknowledge that obligations under this Agreement may be performed by Affiliates of Xencor and MorphoSys, and each of Xencor and MorphoSys guarantee performance of this Agreement by its respective Affiliates. If any dispute arises out of the performance of this Agreement by an Affiliate, or the alleged failure of an Affiliate to comply with the conditions and obligations of this Agreement, the Party seeking to resolve such dispute shall have the right to do so directly with the other Party, without any obligation to first pursue an action against, or recovery from,

the Affiliate which is alleged to have caused a breach of this Agreement. A Party is jointly and severally liable with its Affiliates for performance under this Agreement.

13.11 Independent Contractors. It is expressly agreed that Xencor and MorphoSys shall be independent contractors and that the relationship between them shall not

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constitute a partnership, joint venture or agency. Neither Xencor nor MorphoSys shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party to do so.

13.12 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.13 Severability. If any provision of this Agreement is held to be invalid or unenforceable in the alternative dispute resolution proceedings specified in Article 12 from which no court appeal can be or is taken, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

13.14 Headings. The headings for each article and section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular article or section.

13.15 No Waiver. Any delay in enforcing a Party's rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party's rights to the subsequent enforcement of its rights under this Agreement, excepting only as to an express written and signed waiver as to a particular matter for a particular period of time executed by an authorized officer of the waiving Party.

13.16 Costs. Each Party shall bear its own legal costs of and incidental to the preparation, negotiation and execution of this Agreement.

13.17 Language. This Agreement has been prepared in the English language. No translation or version of this Agreement in another language shall be of any force or effect or be used to interpret this Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Xencor and MorphoSys execute this Agreement by the hands of their duly authorized officers, effective as of the Effective Date:

Xencor, Inc.

By: /s/ Bassil Dahiyat
Name: Bassil Dahiyat
Title: President and CEO
Date: 27 June 2010

MorphoSys AG

By: /s/ S.E. Moroney
Name: S.E. Moroney
Title: CEO
Date: 27 June 2010

By: /s/ Marlies Sproll
Name: Marlies Sproll
Title: CSO
Date: 27 June 2010

LIST OF EXHIBITS

Exhibit H — Active Contracts

Exhibit I — Initial Public Announcement

Exhibit J — Xencor Development Plan

Exhibit K — Licensed Know-How

Exhibit L — Protocol for measurement of Affinity Constants of Binding

Exhibit M — […***…]

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EXHIBIT A

[…*…]**

[…***…]

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EXHIBIT B
[...*...]**

*****Confidential Treatment Requested**

[...*...]**

*****Confidential Treatment Requested**

[...*...]**

*****Confidential Treatment Requested**

[...*...]**

*****Confidential Treatment Requested**

EXHIBIT C

[…*…]**

[…***…]

*****Confidential Treatment Requested**

EXHIBIT D

[…*…]**

[…***…]

*****Confidential Treatment Requested**

EXHIBIT E

[…*…]**

[…***…]

*****Confidential Treatment Requested**

EXHIBIT F

[…*…]**

[…***…]

*****Confidential Treatment Requested**

EXHIBIT G

[…*…]**

[…***…]

*****Confidential Treatment Requested**

EXHIBIT H

[…*…]**

[…***…]

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EXHIBIT I

INITIAL PUBLIC ANNOUNCEMENT

[…***…]

MorphoSys and Xencor Sign License and Collaboration Agreement for Clinical Antibody Program

MorphoSys Strengthens Clinical Portfolio with Innovative Antibody in Phase 1 Cancer Trial [Note: Foregoing subtitle may be omitted in Xencor's release.]

[…***…]

[…***…]

[…***…]

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[…***…]

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EXHIBIT J

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***Confidential Treatment Requested

[...*...]**

***Confidential Treatment Requested

[...*...]**

***Confidential Treatment Requested

EXHIBIT K

[…*…]**

[…***…]

[…*…]**

[…*…]**

[…*…]**

EXHIBIT L

[…*…]**

[…***…]

EXHIBIT M

[…*…]**

[…***…]

Exhibit 10.20

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

MorphoSys AG
Lena-Christ-Straße 48
82152 Martinsried / Planegg
Germany

Telefon: +49 (0)89 899 27-0
Fax: +49 (0)89 899 27-222
Email: info@morphosys.com
Internet: www.morphosys.com

Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Attn: Bassil Dahiyat, CEO
Fax: +1 626 305 0350

Copy: Morisson & forester LLP
425 Market Street
San Francisco, CA 94105
Attn: Laura O. Spiegelman
Fax: +1 415 268 7522

CONFIDENTIAL

March 23rd, 2012

Re: First Amendment to the Collaboration and License Agreement ("Agreement") effective as of June 27, 2010, between Xencor, Inc. ("Xencor") and MorphoSys AG ("MorphoSys"), related to the extension of the Ongoing Phase I Trial(1).

Dear Bassil,

MorphoSys and Xencor have decided and agreed that the Ongoing Phase I Trial performed under the Agreement by Xencor shall be extended and that the Xencor Development Plan shall be amended accordingly.

Therefore, the Parties agree that Exhibit J (Xencor Development Plan) of the Agreement shall be amended to cover all activities defined in the […***…]

Xencor shall perform the Additional Activities in compliance with the terms of the Agreement (including this First Amendment) and with the […***…]. Xencor shall at all times remain the sponsor of such Additional Activities within the […***…].

MorphoSys shall pay for the clinical costs actually incurred by Xencor to complete the Additional Activities ("Additional Clinical Costs"), an estimation of which costs was provided by Xencor as set out in Appendix A hereto. Xencor shall closely inform MorphoSys on the status of the actual Additional Clinical Costs and shall promptly upon receipt provide MorphoSys with copies of all invoices received by Xencor from the Third Parties performing the Additional Clinical Activities (including CRO and clinical sites). MorphoSys shall also pay

(1) All capitalized terms in this First Amendment shall have the meaning ascribed to them in the Agreement, unless otherwise expressly set out.

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for the Licensed Product manufactured by […***…]. For the avoidance of doubt, any other batch of Licensed Product used by Xencor for the Additional Activities shall be and remain fully at Xencor's cost.

This First Amendment letter shall become effective as of the date of the date of Xencor's countersignature below.

Except as expressly amended hereby, the Agreement shall continue in full force and effect. This First Amendment is incorporated and made a part of the Agreement between MorphoSys and Xencor. In the event of any conflict or inconsistency between the Agreement and this First Amendment, the latter shall prevail.

If the foregoing terms are agreeable to Xencor, please countersign and date this letter herebelow and return the original to MorphoSys.

Best regards,

MorphoSys AG

Name: /s/ Dr. Andy Schottelin
Title: CDO

Name: /s/ Dr. Marlies Sproll
Title: CSO

Date: March 23, 2012

Date: March 23, 2012

Xencor, Inc.

Name: /s/ Bassil Dahiyat

Title: President and CEO

Date: March 28, 2012

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Appendix A

[…***…]

[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]
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***** Confidential Treatment Requested**

Exhibit 10.21

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**
Execution Copy

COLLABORATION AND OPTION AGREEMENT

THIS COLLABORATION AND OPTION AGREEMENT ("Agreement") dated as of December 22, 2010 ("Effective Date"), is entered into between XENCOR, INC., a Delaware corporation having its principal place of business at 111 West Lemon Avenue, Monrovia, CA 91016 ("Xencor") and AMGEN INC., a Delaware corporation, having its principal place of business at One Amgen Center Drive, Thousand Oaks, California 91320-1799 ("Amgen"). Amgen and Xencor are sometimes referred to herein individually as a "Party" and collectively as the "Parties". Capitalized terms used herein shall have the definitions set forth in Article 1.

BACKGROUND

WHEREAS, Xencor is pursuing preclinical and clinical development of a novel therapeutic antibody that […***…] and is engineered to have heightened binding to CD32b (XmAb5871), Controls certain patents, know-how and other intellectual property related to XmAb5871, and will continue the development of XmAb5871 through the Collaboration Period.

WHEREAS, Amgen desires to obtain from Xencor certain rights with respect to XmAb5871 and Products based thereon, including an exclusive Option to Develop and commercialize XmAb5871 and Products, and Xencor is willing to grant to Amgen such Option on the terms and conditions set forth in this Agreement.

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

1. DEFINITIONS

As used in this Agreement, the following capitalized terms will have the meanings set forth in this Article 1.

1.1 "Affiliate" of a Party means any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Party, as the case may be, for as long as such control exists. As used in this Section 1.1, "control" means: (a) to possess, directly or indirectly, the power to direct the management and policies of such Person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance; or (b) direct or indirect beneficial ownership of more than 50% (or such lesser percentage that is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) of the voting share capital in such Person.

1.2 "Affinity Constant of Binding" means the affinity of an Antibody Fc to a Fcg receptor as determined using the protocol in Schedule L attached hereto. The Affinity Constant of Binding is increased, greater or higher if the K_A value is nominally increased; as an example, a K_A of 10^7 1/M is increased, greater or higher than 10^6 1/M.

1.3 "Amgen and Joint Compound-Specific Patents" has the meaning set forth in Section 9.7(c)(i).

1.4 "Amgen Blocking Patents" has the meaning set forth in Section 9.7(c)(ii).

1.5 "Amgen Invention" has the meaning provided in Section 8.1(a).

1.6 "Amgen Know-How" means, to the extent necessary or useful for the manufacture, Development or commercialization of a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), all Information and Materials (including Data) Controlled by Amgen during the Term,

including Amgen Inventions, that was generated or used by Amgen in the course of manufacturing, Developing or commercializing a Compound or Product, but excluding any rights under Patents. For the avoidance of doubt, Amgen Know-How shall exclude: (a) Information and Materials to the extent pertaining to the composition of matter or formulation of, or any method of making or using, any Antibody that is not a Compound or any product that is not a Product; and (b) Information and Materials regarding technologies that Amgen does not actually use for the manufacture, Development or commercialization of Compounds or Products.

1.7 "Amgen Patents" means Patents that Amgen Controls during the Term that Claim the composition of matter of, or any method of making or using, any Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound); but excluding the Joint Patents.

1.8 "Amgen Technology" means the Amgen Patents and the Amgen Know-How.

1.9 "Annual Net Sales" means total Net Sales of a Product in the Territory in a particular calendar year.

1.10 "Antibody" means (i) a whole antibody, including a murine, chimeric, human, humanized, fully human, recombinant, transgenic, grafted, phage display-derived, or single chain antibody and the like, (ii) any fragment or combination of fragments, homolog, variant, derivative, modification or improvement to any of the foregoing, including any fusions thereof (including peptibodies) and additions, deletions or substitutions thereto of amino acids, peptides or other moieties, and (iii) any altered forms of any of the foregoing, including any forms with PEGylation, altered glycosylation, altered phosphorylation and the like.

1.11 "Applicable Laws" means the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidances, ordinances, judgments, decrees, directives, injunctions, orders, permits of or from any court, arbitrator, Regulatory Authority or governmental agency or authority having jurisdiction over or related to the subject item.

1.12 "Binds" means, with respect to the binding affinity of an Antibody for CD19 antigen, that such Antibody specifically binds to […***…], where mean fluorescence intensity is plotted as a function of Antibody concentration and EC50 values of binding are determined by sigmoidal dose response modeling.

1.13 "BLA" means (a) a Biologics License Application as described in Title 21 of the U.S. Code of Federal Regulations, Part 601, *et seq.*, that is filed with the FDA in order to gain the FDA's approval to commercialize a biologic pharmaceutical product in the United States; or (b) any corresponding foreign application in another country or regulatory jurisdiction in the Territory, including in the case of the European Union, a Marketing Approval Application filed with the EMA pursuant to the centralized approval procedure or with the applicable Regulatory Authority of a country in the European Union with respect to the mutual recognition or any other national approval procedure.

1.14 "Change of Control" means: (a) a sale of all or substantially all of the assets of a Party in one or a series of related transactions to a Third Party (or a "group" as defined in Section 13D of the Securities Exchange Act of 1934, as amended); (b) the acquisition by a Third Party (or such a group), in one or a series of related transactions, of beneficial

ownership of more than 50% of the voting equity securities of a Party; or (c) a merger, reorganization or consolidation involving a Party, as a result of which a Third Party (or such a group) acquires direct or indirect beneficial ownership (within the meaning of Section 13D of the Securities Exchange Act of 1934, as amended) of more than 50% of the voting power of the surviving entity immediately after such merger, reorganization or consolidation; but, in each case, excluding: (i) any transaction effected exclusively to change the domicile of a Party; (ii) any public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of a Party's equity securities for the account of a Party; (iii) any other transaction or series of transactions effected solely for *bona fide* equity financing purposes in which cash is received by a Party or indebtedness of a Party is cancelled or converted or a combination thereof; and (iv) a consolidation with a wholly-owned subsidiary of a Party; provided that in the cases of (i)—(iv) such transaction will be excluded from the definition of Change of Control only if, upon the closing of such transaction, a Significant Pharmaceutical Company does not have beneficial ownership of more than 50% of the voting securities of such Party.

1.15 "Claim" or "Claims" or "Claiming" with respect to Patents means that the relevant Patent has claims that cover the recited subject matter, whether or not such subject matter is explicitly identified in such Patent claims.

1.16 "Co-Funding Arrangement" has the meaning provided in Section 6.3.

1.17 "Collaboration Period" means the period beginning on the Effective Date and ending on the earlier to occur of (a) the Option Exercise Date, or (b) the termination of this Agreement.

1.18 "Commercially Reasonable Efforts" means, with respect to a Party's obligation under this Agreement to conduct a particular activity, that level of efforts and resources required to carry out such obligation consistent with the efforts a similarly-situated company (defined below) devotes to a pharmaceutical product of similar market potential, resulting from its own research efforts or in-licensed, at a similar stage in its development or product life, based on conditions then prevailing, including patent coverage, safety and efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the compound or product, the regulatory structure involved, expected value and profitability of the products (including costs and risks associated with Development and commercialization), and other technical, legal, scientific, medical and/or strategic considerations. A "similarly-situated company" means (a) in the case of Amgen, a global pharmaceutical company with worldwide annual pharmaceutical sales, in the most recently completed year for which such sales data is available, in excess of $[…***…], as determined by reference to data from IMS Health or a similarly reputable and reliable source; and (b) in the case of Xencor, a venture capital-funded company in the biopharmaceutical industry having pharmaceutical candidates in a similar stage of development to Compound and Products.

1.19 "Completion Option" has the meaning provided in Section 3.3.

1.20 "Completion Right" means the rights conferred on Amgen upon exercise of the Completion Option under subparagraph (i) or subparagraph (ii) of Section 3.3, as applicable.

1.21 "Compound" means:

(a) XmAb5871;

(b) any Antibody that […***…] and comprises any of the Fc variants listed in Schedule A attached hereto (as "variant" is defined in such Schedule); *provided, however,* that such Antibody is […***…], unless such […***…] meets the criteria set forth in subparagraphs (x),(y) and

(z) of paragraph (c) below; or

(c) any Antibody that (i) […***…], (ii) comprises an Fc variant Controlled by Xencor or Amgen during the Term, and (iii) meets the following criteria:

(x) such Antibody does not: (A) increase the Affinity Constant of Binding to […***…] by more than a factor of […***…] compared to […***…]; (B) increase the Affinity Constant of Binding to […***…] by more than a factor of […***…] compared to […***…]; and (C) have an absolute level of […***…] (as set forth in Schedule L) of […***…] than the absolute level of maximal lysis of […***…];

(y) such Antibody does have an Affinity Constant of Binding to […***…] that is […***…] higher than the Affinity Constant of Binding of […***…] to […***…]; and

(z) such Antibody does not: (A) have an Affinity Constant of Binding to […***…] that is higher than […***…] of such Antibody's Affinity Constant of Binding to […***…]; and (B) have an Affinity Constant of Binding to […***…] that is more than […***…] higher than the Affinity Constant of Binding of […***…] to […***…].

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, and for the avoidance of doubt, "Compound" specifically excludes: (1) any […***…]; and (2) the Excluded Antibodies.

For purposes of this Section, an Antibody shall be considered "[…***…]" if […***…].

1.22 "Confidential Information" has the meaning provided in Section 7.1.

1.23 "Control" (including any variations such as "Controlled" and "Controlling"), in the context of intellectual property rights or other items of a Party, means, subject to Section 13.9, that such Party, or any of its Affiliates, owns or possesses rights to intellectual property sufficient to grant the applicable license under this Agreement (at the time such grant would be made hereunder), without violating the terms of an agreement with a Third Party under which such Party or Affiliate first acquired rights to such intellectual property or item.

1.24 "Core Collaboration Period Development Activities" shall mean those activities set forth in the Pre-POC Development Plan appended hereto as Schedule I.

1.25 "Data" means any and all research data, pharmacology data, preclinical data, clinical data and/or other test data and all results regarding a Compound or Product, including all reports and other documents containing any such data and results or any analyses or interpretations thereof (or copies of the foregoing), in each case that are Controlled by a Party as of the Effective Date or during the Term.

1.26 "Development" means all activities related to developing a Compound or Product, or obtaining Marketing Approvals for such Products (including label expansions and new formulations), including preclinical testing, toxicology, formulation, clinical trials, regulatory affairs, investigator meetings, data collection, validation and analysis,

process development, preparation and filing of Regulatory Documents, research directed to mechanism of action or new indications, and the like. It is understood that the Development includes (a) clinical trials and preclinical studies conducted after Regulatory Approval (such as carcinogenicity studies, preclinical studies to establish pediatric dosing and the like) that are required or requested by a Regulatory Authority to be conducted after Regulatory Approval, as a condition of or in connection with obtaining or maintaining such Regulatory Approval, and (b) manufacturing-related activities for the foregoing purposes or preparing for commercial sale, including process development, scale-up and validation for a Compound or Product (excluding manufacturing batches for validation and registration purposes, to the extent such batches are actually used as commercial supplies), test method, assay and packaging development, stability testing, and the like. The term "Develop" shall have a correlative meaning.

1.27 "Development Committee" or "DC" has the meaning provided in Section 2.1.

1.28 "Development Costs" means, with respect to a Development Plan (or specified activities thereunder, as applicable), the internal and external costs and expenses incurred by Amgen or its Affiliate in connection with the performance of such Development Plan (or the applicable activities thereunder, as applicable); in either case, including Allocable Overhead (defined below). Development Costs will include, but not be limited to the following, in each case to the extent attributable to specific Development Plan activities: (i) costs of […***…]; (ii) […***…]; (iii) costs […***…]; (iv) fees and costs of […***…]; and (v) the costs of […***…]. Development Costs shall, in any event, exclude (a) any […***…]and (b) […***…].

For purposes of this definition:

(a) "Allocable Overhead" means Amgen's internal allocation, based on direct project headcount or other generally accepted activity-based accounting methods, of indirect overhead costs incurred by Amgen or any of its Affiliates to support and carry out the applicable Development Plan activities, which indirect costs may include but are not limited to: indirect labor costs; occupancy costs; repair and maintenance costs; equipment costs; insurance costs; outside professional and other service costs; and corporate general and administrative functions and activities, including, by way of example, executive management, investor relations, business development, finance and accounting, management information systems, human resources, and legal, patent and trademark; provided that Allocable Overhead shall not exceed […***…] of the direct costs (including direct overhead, such as direct manufacturing overhead) within the Development Costs in any calendar quarter.

(b) "Cost of Goods" shall mean, with respect to any bulk or finished Product, but subject to the last sentence of this paragraph, the actual fully allocated cost of manufacturing such Product (in accordance with cGMPs, if applicable)

determined in accordance with GAAP, applied consistently throughout the organization of Amgen or its Affiliate(s) determining such costs, which includes the direct and indirect cost of any raw materials, packaging materials and labor (including benefits) utilized in such manufacturing (including formulation, filling, finishing, quality assurance, quality control and stability testing, labeling and packaging, as applicable), plus an appropriate share of all factory overhead, both fixed and variable, allocated to the Product being manufactured, in accordance with the normal accounting practices for all other products manufactured in the applicable facility. "Cost of Goods" shall exclude any allocation of cost related to excess capacity not specifically reserved for the production of Compounds or Products.

1.29 "Development Plan" means the Pre-POC Development Plan or Post-Exercise Development Plan, as applicable.

1.30 "Development Support Rate" has the meaning provided in Section 3.7(e).

1.31 "EMA" means the European Medicines Agency of the European Union, or any successor entity thereto performing similar functions.

1.32 "Excluded Antibodies" means: (i) […***…]; (ii) any other Antibody that Binds to […***…] and contains an Fc variant listed in Schedule B (as "variant" is defined in such Schedule); and (iii) any Antibody that Binds to […***…] and contains any Fc variant(s) that has a […***…] greater Affinity Constant of Binding to […***…] relative to […***…] and that […***…].

1.33 "FDA" means the United States Food and Drug Administration, or any successor entity thereto performing similar functions.

1.34 "FD&C Act" means the federal Food, Drug and Cosmetic Act, as amended, and the regulations promulgated thereunder from time to time.

1.35 "Field" means any and all applications and uses.

1.36 "Filing" of a BLA shall be deemed to occur on the date of receipt of written notice of acceptance from the FDA in the United States, or other relevant Regulatory Authority outside of the United States, of such BLA for substantive review.

1.37 "First Commercial Sale" means, with respect to any Product in any country, the first sale for end use or consumption of such Product in such country after Marketing Approval has been granted by the applicable Regulatory Authority in such country.

1.38 "GAAP" means the then-current generally accepted accounting principles in the United States as established by the Financial Accounting Standards Board or any successor entity generally recognized as having the right to establish such principles in the United States, or the equivalent generally accepted accounting standard used by Amgen from time to time.

1.39 "Incomplete Pre-POC Activities" has the meaning provided in Section 3.2(c).

1.40 "IND" means any Investigational New Drug Application (including any amendments thereto) filed with the FDA pursuant to 21 CFR Part 312 before the commencement of clinical trials of a Product, or any comparable filings with any Regulatory Authority in any other jurisdiction.

1.41 "Information and Materials" shall mean techniques, technology, trade secrets, inventions (whether patentable or not), methods, know-how, data and results (including pharmacological, toxicological and clinical data and results), analytical and quality control data and results, Regulatory Documents, and other information, compositions of matter, cells, cell lines, assays, animal models and other physical, biological, or chemical material.

1.42 "Initial Option Exercise Fee" has the meaning provided in Section 6.2(a).

1.43 "Initial Plan and Budget Forecast" has the meaning provided in Section 6.3(b).

1.44 "Initiation" of a clinical trial means the first dosing of a human subject in such clinical trial.

1.45 "Invention" means any invention, whether or not patentable, that is made, conceived or reduced to practice by personnel of one or both Parties in connection with this Agreement.

1.46 "Joint Invention" has the meaning provided in Section 8.1(a).

1.47 "Joint Patents" means Patents Claiming Joint Inventions.

1.48 "License" has the meaning provided in Section 5.1.

1.49 "Lupus" means systemic lupus erythematosus.

1.50 "Major EU Market" means any of France, Germany, Italy, Spain, the United Kingdom, or the European Union as a whole.

1.51 "Major Market" means any of the U.S., a Major EU Market or Japan.

1.52 "Marketing Approval" means all approvals, licenses, registrations or authorizations of the Regulatory Authority in a country, necessary for the manufacture, use, storage, import, marketing and sale of a Product in such country. For countries where governmental or other similar approval of pricing and/or reimbursement is granted for marketing in such country, Marketing Approval shall not be deemed to occur until such pricing or reimbursement approval is obtained; *provided, however,* that Marketing Approval shall be deemed to have occurred for a particular indication for a Product in such jurisdiction no later than the first sale for end use or consumption of such Product in such country after the applicable Regulatory Authority in such country approves a BLA for such Product.

1.53 "Milestone" has the meaning provided in Section 6.5.

1.54 "MS" means multiple sclerosis.

1.55 "Net Sales" means the gross invoiced sales price of a Product sold by or on behalf of Amgen, its Affiliates or Sublicensees to Third Parties that are not affiliates or sublicensees of the selling party, less the following reasonable and customary items, solely to the extent allocable to such Product (and not previously deducted in calculating the amount invoiced), and as determined in accordance with GAAP, consistently applied:

(a) […***…];

(b) […***…];

(c) […***…];

(d) […***…];

(e) […***…];

(f) […***…];

(g) […***…]

(h) […***…].

Notwithstanding the foregoing, […***…] shall not be included within Net Sales; […***…]. In addition, in calculating Net Sales:

(1) If Amgen or any of its Affiliates or Sublicensees effects a sale, disposition or other transfer of a Product to a customer in a particular country at a price that is not an arm's length sales price, the Net Sales of such Product to such customer shall […***…].

(2) Any […***…].

(3) In the event a Product is sold in a finished dosage form containing a Product in combination with at least one other therapeutically active ingredient that is not a Product (a "Combination Product") in a country in a calendar quarter, then Net Sales of such Product in such country in such quarter shall be calculated by […***…].

[…***…]

[…***…].

If […***…].

If […***…], as determined by mutual written agreement of the Parties (such agreement not to be unreasonably withheld).

1.56 "Option" has the meaning provided in Section 3.6.

1.57 "Option Data Package" means: (a) the POC Trial Report and all Data generated by or under authority of Xencor in performing the Core Collaboration Period Development Activities; and (b) such other existing information within the Xencor Know-How as Amgen reasonably requests: (i) no later than […***…] after delivery to Amgen of the POC Trial Report, if Xencor performs the Phase 2 POC Trial, or if Amgen directs the performance of the Phase 2 POC Trial by Xencor's contractors in accordance with Schedule M pursuant to exercise of the Completion Right in accordance with Section 3.3(d); or (ii) no later than […***…] after data lock of the Phase 2 POC Trial, if Amgen performs the Phase 2 POC Trial in accordance with Schedule M pursuant to exercise of the Completion Right in accordance with Section 3.3(a), 0 or 3.3(c).

1.58 "Option Exercise Date" means the date on which Amgen has delivered to Xencor an Option Exercise Notice and paid to Xencor the Initial Option Exercise Fee, each in accordance with Section 3.6 below.

1.59 "Option Exercise Notice" has the meaning provided in Section 3.6 below.

1.60 "Option Period" means the period beginning on payment of the fee specified in Section 6.1 and expiring upon the earliest of: (a) the […***…] after delivery to Amgen of the Option Data Package following completion of all Core Collaboration Period Development Activities; (b) the termination of this Agreement; or (c) […***…] after the […***…] anniversary of the Effective Date (or, if Amgen exercises the Completion Option in accordance with Section 3.3(a), 0 or 3.3(c) below, the […***…] anniversary of the Effective Date).

1.61 "Option Period Invention" means any Amgen Invention or Joint Invention that, in each case, is: (a) made on or after the Effective Date and prior to expiration or termination of the Option Period in the course of performance of any activity contemplated by the Pre-POC Development Plan or the manufacturing activities conducted by Amgen pursuant to Section 3.4 below, and (b) directed to any Compound, alone or as

incorporated into a Product, or any Product (excluding any active ingredient that is not a Compound), or any Excluded Antibody, or the manufacture, use or formulation of any Compound, Product or Excluded Antibody. For clarity, Option Period Inventions exclude: (i) any invention made or developed by Amgen independently of the Pre-POC Development Plan and without using Confidential Information of Xencor; and (ii) any Amgen Invention or Joint Invention directed to the manufacture or production of subject matter other than Compounds, Products and Excluded Antibodies, and not specifically directed to Compounds, Products and/or Excluded Antibodies.

1.62 "Orphan Indication" means, on a country-by-country basis, an indication for which a Product has been granted orphan drug exclusivity under Section 527 of the FD&C Act, or has been granted a corresponding exclusivity under the Applicable Laws of another Major Market.

1.63 "Other Indication" means any indication other than Lupus, RA or an Orphan Indication.

1.64 "Patent(s)" means any provisional and non-provisional patents and patent applications, together with all additions, divisions, continuations, continuations-in-part, substitutions, reissues, re-examinations, extensions, registrations, patent term extensions, supplemental protection certificates, renewals and the like with respect to any of the foregoing.

1.65 "Person" means any individual, corporation, partnership, firm, association, joint venture, joint stock company, trust or other entity, or any government or regulatory administrative or political subdivision or agency, department or instrumentality thereof.

1.66 "Phase 1 Trial" means a clinical trial that meets the requirements of 21 CFR § 312.21(a) (or its successor regulation), including any such clinical trial in any country outside the United States.

1.67 "Phase 1a Trial" means a Phase 1 Trial of a Product meeting the Phase 1a study requirements in Pages 3 and 4 of the Pre-POC Development Plan attached hereto or otherwise agreed to by the Parties in writing.

1.68 "Phase 1b Trial" means a Phase 1 Trial of a Product meeting the Phase 1b study requirements in Pages 5 and 6 of the Pre-POC Development Plan attached hereto or otherwise agreed to by the Parties in writing.

1.69 "Phase 2 POC Trial" means a clinical trial of a Product that meets (a) the requirements of 21 CFR § 312.21(b) (or its successor regulation), including any such clinical trial in any country outside the United States and (b) the study requirements in Page 9 of the Pre-POC Development Plan attached hereto or otherwise agreed to by the Parties in writing.

1.70 "Phase 3 Trial" means a clinical trial that would satisfy the requirements for a Phase 3 study as defined in 21 CFR § 312.21(c) (or its successor regulation), including, any such clinical trial in any country outside the United States and that is intended to be of a size and power sufficient to serve as a pivotal trial for the approval of a BLA for the indication studied.

1.71 "Pre-POC Development Plan" has the meaning provided in Section 3.1.

1.72 "Pre-POC Milestone" has the meaning provided in Section 6.4.

1.73 "POC Trial Report" means the final study report from the Phase 2 POC Trial by the trial investigators, including completed case report forms for all patients who participated in the Phase 2 POC Trial. For purposes of this definition, the study report shall be deemed

"final" at such time as such report is in the form that will be filed with the FDA and Xencor has no further comments to such report and accepts such report as final.

1.74 "Post-Exercise Development Budget" has the meaning provided in Section 3.8(a).

1.75 "Post-Exercise Development Plan" has the meaning provided in Section 3.8(a).

1.76 "Post-POC Milestone" has the meaning provided in Section 6.5.

1.77 "Product" means any pharmaceutical product containing any Compound, alone or in combination with one or more other active pharmaceutical ingredients, in any dosage form or formulation.

1.78 "RA" means rheumatoid arthritis.

1.79 "Regulatory Authority" means the FDA, EMA or a regulatory body with similar regulatory authority in any other jurisdiction within the Territory.

1.80 "Regulatory Documents" means all regulatory documentation, information and submissions relating to Compound or Products, including all Regulatory Filings and correspondence with Regulatory Authorities with respect to Compound or Products.

1.81 "Regulatory Filing" means all approvals, licenses, registrations, submissions and authorizations made to or received from a Regulatory Authority in a country necessary for the Development, manufacture and/or commercialization of a pharmaceutical product in the Territory, including any INDs, BLAs,

Marketing Approval Applications and Marketing Approvals.

1.82 "Restricted Antibody" means any Antibody that Binds to […***…] and has an Affinity Constant of Binding to […***…] that is […***…] higher than the Affinity Constant of Binding of […***…] to […***…].

1.83 "Royalty Term" has the meaning provided in Section 6.7(d).

1.84 "Second Option Exercise Fee" has the meaning provided in Section 6.2(b).

1.85 "Shared Development Costs" means the sum of: (a) all Development Costs incurred after the Option Exercise Date in accordance with the Post-Exercise Development Plan and the Post-Exercise Development Budget then in effect, not to exceed in any calendar year […***…] of the total Development Costs reflected for such year in the Initial Plan and Budget Forecast for such year (the amount in excess of […***…] of such total Development Costs, the "Excess Development Costs"); and (b) […***…] of the Excess Development Costs.

1.86 "Significant Pharmaceutical Company" means a company that is engaged in the business of selling pharmaceutical products, whose revenues (on a consolidated basis in the last full fiscal year prior to the closing of any Change of Control) was in excess of $[…***…]. Any affiliate (as defined in Section 1.1, *mutatis mutandis*) of such company shall be deemed to be a Significant Pharmaceutical Company.

1.87 "Sublicensee" means a Third Party to whom Amgen has granted a sublicense under the License. For clarity, the Parties agree that any bona fide Third Party distributor who purchases Products from Amgen or its Affiliates at arm's length transfer prices for resale outside the United States, Europe and Japan shall not be deemed a Sublicensee under this Agreement so long as such distributor is not granted a sublicense under the License (other than an implied sublicense arising from purchase of Products and rights to Regulatory Documents, Regulatory Filings and related Data).

1.88 "Term" has the meaning provided in Section 9.1.

1.89 "Territory" means the world.

1.90 "Third Party" means any Person other than Xencor, Amgen and their respective Affiliates.

1.91 "Valid Claim" means a claim of: (a) an issued and unexpired Patent (including the term of any patent term extension, supplemental protection certificate, renewal or other extension) within the Xencor Patents, Amgen Patents, or Joint Patents, that has not been held unpatentable, invalid or unenforceable in a final decision of a court or other government agency of competent jurisdiction from which no appeal may be or has been taken, and that has not been admitted to be invalid or unenforceable through reissue, re-examination, disclaimer or otherwise; or (b) a pending Patent application within the Xencor Patents, Amgen Patents, or Joint Patents that has not been irretrievably cancelled, withdrawn or abandoned; *provided, however*, that if a claim of a pending patent application within the Xencor Patents, Amgen Patents, or Joint Patents shall not have issued within 7 years after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim for the purposes of this Agreement unless and until a Patent issues with such claim (from and after which time the same would be deemed a Valid Claim subject to the first sentence of the definition above).

1.92 "[…***…]" means the […***…] Antibody that Xencor refers to internally as […***…] or […***…], which has […***…] and a […***…], and the […***…].

1.93 "Xencor Invention" has the meaning provided in Section 8.1(a).

1.94 "Xencor Know-How" means, to the extent necessary or useful for the manufacturing, Development or commercialization of a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), all Information and Materials (including Data) that Xencor Controls on the Effective Date or during the Option Period or thereafter to the extent generated by or on behalf of Xencor in the course of activities related to any Compound or Product, but excluding any rights under Patents. For the avoidance of doubt, Xencor Know-How shall exclude: (a) Information and Materials to the extent pertaining to the composition of matter or formulation of, or any method of making or using, any Antibody (including any Excluded Antibody) that is not a Compound or any product that is not a Product, unless it is Controlled by Xencor and is reasonably necessary to manufacture, Develop or commercialize a Compound or Product; and (b) Information and Materials regarding Xencor's proprietary XmAb® antibody engineering technologies, including […***…].

1.95 "Xencor Patents" means Xencor Compound-Specific Patents, Xencor CD19 Patents and/or Xencor Background Patents, as applicable, as each such term is defined below:

(a) "Xencor Compound-Specific Patents" means all Patents that Xencor Controls as of the Effective Date or during the Term that: (i) Claim the composition of matter or formulation of, or any method of making or using, a Compound (including any such composition, formulation or method that constitutes a Xencor Invention), and (ii) do not Claim the composition of matter or formulation of, or any method of making or using, any Antibody that is neither a Compound nor a Restricted Antibody; including all Patents claiming any Xencor Invention that satisfies the requirements set forth in the preceding clauses (i)

and (ii); but excluding the Joint Patents. The Xencor Compound-Specific Patents existing on the Effective Date are set forth on Schedule D.

(b) "Xencor CD19 Patents" means all Patents that Xencor Controls as of the Effective Date or during the Term that: (i) Claim only the composition of matter or formulation of, or any method of making or using, a Compound (alone or as incorporated into a Product, or a Product) and one or

more other Antibodies that specifically bind to CD19, and (ii) do not Claim an Antibody that does not specifically bind to CD19; but excluding the Xencor Compound-Specific Patents and the Joint Patents. For the avoidance of doubt, the Xencor CD19 Patents exclude Patents Controlled by Xencor that Claim the composition of matter or formulation of, or any method of making or using, any Antibody that does not specifically bind to CD19. The Xencor CD19 Patents existing as of the Effective Date are set forth on Schedule E, and notwithstanding the foregoing or anything else in this Agreement, the Patents identified in Schedule E as of the Effective Date shall in any case be deemed Xencor CD19 Patents.

(c) "Xencor Background Patents" means all Patents that Xencor Controls as of the Effective Date or during the Term that:

(i) would, but for the License, be infringed by the manufacture, use sale, offer for sale or importation of a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), but are neither Xencor Compound-Specific Patents nor Xencor CD19 Patents; or

(ii) are directed to Xencor's […***…], in each case, solely as and to the extent such technology is incorporated and embodied in XmAb5871 or any other Compound;

but excluding in each of (a), (b) and (c) above, without limitation, Xencor-Controlled Patents to the extent such Patents Claim Xencor's […***…]. For avoidance of doubt, Xencor Background Patents exclude any and all Xencor Compound-Specific Patents and Xencor CD19 Patents. The Xencor Background Patents existing as of the Effective Date are set forth on Schedule F.

1.96 "Xencor Sharing Percentage" has the meaning set forth in Section 3.8(a).

1.97 "Xencor Technology" means the Xencor Patents and the Xencor Know-How.

1.98 "Xencor XmAb High ADCC (Antibody Dependent Cell Cytotoxicity) Technology" means Xencor proprietary antibody engineering technology to increase the cytotoxic effector function of an Antibody, including antibody dependent cell cytotoxicity, phagocytosis, and complement dependent cytotoxicity.

1.99 "Xencor XmAb Xtend Technology" means Xencor proprietary antibody engineering technology to prolong the half-life of an Antibody.

1.100 […***…].

1.101 "XmAb5871" means that certain monoclonal anti-CD19 Antibody referred to internally by Xencor as XmAb5871, having the amino acid sequence set forth in Schedule H.

2. GOVERNANCE

2.1 Establishment of Development Committee. Within 30 days following the Effective Date, Xencor and Amgen shall establish a Development Committee ("Development Committee" or "DC").

2.2 Role and Responsibilities. Except as expressly set forth in this Agreement, both during and after the Collaboration Period, the DC's role shall be primarily informational and advisory. The DC's principal responsibility shall be to encourage and facilitate the exchange of Information and Materials, including the disclosure of Data and Inventions as required hereunder, between the Parties with respect to the Development of Compound and Products as contemplated by Article 3. Without limiting the generality of the foregoing, the DC shall:

(a) During the Collaboration Period, provide a forum for each Party to disclose to the other on an ongoing basis all results, including Data, of Pre-POC Development Plan activities performed by such Party;

(b) Periodically review the Development Plans, and consider and approve modifications thereto, provided that, during any period after the Option Exercise Date when Xencor is not sharing Development Costs pursuant to Section 6.3, Amgen shall have the sole authority to amend the Post-Exercise Development Plan, and the DC shall have no such authority;

(c) Oversee and coordinate the technology transfer activities contemplated by Section 3.4 and, if applicable, Section 3.7;

(d) Throughout its existence, provide a forum for each Party to keep the other Party informed regarding the progress and results of such Party's Development efforts with respect to Compound and Products;

(e) Provide a forum to allow Amgen prior to Option exercise, and Xencor after Option exercise, (i) to ask the other Party questions regarding, and discuss the progress and results of, the other Party's Development and regulatory activities, and (ii) to make comments and suggestions to the other Party regarding Product Development and regulatory strategy;

(f) Attempt in good faith to resolve misunderstandings and differences arising between the Parties arising in the course of the activities contemplated by Article 3; and

(g) Perform such other duties as are specifically assigned to the DC in this Agreement or as otherwise agreed in writing by the Parties.

2.3 Membership. The DC shall be composed of 3 representatives from each of Amgen and Xencor, each appointed by the Party they represent. Initial members of the DC will be appointed by each Party within 30 days of the Effective Date. Either Party may replace its respective DC representatives at any time by written notice to the other Party. The DC will be chaired by a Xencor representative prior to the Option Exercise Date and an Amgen representative thereafter. The chairing Party may, from time to time and in its sole discretion, change the representative who serves as the DC chairperson by written notice to the other Party.

2.4 Meetings. The DC shall meet at least once each calendar quarter, or more often as otherwise agreed by the Parties. All DC meetings may be conducted by telephone, video-conference or in person as agreed by the Parties; provided, however, that the DC

shall meet in person at least twice each calendar year, unless otherwise agreed. Unless otherwise agreed by the Parties, all in-person meetings of the DC shall be held on an alternating basis between Xencor's facilities and Amgen's facilities. Each Party shall bear its own personnel and travel costs and expenses relating to DC meetings. With the consent of the Parties (not to be unreasonably withheld), other representatives of the Parties may attend any DC meeting as non-voting observers. Each Party will have the right to designate agenda items for DC meetings. Minutes of each DC meeting will be prepared by the chairperson and distributed to the DC members for review and comment within 20 days after each DC meeting, and subject to agreed changes, will be presented for discussion and approval as the first order of business at the immediately succeeding DC meeting.

2.5 Decision-Making. At each DC meeting, at least one member appointed by each Party present in person or by telephone shall constitute a quorum. Decisions of the DC shall be made by unanimous vote, with each Party having one vote and with at least one representative from each Party participating in all votes. In the event that the DC fails to reach unanimous agreement with respect to a particular matter that is specified in this Agreement to be approved by the DC, then upon the request of either Party, such matter shall be referred to the Chief Executive Officer of Xencor and a designated representative of Amgen (who shall be a Vice President or higher), who shall attempt in good faith to resolve such matter. If such individuals are unable to resolve such matter within 45 days of initiating discussions, then, prior to the earlier of the Option Exercise Date or the date of exercise of the Completion Right, the final decision will be made by the Xencor representatives, and after the earlier of the Option Exercise Date or the date of exercise of the Completion Right, the final decision will be made by the Amgen representatives; provided, in each case, that: (a) the Party having final decision-making authority shall give good faith consideration to, and take into account, the other Party's position; and (b) the DC shall have no right to modify the Core Collaboration Period Development Activities (or to modify the Pre-POC Development Plan such that it does not contain or is inconsistent with the Core Collaboration Period Development Activities), or to designate or modify any activities to be undertaken by either Party or any Development resources to be provided by either Party, except, in each case, as expressly agreed by the Parties in writing or as expressly permitted in the exercise of the Completion Right.

2.6 Termination. The DC, and the provisions of this Article 0 shall be in effect during any periods in which Development activities hereunder with respect to Compounds or Products are being conducted, provided that if the Co-Funding Arrangement is not in effect, the DC shall terminate upon the earliest to occur of: (i) filing of a BLA for a Product in each of the U.S., a Major EU Market, and Japan; and (ii) termination of the DC by Amgen pursuant to Section 10.6.

2.7 Scope of Governance. The DC shall not be delegated or vested with rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree. The DC shall not have the power to amend or modify this Agreement, and no decision of the DC shall be made in contravention of any terms or conditions of this Agreement.

2.8 Alliance Managers. Within […***…] following the Effective Date, each Party shall appoint a representative ("Alliance Manager") to facilitate communications between the Parties (including coordinating the transfer of Data or other Information and

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Materials as required under this Agreement) and to act as a liaison between the Parties. Each Party may replace its Alliance Manager at any time upon notice to the other Party.

3. DEVELOPMENT AND COMMERCIALIZATION

3.1 Pre-POC Development Plan. The activities to be performed during the Collaboration Period, and an estimated timeline for such activities, are set forth in the Development plan attached to this Agreement as Schedule I ("Pre-POC Development Plan"). The DC shall review the Pre-POC Development Plan from time to time, and in no event less often than once each calendar half-year during the Collaboration Period.

3.2 Development During the Collaboration Period.

(a) Subject to Section 3.3, during the Collaboration Period: (i) Xencor shall conduct and complete in a reasonably diligent manner the Core Development Plan Activities and any other Development activities assigned to it in the Pre-POC Development Plan, and such other ancillary Development activities as are reasonably necessary for completion of the Core Development Plan Activities; (ii) for each biomarker specifically identified as a non-Xencor assay in the Pre-POC Development Plan for which Amgen has developed an assay as of the Effective Date (each, an "Existing Assay"), Xencor's obligation to conduct such assay is conditioned upon Amgen disclosing or transferring (as applicable) to Xencor such Amgen-Controlled Information and Materials (other than commercially-available materials) for such Existing Assay, and providing to Xencor such reasonable consulting support, as, in each case, is reasonably necessary for Xencor to perform such Existing Assay in the completion of the Core Development Plan Activities; and (iii) for each biomarker specifically identified as a non-Xencor assay in the Pre-POC Development Plan for which Amgen has not developed an assay as of the Effective Date, Xencor's obligation to conduct such assay is conditioned upon Amgen developing such assay (each, an "Additional Assay"), disclosing or transferring (as applicable) to Xencor such Amgen-Controlled Information and Materials (other than commercially-available materials) for such Additional Assay, and providing to Xencor such reasonable consulting support, as, in each case, is reasonably necessary for Xencor to perform such Additional Assay in the completion of the Core Development Plan Activities. Notwithstanding the foregoing, Xencor shall have no obligation to perform any biomarker assay not specifically identified in the Pre-POC Development Plan. During the Collaboration Period, each Party shall use reasonably diligent efforts to conduct, at its expense, and to complete in an expeditious manner, those Development activities assigned to it in the Pre-POC Development Plan. Each Party shall conduct such Development activities hereunder in accordance with the Pre-POC Development Plan, and each Party shall conduct all Development activities hereunder in compliance with all Applicable Laws and in accordance with good scientific and clinical practices (including all record keeping requirements). Each Party shall provide the DC with a written progress report at least […***…] before each regularly-scheduled quarterly DC meeting summarizing the Pre-POC Development Plan activities conducted by such Party during such calendar quarter, together with a reasonable summary of the results of such activities and the anticipated completion schedule for the remaining

activities under the Pre-POC Development Plan. Notwithstanding the foregoing, Xencor will perform the Pre-POC Development Plan only in those countries listed in Schedule N, unless

otherwise agreed in writing by Amgen or, subject to Amgen's prior written consent (not to be unreasonably withheld), in […***…].

(b) If Xencor determines in good faith that there may be a delay in the initiation or progress of a clinical trial under the Pre-POC Development Plan due to circumstances beyond Xencor's reasonable control (such as FDA comments to the IND, requests for additional data or other regulatory action, or in light of unexpected scientific, technical or clinical developments), Xencor shall promptly notify Amgen thereof in writing and disclose to Amgen all relevant material information in Xencor's or any of Xencor's Affiliates' possession or control with respect thereto, and, at Amgen's request, the DC shall promptly convene to discuss the matter. In addition, if Xencor determines in good faith that continuation of a clinical trial under the Pre-POC Development Plan poses an unacceptable medical risk to trial participants, Xencor shall have the right to suspend or terminate such trial and shall promptly notify Amgen thereof in writing and disclose to Amgen all relevant material information in Xencor's possession or control with respect thereto, and, at Amgen's request, the DC shall promptly convene to discuss the matter. Xencor shall have the right to suspend or terminate a clinical trial under the Pre-POC Development Plan if required to do so by Applicable Law or any Regulatory Authority. Xencor shall promptly notify Amgen thereof in writing and disclose to Amgen all relevant material information in Xencor's possession or control with respect thereto.

(c) In the event Amgen, in its discretion, either (1) exercises the Completion Option in accordance with Section 3.3, or (2) exercises the Option prior to completion of all Core Collaboration Period Development Activities, then, in each case, Amgen shall have the right to credit the Development Costs incurred by Amgen in performing the Core Collaboration Period Development Activities for which Xencor was responsible that were not completed by Xencor prior to exercise of the Completion Right or the Option, as applicable ("Incomplete Pre-POC Activities"), against future payments under Article 6; *provided, however,* that:

(i) Development Costs of Incomplete Pre-POC Activities shall exclude costs incurred by Amgen in performing Pre-POC Development Plan activities for which Amgen is responsible, as specified in the Pre-POC Development Plan (as it existed at the time of the exercise of the Completion Right or the Option, as applicable) or as mutually agreed by the Parties in writing; and

(ii) the total Development Costs of Incomplete Pre-POC Activities creditable by Amgen against future payments under Article 6 shall in no event exceed the aggregate estimated costs for the Incomplete Pre-POC Activities reflected in Schedule O.

3.3 Core Development Activity Completion Right. Notwithstanding Sections 3.2(a) and 3.2(b):

(a) if Xencor does not complete the Core Collaboration Period Development Activities and deliver the Option Data Package by the […***…] anniversary of the Effective Date, provided that Amgen exercises the Completion Option in such event within […***…] after such […***…] anniversary;

(b) if Xencor does not conduct any Development activities with respect to XmAb5871 (or only conducts immaterial Development activities) in any […***…] period during the Collaboration Period for any reason;

(c) if Xencor materially breaches its obligation to perform Core Collaboration Period Development Activities, as determined in accordance with Section 12.2; or

(d) at any time following consummation by Xencor and a Significant Pharmaceutical Company of a Change of Control of Xencor, so long as Amgen provides Xencor at least […***…]' prior written notice that Amgen intends to exercise the Completion Option;

Amgen shall have the option (the "Completion Option"), exercisable upon written notice to Xencor, to:

(i) in the case of subparagraphs (a), (b) and (c) above, complete the Core Collaboration Period Development Activities (as reflected in the Pre-POC Development Plan at the time of exercise), including completion of the Option Data Package, and such other ancillary Development activities as are reasonably necessary to complete the Core Collaboration Period Development Activities, in each case during the Option Period; *provided, however,* that Xencor's obligations with respect to Existing Assays and Additional Assays are subject to the conditions and limitations set forth in Section 3.2(a); or

(ii) in the case of subparagraph (d) above, direct the conduct and completion by Xencor's CROs and other contractors of the Core Collaboration Period Development Activities (as reflected in the Pre-POC Development Plan at the time of exercise), including completion of the Option Data Package, and such other ancillary Development activities as are reasonably necessary for the completion of the Core Collaboration Period Development Activities, in each case during the Option Period.

Effective upon Amgen's exercise of the Completion Option as set forth above, the provisions of Schedule M attached hereto shall apply. For the avoidance of doubt, and notwithstanding any other provision of this Agreement to the contrary, if Amgen exercises the Completion Right in accordance with this Section 3.3, then, unless the Option Exercise Date occurs, (A) Amgen shall have no rights to conduct Development with respect to Compounds or Products except for the rights expressly granted above and in Schedule M, (B) subject to the foregoing, the License shall not be exercisable, and (C) Section 5.1(b) shall continue to apply.

3.4 Technology Transfer During Collaboration Period. From time to time during the Collaboration Period, Xencor shall disclose to Amgen such Xencor Know-How (including, but not limited to, Regulatory Filings) as is reasonably necessary for Amgen to perform any Pre-POC Development Plan activity for which Amgen is responsible or that the Parties otherwise mutually agree shall be undertaken by Amgen. Without limiting the foregoing, it is expressly agreed by the Parties that prior to the Option Exercise Date, Amgen shall have the right to undertake: (i) […***…] as it deems appropriate in preparation for Development activities to be conducted by Amgen after the Option Exercise Date; and (ii) […***…] (A) that Amgen deems appropriate in preparation for Development activities to be conducted by Amgen after the Option Exercise Date and (B) the protocol for which is approved in advance by

Xencor in writing (and, if Xencor does not agree with a protocol provided by Amgen, then Xencor will provide Amgen with a protocol that it believes appropriate in good faith). During the Collaboration Period, Xencor shall promptly disclose to Amgen any Xencor Know-How as is reasonably requested by Amgen to conduct activities permitted pursuant to the preceding sentence. Throughout the Collaboration Period, each Party shall promptly and fully disclose to the other Party in writing all Data and information generated by or on behalf of such Party as a result of conducting any Pre-POC Development Plan activity. The intent of the Parties under this Section 3.4 and under Article 0 is that both Parties obtain prompt access to all available Data and information made, collected or otherwise generated by or on behalf of either Party before or during the Collaboration Period and have ample opportunity via the DC to consult with each other regarding the same on an ongoing basis during the Option Period.

3.5 POC Trial Report. Promptly after the generation by Xencor, or the receipt by Xencor from a contract services organization (as applicable), of the POC Trial Report, Xencor shall deliver the POC Trial Report to Amgen, and, during the […***…] period after such delivery, the DC shall convene one or more times as reasonably requested by Amgen in order to permit Amgen to discuss the results of the Phase 2 POC Trial with Xencor personnel.

3.6 Amgen Option. Amgen shall have the right (the "Option"), exercisable at any time during the Option Period to remove the negative covenant in Section 5.1(b) so that the License is exercisable and take over from Xencor all further research, Development and commercialization activities with respect to the Compounds and Products by so notifying Xencor in writing (the "Option Exercise Notice") and paying the Initial Option Exercise Fee to Xencor, in each case, prior to the end of the Option Period. In connection with the foregoing, unless Amgen exercises the Option prior to the completion of the Core Collaboration Period Development Activities, as promptly as possible following the completion of the Core Collaboration Period Development Activities, Xencor shall prepare and deliver to Amgen the Option Data Package. Without limiting the foregoing, Xencor shall prepare and deliver to Amgen the POC Trial Report within […***…] after data lock of the Phase 2 POC Trial, to the extent it is within Xencor's reasonable control to complete such POC Trial Report within such […***…] period.

3.7 Technology Transfer and Transition After Option Exercise.

(a) Upon request by Amgen following the Option Exercise Date, Xencor shall, at Xencor's expense, promptly transfer to Amgen, as soon as reasonably practicable and in any event within […***…] after Amgen's request, all Xencor Know-How that is available in written, graphic, electronic or other tangible form (or true and complete copies thereof), that is reasonably necessary or useful for Amgen to exercise its rights and perform its obligations under this Agreement with respect to Compound and Products, including, to the extent Controlled by Xencor and not previously provided to Amgen, all Data, all Regulatory Documents, all Information and Materials, all protocols, procedures, investigator reports, statistical analysis, expert opinions and reports, safety and other electronic databases, manufacturing batch records, analytical results, and other items within the Xencor Know-How. Xencor shall provide the foregoing Data and other information in electronic form to the extent the same exists in electronic form.

(b) Without limiting Section 3.7(a) above, promptly following the Option Exercise Date, Xencor shall transfer to Amgen at no additional cost to Amgen responsibility for the further manufacture and supply of Compound and Product. Such transfer shall include delivering or otherwise providing to Amgen such Xencor Know-How as is reasonably necessary or useful to manufacture the Compound and Products as the same were manufactured by or on behalf of Xencor prior to the Option Exercise Date. Without limiting the foregoing, Xencor and Amgen shall develop and reasonably agree upon a detailed plan for the transfer to Amgen of the manufacture and supply of the Compound and Products, including a schedule of items to be transferred and a reasonable time period by the end of which such transfer is to be completed (not to exceed […***…] following the Option Exercise Date). To the extent requested by Amgen, Xencor shall promptly provide Amgen with existing quantities of usable Compound and finished Products, and Amgen shall reimburse Xencor for the reasonable out-of pocket costs incurred by Xencor to produce those quantities of Compound and Product so transferred to Amgen within […***…] after receipt of invoice from Xencor.

(c) During the […***…] period after the Option Exercise Date, Xencor shall cooperate with and reasonably assist Amgen in establishing direct arrangements with Third Party contractors of Xencor as of the Option Exercise Date that provide services related to the formulation, manufacture, Development or commercialization of the Compound or Products on behalf of Xencor. If Xencor's agreement with any such Third Party contractor relates solely to Compound or Products (but not to any other compound, product, technology or service) and permits assignment of the agreement to Amgen (without imposing any additional obligation on Xencor), then, at Amgen's written request made during the […***…] […***…] after the Option Exercise Date, Xencor shall assign such agreement to Amgen, and Amgen shall expressly assume in writing Xencor's future obligations thereunder. In the event Xencor does not have the right to assign any such agreement to Amgen (without imposing any additional obligations on Xencor), or if any such agreement relates to subject matter other than Compound and Products, then, at Amgen's written request made during the […***…] period after the Option Exercise Date, Xencor shall use Commercially Reasonable Efforts to make available to Amgen, as requested by Amgen, the benefits of such agreements for up to […***…] after the Option Exercise Date; provided that Amgen shall be responsible for payment of all amounts due under any such agreement in connection with the services or materials requested by Amgen thereunder.

(d) Within […***…] of the Option Exercise Date, Xencor shall (i) provide Amgen, at no charge, with copies of all documents (including file histories and then current dockets) relevant to the Xencor Compound-Specific Patents, including any communications, filings and drafts as well

as written notice of any pending deadlines or communications, and (ii) execute and deliver any legal papers reasonably requested by Amgen to enable Amgen to file, prosecute, maintain and enforce the Xencor Compound-Specific Patents as expressly permitted by Article 8.

(e) During the […***…] period after the Option Exercise Date and completion of the technology transfer described in Sections 3.7(a) and 3.7(b) (the "Development Support Period"), at Amgen's request, Xencor shall provide reasonable technical

assistance to Amgen in the practice of the Xencor Know-How transferred to Amgen pursuant to this Section 3.7 to Develop, formulate and manufacture Compound and Products, in each case as practiced by or on behalf of Xencor (the "Development Support"). The Development Support shall include making its personnel who are knowledgeable of the Compound and Product, its properties, manufacture and Development, reasonably available to Amgen for scientific and technical explanations, advice and on-site support, as may reasonably be required by Amgen, relating to the Development, manufacture and/or registration of the Compound and Products. Amgen shall reimburse Xencor for the time spent in excess of […***…] by Xencor personnel providing Development Support requested by Amgen at the rate of $[…***…] per person-hour (the "Development Support Rate"). Amgen shall reimburse Xencor for the reasonable out-of-pocket expenses incurred by Xencor in providing the Development Support requested by Amgen, provided that Amgen shall not be obligated to reimburse travel expenses of Xencor personnel except to the extent Amgen has approved such travel. In no event shall Xencor be obligated to provide more than an aggregate of […***…] person-hours of technical assistance pursuant to this Section 3.7(e), or to provide technical assistance pursuant to this Section 3.7(e) after the Development Support Period, except, in each case, upon mutual written agreement of the Parties. Notwithstanding the foregoing, if at any time Amgen reasonably requires access to any Xencor Know-How (for example, access to original patient report forms, batch records or the like), Xencor agrees to use commercially reasonable efforts to cooperate with Amgen in effectuating such access even after the expiration of the Development Support Period or following the fulfillment of Xencor's maximum aggregate hours of the technical assistance described in the preceding sentence; provided that Amgen reimburses Xencor for any out-of-pocket costs incurred by Xencor for such assistance and for any internal personnel time of Xencor at the Development Support Rate. For clarity, amounts paid by Xencor to non-employee consultants in providing assistance under this Section 3.7(e) shall be deemed out-of-pocket costs.

(f) Amgen acknowledges that Xencor's ability to achieve expeditiously and effectively the transfer of items, information and responsibilities, and to provide the assistance, described above in this Section 3.7 will require the cooperation and close coordination of Amgen, including the availability of appropriately qualified personnel and suitable facilities on a timely basis. Xencor shall not be responsible for any delay or failure to perform such transfer, or to provide such assistance, to the extent such delay or failure results from Amgen's failure to provide such cooperation and coordination.

3.8 Development After Option Exercise.

(a) Post-Exercise Development Plan and Budget. Within […***…] after the Option Exercise Date, Amgen shall provide to Xencor a reasonably detailed written Development plan for all Development activities with respect to Compounds and Products that Amgen in good faith proposes to conduct, or have conducted, in the Field in the Territory for the remainder of the then-current calendar year and the two subsequent calendar years (the "Post-Exercise Development Plan"). The Post-Exercise Development Plan shall also include a budget of projected Development Costs of Post-Exercise Development Plan activities for each such calendar year (the "Post-Exercise Development Budget"). The Post-Exercise

Development Budget, and each annual update thereto pursuant to Section 6.3, will constitute Amgen's reasonable estimate, as of the date such budget or update is delivered to Xencor, of the actual direct and indirect costs of performance of the Post-Exercise Development Plan (including reasonable provision for contingencies) and will have been prepared in good faith and accordance with fair and reasonable cost accounting practices. Xencor shall have […***…] after receipt of the Post-Exercise Development Plan and Post-Exercise Development Budget in which to notify Amgen whether or not Xencor elects to share Development Costs under the Post-Exercise Development Plan in accordance with Section 6.3 (the "Cost Sharing Election Notice"). If Xencor indicates in its Cost Sharing Election Notice that it does not wish to share any such Development Costs in accordance with Section 6.3, the Co-Funding Arrangement shall be deemed terminated as of the Option Exercise Date and Xencor will not have any right thereafter to reinstate the Co-Funding Arrangement. If Xencor elects to share such Development Costs in accordance with Section 6.3, the Cost Sharing Election Notice shall also specify whether Xencor elects to share […***…]%,[…***…]% or […***…]% (the "Xencor Sharing Percentage") of Shared Development Costs. The Xencor Sharing Percentage specified in the Cost Sharing Election Notice shall apply from the Option Exercise Date until the end of the first full calendar year after the Option Exercise Date. Xencor agrees and acknowledges that Xencor's failure to provide any such notice within such period shall be deemed to constitute Xencor's election to share […***…]% of Shared Development Costs.

(b) Conduct of Post-Exercise Development Plan. From and after the Option Exercise Date, Amgen shall have the right to control, and as between the Parties shall be solely responsible (subject to the Co-Funding Arrangement) for the costs associated with, the Development and registration of Compound and Products in the Field in the Territory. Regardless of whether or not Xencor elects to share Development Costs pursuant to this Section 3.8 and Section 6.3, Amgen shall use Commercially Reasonable Efforts to conduct and to complete the Post-Exercise Development Plan, as in effect from time to time. Amgen shall conduct such activities in accordance with the Post-Exercise Development Plan, in compliance with all Applicable Laws and in accordance with good scientific and clinical practices (including all record keeping requirements). In addition to the Development Cost reports due pursuant to Section 6.3 (if applicable), Amgen shall provide the DC with a written progress report at least […***…] before each regularly-scheduled quarterly DC meeting summarizing the Post-Exercise Development Plan activities conducted by or on behalf of Amgen during such calendar quarter, together with a reasonable summary of the results of such activities and the anticipated completion schedule for the remaining activities under the then-current Post-Exercise Development Plan.

3.9 Development; Commercialization. Subject to the terms and conditions of this Agreement from and after such time as Amgen exercises the Option, Amgen shall have the right to control, and as between the Parties shall be solely responsible (subject to the Co-Funding Arrangement) for the costs associated with, the Development, commercialization, manufacturing, distribution, marketing, promotion and other exploitation of Compounds and Products in the Field in the Territory. Without limiting the generality of the foregoing, except as expressly set forth in Section 3.7, Amgen shall

be responsible for the worldwide supply of all Compound and Products necessary for the foregoing activities.

4. REGULATORY MATTERS

4.1 During Collaboration Period. Prior to the Option Exercise Date, Xencor shall own and be responsible, at its expense, for filing, obtaining and maintaining all Regulatory Filings for the Compound and Products during the Collaboration Period; and all such Regulatory Filings shall be held in the name of Xencor. Throughout the Collaboration Period, Xencor shall keep Amgen regularly informed via the DC regarding interactions with Regulatory Authorities relating to Compound and Products, including promptly disclosing copies of material communications between Xencor and any Regulatory Authority regarding Compound or Products (including summaries of any such oral communications) and Regulatory Filings, and Xencor agrees to consider in good faith Amgen's reasonable comments and suggestions regarding regulatory matters with respect to Compound and Products. However, Xencor shall have the sole right to control all communications and interactions with, and all submissions to, Regulatory Authorities relating to Compound and Products during the Collaboration Period.

4.2 Subsequent to Option Exercise Date. Subsequent to the Option Exercise Date, Amgen shall have the right to own and control the filing, obtaining and maintaining of all Regulatory Filings for the Compound and each Product in the Territory; and unless otherwise agreed, all such approvals shall be held in the name of Amgen or its designee. Following the Option Exercise Date, Xencor shall not initiate, with respect to the Compound or any Product, any meetings or contact with Regulatory Authorities without Amgen's prior written consent, except as necessary to comply with Applicable Law (*e.g.*, prior to completion of transfer of Regulatory Submissions into Amgen's name). To the extent Xencor receives any written or oral communication from any Regulatory Authority relating to a Product, Xencor shall promptly notify Amgen and provide Amgen with a copy of any written communication received by Xencor or, if applicable, complete and accurate minutes of such oral communication. Xencor will provide reasonable cooperation and assistance to Amgen in the event that Amgen must respond to questions from Regulatory Authorities in the Territory concerning Development activities conducted by or on behalf of Xencor with the Compound or Product, or in the event that any Regulatory Authority requests or requires access to relevant sites of Xencor or its contractors in connection with any audit or inspection relating to the Development or manufacture of Compound or Product, provided that Amgen shall compensate Xencor for the time devoted by Xencor personnel to providing such cooperation and assistance at the Development Support Rate and shall reimburse Xencor for out-of-pocket costs incurred in connection therewith.

4.3 Assignment of Regulatory Filings and Marketing Approvals. Within […***…] of the Option Exercise Date, Xencor shall, at Xencor's expense, assign and cause to be assigned to Amgen all Regulatory Filings for the Compound and each Product in the Territory. Effective upon such assignment, Amgen agrees to, and hereby does, accept all responsibilities with respect to such Regulatory Filings. Prior to such assignment and transfer, Xencor shall maintain such Regulatory Filings at its expense and shall take all reasonable actions to make available to Amgen and/or its designee the benefits of such Regulatory Filings, to the extent required by Amgen in connection with its activities under this Agreement.

4.4 Inspections. After the Option Exercise Date, if required or requested by a Regulatory Authority, or if Amgen otherwise reasonably requires access in connection with

preparing Regulatory Filings or interacting with Regulatory Authorities with respect to Compounds and Products, Xencor shall permit Amgen and its representatives (and those of any Regulatory Authority and/or Third Party that Amgen reasonably requests) during normal business hours and upon reasonable advance notice, to enter the relevant sites of Xencor and its contractors who were involved in the generation of any Xencor Know-How or the Development or manufacture or handling of a Compound or any Product, including clinical trial sites and, if applicable, manufacturing sites, to inspect and verify such Xencor Know-How and the activities related to the Compound and/or Product, including compliance with Applicable Law. Xencor shall provide reasonable assistance for such inspection, provided that Amgen shall compensate Xencor for the time devoted by Xencor personnel to providing such assistance at the Development Support Rate and shall reimburse Xencor for out-of-pocket costs incurred in connection therewith. Xencor shall use commercially reasonable efforts to secure for Amgen the rights set forth in this Section 4.4 from Xencor's trial sites and other contractors with respect to the Compound and/or any Product (but Xencor shall not be required to make any payments in order to secure such rights) and shall, at a minimum, obtain for itself reasonable and customary rights to inspect such trial sites and contractors for such purposes. If Xencor is unable to obtain the right for Amgen to conduct such inspections, then Xencor shall exercise its right to inspect the relevant sites of such trial sites and contractors at the request and expense of Amgen and provide a copy of any resulting inspection report to Amgen at the same time it is sent to Xencor.

4.5 Clinical Safety Reporting; Pharmacovigilance. Prior to the Option Exercise Date, as between the Parties, Xencor shall be responsible for the timely reporting of all adverse drug events and safety data relating to the Compound and Products and similar matters to the appropriate Regulatory Authorities. Subsequent to the Option Exercise Date, as between the Parties, Amgen shall be responsible for the reporting of all new adverse drug events in compliance with the required timeframes in the Territory and safety data that arise or occur with respect to activities conducted by Amgen after such Option Exercise Date. Amgen shall also be responsible for the reporting of all new information related to previously reported adverse drug events by Xencor that are have not been resolved prior to the Option Exercise Date, other than such reporting required to be undertaken by Xencor under Applicable Law. In connection with the foregoing, upon request by either Party on or after the Option Exercise Date, the Parties shall promptly enter into a reasonable pharmacovigilance agreement concerning such operating procedures and related obligations to enable each Party to comply with Applicable Laws regarding adverse event and safety reporting.

4.6 Clinical Trial Register. Notwithstanding anything in this Agreement to the contrary, including Article 7, after the Option Exercise Date, Amgen shall have the right to disclose on publicly-accessible clinical trial registries the results or summaries of the results of all clinical trials for the Compound and Products conducted by either Party in the Territory pursuant to this Agreement.

4.7 Global Safety Database. Prior to the Option Exercise Date, Xencor shall maintain the global safety database with respect to Products for the Territory. Following the Option Exercise Date, and the transfer to Amgen of such safety database under Section 3.7 above, Amgen or its designee shall maintain the global safety database with respect to the Product for the Territory.

5. GRANT AND EXERCISE OF OPTION AND LICENSE

5.1 License and Option.

(a) Subject to the terms and conditions of this Agreement, Xencor hereby grants to Amgen an exclusive, royalty-bearing license, with the right to sublicense through multiple tiers, under the Xencor Technology and Xencor's interest in the Joint Patents, to Develop, make, have made, use, sell, have sold, offer for sale and import the Compound and Products in the Field in the Territory (the "License"), which License shall be in effect during the Term but shall be exercisable only in the event that Amgen provides the Option Exercise Notice and pays Xencor the Initial Option Exercise Fee. The License shall be exclusive even as to Xencor, except that Xencor retains the right during the Collaboration Period to conduct Development activities of the Compound and Product (other than those activities expressly allocated to Amgen) in accordance with the Pre-POC Development Plan under Section 3.2.

(b) Notwithstanding the foregoing, except as expressly permitted pursuant to Section 3.3 and Schedule M, Amgen hereby covenants and agrees that prior to the Option Exercise Date: (i) Amgen shall not exercise or practice any license rights granted to Amgen under this Section 5.1 or any other rights that become effective after the Option Exercise Date under this Agreement and (ii) Amgen shall not, directly or indirectly (including through any Affiliate or Third Party), Develop, make, have made, use, sell, have sold, offer for sale or import Compound or Products, except to the extent (if any) necessary to perform Pre-POC Development Plan activities allocated to Amgen under the Pre-POC Development Plan or that are authorized under Section 3.3 above.

(c) Notwithstanding any other provision of this Agreement to the contrary, the License does not include the right to use the Xencor XmAb High ADCC (Antibody Dependent Cell Cytotoxicity) Technology to increase the cytotoxic effect or function of a Compound.

5.2 Option Exercise. Amgen may exercise the Option at any time during the Option Period as set forth in Section 3.6.

5.3 Effect of Expiration or Termination of Option Period. If the Option Period expires or terminates without Amgen having exercised the Option in accordance with Section 3.6, or if the Option Exercise Date occurs but Amgen fails to make timely payment of the Second Option Exercise Fee within […***…] after written notice by Xencor describing such failure, then, in each case, effective automatically upon such expiration or termination of the Option Period or the expiration of such […***…] notice period (unless Amgen makes such payment within such […***…] period), as applicable, and without any further action on the part of either Party, subject to Section 9.2: (a) the Option shall terminate and be of no further force or effect; (b) the License shall be deemed null and void *ab initio*; (c) Xencor shall have no further obligation to Amgen with respect to Compound or Products and Amgen shall have no further obligation to Xencor (except, in each case, for those obligations expressly stated to survive under Sections 9.7 and 9.9 below); and (d) this Agreement will terminate in accordance with Section 9.2, subject to all applicable provisions of Article 9.

5.4 Sublicenses. Amgen may grant and authorize sublicenses under the License; provided that such sublicenses shall be subordinate to the terms and conditions of this Agreement, and that Amgen shall remain responsible to Xencor for any payments due

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hereunder with respect to activities of any Sublicensee and for the compliance of its Sublicensees with this Agreement. Prior to the Option Exercise Date, Amgen shall not grant any sublicenses under the License.

5.5 Restrictions. During the Term, Amgen (and, subject to Section 13.8, its Affiliates): (a) shall not make, use, sell, offer for sale, import, Develop or commercialize any Restricted Antibody; and (b) shall not license or authorize, under any Amgen Patent or Joint Patent, any Third Party to, make, use, sell, offer for sale, import, Develop or commercialize any Restricted Antibody; except, in each case, for activities with respect to Compounds hereunder. During the Term, Xencor (and, subject to Section 13.8, its Affiliates) shall not, and shall not license or authorize any Third Party to, make, use, sell, offer for sale, import, Develop or commercialize any Restricted Antibody, except, in each case, for its activities with respect to Compounds hereunder.

5.6 No Other Rights. Except for the rights and licenses expressly granted in this Agreement, Xencor retains all rights under its intellectual property, and no additional rights shall be deemed granted to Amgen by implication, estoppel or otherwise. Without limiting the generality of the foregoing, in no event shall Amgen as a result of this Agreement have any right or license to develop, make, have made, use, sell, have sold, offer for sale or import any compound (including any Excluded Antibody) that is not a Compound. For clarity, Xencor retains the right at all times during the Term to practice the Xencor Patents and Xencor Know-How for all purposes, except, from the Option Exercise Date and thereafter during the Term, to Develop, make, have made, use, sell, have sold, offer for sale or import the Compound and Products in the Field in the Territory.

6. PAYMENTS; BOOKS AND RECORDS

6.1 Upfront Fee. Amgen shall pay to Xencor a non-refundable, non-creditable upfront fee in the amount of $11,000,000 within […***…] of the Effective Date in accordance with the payment provisions of Section 6.10.

6.2 Option Exercise Fee. In connection with its exercise of the Option, Amgen shall pay to Xencor a non-refundable, non-creditable Option exercise fee of […***…], which shall be payable as follows:

(a) […***…] (the "Initial Option Exercise Fee") together with the Option Exercise Notice. For clarity, Amgen's exercise of the Option shall not become effective unless and until the Initial Option Exercise Fee is paid; and

(b) […***…] (the "Second Option Exercise Fee") before the later of (1) that date which is […***…] after the Option Exercise Date, and (2) […***…] beginning after the Option Exercise Date.

6.3 Development Co-Funding. If Amgen exercises the Option, then, unless Xencor notifies Amgen within […***…] after receipt of the Post-Exercise Development Plan and Post-Exercise Development Budget pursuant to Section 3.8(a) that Xencor elects not to share Development Costs under the Post-Exercise Development Plan (in which case Xencor shall have no obligation to reimburse any Development Costs under this Section 6.3), Xencor shall be responsible for the applicable Xencor Sharing Percentage of Shared Development Costs as set forth in this Section 6.3 ("Co-Funding Arrangement"). It is understood that the initial Xencor Sharing Percentage shall be elected by Xencor in accordance with Section 3.8(a) above.

(a) No later than November […***…] of each calendar year after the Option Exercise Date, Amgen shall provide to the DC a […***…] Post-Exercise Development Plan

and Post-Exercise Development Budget covering the next […***…] full calendar years, and the DC shall promptly convene to review and consider such Plan and Budget. Once approved by the DC, and during the period from delivery of such any Plan or Budget to the DC up to such approval, such Post-Exercise Development Plan and Post-Exercise Development Budget shall be deemed the Post-Exercise Development Plan and the Post-Exercise Development Budget for the periods covered by such Plan and Budget.

(b) Between […***…] of each calendar year after the Option Exercise Date (the "Annual Election Period"), Xencor shall notify Amgen in writing if it elects to change the Xencor Sharing Percentage to either […***…]%,[…***…]% or […***…]% (the "Succeeding Year Percentage Notice"). The percentage specified in such Succeeding Year Percentage Notice shall be deemed the Xencor Sharing Percentage for the next calendar year beginning after the date of such Succeeding Year Percentage Notice. If Xencor does not provide such a Succeeding Year Percentage Notice during the Annual Election Period, then Xencor shall be deemed to have delivered a Succeeding Year Percentage Notice as of the end of the Annual Election Period electing to maintain the same Xencor Sharing Percentage as was then currently in effect (i.e., from Xencor's prior year's election). For clarity, it is understood that the Xencor may only elect […***…]%,[…***…]% or […***…]% (and not any other percentage) as the Xencor Sharing Percentage. The Post-Exercise Development Plan and the Post-Exercise Development Budget in effect for the next calendar year at the time of Xencor's delivery (or deemed delivery) of the Succeeding Year Percentage Notice is referred to below collectively as the "Initial Plan and Budget Forecast" for such next calendar year.

(c) If Amgen proposes to update the Post-Exercise Development Plan and/or the Post-Exercise Development Budget from time to time (i.e., beyond the annual updates provided in Section 6.3(a) above), it shall provide such updated Plan and Budget to the DC. The DC shall promptly convene to consider such update, and upon approval by the DC, the updated Plan and/or Budget, respectively, shall be deemed the Post-Exercise Development Plan and Post-Exercise Development Budget, respectively.

(d) Amgen shall calculate Development Costs under the Post-Exercise Development Plan in accordance with GAAP, consistently applied. Within […***…] after the end of each calendar quarter during the term of the Co-Funding Arrangement, Amgen shall provide to Xencor a statement reflecting the total Development Costs incurred by Amgen during such calendar quarter, and the corresponding Shared Development Costs, which statement shall include a reasonably detailed breakdown of the components of such Development Costs and the Post-Exercise Development Plan activities to which such Development Costs are attributable. Together with the statement for the calendar quarter ending December 31 of each calendar year, Amgen shall provide an invoice for the then-applicable Xencor Sharing Percentage of the Shared Development Costs for such calendar year, subject to Section 6.3(b) above, and Xencor shall pay Amgen the invoiced amount within […***…] from receipt of the invoice as provided in Section 6.10.

(e) Xencor may terminate the Co-Funding Arrangement by so notifying Amgen between […***…] of any calendar year, in which case the Co-Funding Arrangement shall terminate effective as of […***…] of the next

succeeding calendar year. Upon any termination by Xencor of the Co-Funding Arrangement under this Section 6.3(e) or Section 3.8(a), Xencor will not have any right thereafter to reinstate the Co-Funding Arrangement. If Xencor terminates the Co-Funding Arrangement, the royalties payable to Xencor with respect to Annual Net Sales of Products shall be adjusted as specified in Section 6.7(a).

6.4 Pre-POC Development Milestone Payments. Upon the first achievement of each of the events set forth below (each, a "Pre-POC Milestone") by Xencor, Amgen or their Affiliates, or (in the case of Amgen) a Sublicensee, the milestone payment corresponding to such Pre-POC Milestone shall be payable as follows: (a) if the applicable Pre-POC Milestone occurs on or before the earlier of (i) the Option Exercise Date, or (ii) Amgen's exercise of the Completion Right, Xencor shall notify Amgen in writing of the occurrence of such Pre-POC Milestone Event and deliver a written invoice to Amgen for the corresponding milestone payment amount, and Amgen shall pay such invoice within […***…]; and (b) if the applicable Pre-POC Milestone occurs after the earlier of (i) the Option Exercise Date, or (ii) Amgen's exercise of the Completion Right, Amgen shall notify Xencor in writing of the occurrence of such Pre-POC Milestone Event and pay the corresponding milestone payment amount to Xencor within […***…] after such occurrence:

PRE-POC CLINICAL DEVELOPMENT MILESTONES

Milestone Event	Milestone Payment
Initiation of the first phase 1b Trial	$ 2,000,000

[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
Maximum Total Pre-POC Clinical Development Milestones	**$**	**14,000,000**

Each of the Pre-POC Milestone payments shall be non-refundable and, except as expressly set forth in Section 3.2(c), non-creditable.

6.5 Post-POC Milestone Payments. Within […***…] after the first achievement of each of the events set forth below (each, a "Post-POC Milestone" and, collectively with the Pre-POC Milestones, the "Milestone(s)") by Amgen, its Affiliate or Sublicensee, Amgen shall notify Xencor in writing of such occurrence and pay the corresponding Milestone payment amount to Xencor:

POST-POC CLINICAL DEVELOPMENT MILESTONES

Milestone Event		Milestone Payment
[…***…]		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]

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POST-POC CLINICAL DEVELOPMENT MILESTONES

Milestone Event		Milestone Payment
[…***…]	$	[…***…]*
Maximum Total Post-POC Clinical Development Milestones	**$**	**50,000,000**

* The Milestone payment in the table above for the first […***…] for a Product for an […***…] (i) shall only be triggered if […***…].

MARKETING APPROVAL MILESTONES

Milestone Event		Milestone Payment
[…***…]:		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]:		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]:		
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]:		
[…***…]	$	[…***…]**
[…***…]	$	[…***…]**
[…***…]	$	[…***…]**
Maximum Total Approval Milestones	**$**	**150,000,000**

** The Milestone payments in the table above for the […***…] for an […***…] in the specified regions (i) shall be fully […***…], and (ii) are not payable if […***…].

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SALES MILESTONES

[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
[…***…]	$	[…***…]
Maximum Total Sales Milestones	**$**	**225,000,000**
MAXIMUM TOTAL MILESTONES	**$**	**439,000,000**

6.6 Certain Terms Regarding Milestone Payments. Each Milestone shall be paid only once, regardless of whether the Milestone is achieved again with respect to additional Products or indications. In addition, each Pre-POC Milestone shall be payable regardless of whether it is achieved by Xencor, Amgen, or any of their respective Affiliates, or, in the case of Amgen, Sublicensees, and each Post-POC Milestone shall be payable regardless of whether it is achieved by Amgen or any of its Affiliates or Sublicensees, subject to Section 3.2(c).

6.7 Royalty Payments.

(a) Royalty Rates. Subject to the terms and conditions of this Agreement (including Section 6.8), in further consideration of the rights granted to Amgen under this Agreement, Amgen shall pay to Xencor royalties on worldwide, Annual Net Sales of each Product by Amgen, its Affiliates and Sublicensees:

(i) Subject to Section 6.7(c) below, at the rates set out in Table A below if the Co-Funding Arrangement pursuant to Section 6.3 is in effect; and

(ii) at the rates set out in Table B below if the Co-Funding Arrangement has been terminated.

Notwithstanding the foregoing, in the event the Co-Funding Arrangement is in effect during the performance of a portion of the Post-Exercise Development Plan but is subsequently terminated, Amgen shall pay to Xencor royalties on Net Sales of Products (x) at the rates set out in Table A below (as adjusted pursuant to Section 6.7(c)) until such time as the difference between the cumulative royalties paid under this Section 6.7 for all Products and the cumulative royalties for Net Sales of such Products that would have been payable under Table B below equals the aggregate amount paid by Xencor to Amgen for Development Costs pursuant to the Co-Funding Arrangement under Section 6.3, and (y) at the rates set out in Table B following the period described in (x).

TABLE A — CO-FUNDING ROYALTY RATES

Annual Net Sales of Product	Royalty Rate
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%

TABLE B — BASE ROYALTY RATES

Annual Net Sales of Product	Royalty Rate
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%
[…***…]	[…***…]%

(b) Royalty Floors. Notwithstanding Section 6.7(a):

(i) In any calendar year in which Table A is applicable for the full calendar year and total aggregate Annual Net Sales of a Product exceed $[…***…], if the total amount payable pursuant to Section 6.7(a) for such calendar year is less than (A) […***…]%, if the Xencor Sharing Percentage is […***…]% for such calendar year and Xencor has reimbursed […***…]% of total Shared Development Costs for all prior periods, or (B) […***…]% in all other cases, of the Annual Net Sales of such Product in such calendar year (such percentage, in each case, the "Table A Floor Percentage"), then Amgen shall pay Xencor an additional amount (payable together with the last payment of royalties paid pursuant to Section 6.7(a) for such calendar year) such that total royalties payable for such Product for such calendar year equals the Table A Floor Percentage of the Annual Net Sales of such Product in such calendar year, unless the total royalties paid pursuant to Section 6.7(a) for such calendar year exceed the Table A Floor Percentage of the Annual Net Sales of such Product in such calendar year. For example, if the Table A Floor Percentage for a calendar year is […***…]% and Annual Net Sales of a Product for such calendar year are $[…***…], then royalties payable pursuant to Section 6.7(a) would be $[…***…]: (($[…***…] * […***…]%) + ($[…***…] * […***…]%)). But since $[…***…] is less than $[…***…] ($[…***…] * […***…]%), Amgen would pay Xencor an additional $[…***…] pursuant to this Section 6.7(b)(i).

(ii) In any calendar year in which Table B is applicable and total aggregate Annual Net Sales of a Product exceed $[…***…] but do not exceed $[…***…], if the total amount payable pursuant to Section 6.7(a) for such calendar year is less than […***…]% of the Annual Net Sales of such Product in such calendar year, then Amgen shall pay Xencor an additional amount (payable together with the last payment of royalties paid pursuant to Section 6.7(a) for such calendar year) such that total royalties payable for such Product for such calendar year equals […***…]% of the Annual Net Sales of such Product in such calendar year, unless the total royalties paid pursuant to Section 6.7(a) for such calendar year exceed […***…]% of the Annual Net Sales of such Product in such calendar year. For example, if Annual Net Sales of a Product for a calendar year are $[…***…], then royalties payable pursuant to Section 6.7(a) would be $[…***…]: (($[…***…] * […***…]%) + ($[…***…] * […***…]%)). But since $[…

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…] is less than $[…***…] ($[……] * […***…]%), Amgen would pay Xencor an additional $[…***…] pursuant to this Section 6.7(b)(ii).

(iii) In any calendar year in which Table B is applicable and total aggregate Annual Net Sales of a Product exceed $[…***…], if the total amount payable pursuant to Section 6.7(a) for such calendar year is less than […***…]% of the Annual Net Sales of such Product in such calendar year, then Amgen shall pay Xencor an additional amount (payable together with the last payment of royalties paid pursuant to Section 6.7(a) for such calendar year) such that total royalties payable for such Product for such calendar year equals […***…]% of the Annual Net Sales of such Product in such calendar year, unless the total royalties paid pursuant to Section 6.7(a) for such calendar year exceed […***…]% of the Annual Net Sales of such Product in such calendar year. For example, if Annual Net Sales of a Product for a calendar year are $[…***…], then royalties payable pursuant to Section 6.7(a) would be $[…***…] (($[…***…] * […***…]%) + ($[…***…] * […***…]%) + ($[…***…] * […***…]%) + ($[…***…] * […***…]%)). But since $[…***…] is less than $[…***…] ($[…***…] * […***…]%), Amgen would pay Xencor an additional $[…***…] pursuant to this Section 6.7(b)(iii).

(c) Adjusted Royalty Rates. In the event that Xencor elects a Xencor Sharing Percentage of less than […***…]% for any period pursuant to Section 3.8(a) or 6.3, and/or (without prejudice to other remedies Amgen may have), Xencor does not reimburse […***…]% of Shared Development Costs for any period when due pursuant to Section 6.3(d), then the royalty rates in Table A and Section 6.7(f) below shall be reduced in accordance with the specific methodology set forth on Schedule K.

(d) Reports and Royalty Payment. Royalties shall be calculated and reported for each calendar quarter and shall be paid within […***…] after the end of each calendar quarter. Each payment shall be accompanied by a report of Net Sales of Products by Amgen, its Affiliates and Sublicensees in sufficient detail to permit confirmation of the accuracy of the royalty payment made, including, without limitation and on a country-by-country basis (or, where the Amgen Finance Department does not track information relating to the calculation of Net Sales on a country-by-country basis, on a region-by-region basis): (i) Net Sales, applicable royalty rates, and the amount of royalties payable hereunder; and (ii) such information as the Amgen Finance Department tracks for the purpose of calculating Net Sales, applicable royalty rates, and the royalties payable hereunder, including (to the extent so tracked) gross sales, applicable royalty adjustments, the amount of any applicable credits taken against royalties, the royalties payable, the method used to calculate the royalties payable, and the exchange rates used.

(e) Royalty Term. Amgen shall pay to Xencor royalties as set forth in this Section 6.7, on a Product-by-Product and country-by-country basis, during the Royalty Term for each Product in each country. The "Royalty Term" means, with respect to a Product in a country, the period beginning on the First Commercial Sale of such Product in such country, and expiring on the later of:

(i) expiration of the last-to-expire Valid Claim covering the manufacture, use, sale, offer for sale or import of such Product in such country; or

(ii) 10 years from the date of the First Commercial Sale of such Product in such country.

(f) Effect of Expiration of Royalty Term. On a Product-by-Product and country-by-country basis, upon expiration of the Royalty Term with respect to each Product in each country of the Territory, Amgen's License with respect to such Product in such country shall continue in full force and effect but become perpetual and, except as set forth below in this Section 6.7(f), fully paid-up and royalty-free. Notwithstanding the foregoing, if Xencor co-funded Development Costs pursuant to Section 6.3 and the Co-Funding Arrangement was not earlier terminated under Section 3.8(a), 6.3 or 9.6, then Amgen shall continue to pay royalties to Xencor with respect to Net Sales of each Product in each country after expiration of the Royalty Term for such Product in such country, for so long as Amgen or any of its Affiliates or Sublicensees is selling such Product in such country, at the rate of […***…]% of such Net Sales, as adjusted pursuant to Section 6.7(c) (if applicable). In no event shall a royalty be payable under this Section 6.7(f) with respect to Net Sales for which a royalty is due under Section 6.7(a) above.

6.8 Certain Reductions to Royalties.

(a) Third Party Royalties.

(i) In the event that Amgen, its Affiliates or Sublicensee obtains a license under Patents of a Third Party in any country that Amgen or its Affiliate, on the advice of patent counsel, determines, in the absence of a license thereunder could be considered to be infringed by the manufacture, use, sale, offer for sale or import of the Compound contained in a Product sold by Amgen (or its Affiliate or Sublicensee) in such country (in each case, a "Necessary Third Party License"), then Amgen may deduct […***…]% of the royalties actually paid to such Third Party under such Necessary Third Party License with respect to sales of such Product in such country from the royalty payments owed to Xencor pursuant to Section 6.7 with respect to Net Sales of such Product in such country, provided that the royalties payable to Xencor with respect to such Product in such country may not be reduced by more than […***…]% in any calendar quarter as a result of any and all such offsets in the aggregate.

(ii) In the event that Amgen, its Affiliates or Sublicensee obtains a license (other than a Necessary Third Party License) under Patents of a Third Party in any country that Amgen or its Affiliate determines are necessary or reasonably useful to Develop, make, use, sell, offer for sale or import a Compound or Product sold by Amgen (or its Affiliate or Sublicensee) in such country (in each case, a "Useful Third Party License"), then Amgen may deduct […***…]% of the […***…] actually paid to such Third Party under such Useful Third Party License with respect to sales of such Product in

such country from the royalty payments owed to Xencor pursuant to Section 6.7 with respect to Net Sales of such Product in such country, provided that the royalties payable to Xencor with respect to such Product in such country may not be reduced by more than […***…]% in any calendar quarter as a result of any and all such offsets in the aggregate.

(iii) For the avoidance of doubt, subject to the foregoing, it is understood that a Party shall be solely responsible for payment of any and all royalties and other amounts owed by such Party under its license or other agreements with Third Parties that were entered into prior to the Effective Date; *provided, however,* that Amgen shall be responsible for payment of all payments that become due after the Option Exercise Date under the Catalent Agreement (defined in Section 10.2(b)) as a result of the Development, manufacture, use, sale, offer for sale or import of any Product by or on behalf of Amgen or any of its Affiliates or Sublicensees.

(b) No Valid Claim of Xencor Patent or Joint Patent. On a country-by-country and Product-by-Product basis, for any portion of the Royalty Term with respect to a Product in a country during which no Valid Claim(s) of Xencor Patents and Joint Patents cover the (i) the manufacture, sale, offer for sale and import of such Product in such country, and (ii) the use of such Product for any approved use(s) in such country, other than Valid Claims that are contained in Amgen Patents, the royalties payable pursuant to Section 6.7 with respect to sales of such Product in such country shall be reduced by […***…]%.

(c) No Valid Claim. On a country-by-country and Product-by-Product basis, for any portion of the Royalty Term with respect to a Product in a country during which none of (i) the manufacture, sale, offer for sale and import of such Product in such country, and (ii) the use of such Product for any approved use(s) in such country, is covered by a Valid Claim in such country, the royalties payable pursuant to Section 6.7 with respect to sales of such Product in such country shall be reduced by […***…]%.

(d) Order of Operations. Deductions taken pursuant to this Section 6.8 shall be taken following any recalculation of royalties made pursuant to Section 6.7(b).

(e) Absolute Floor. In no event shall the cumulative amount of all reductions applicable to any Product in any country pursuant to this Section 6.8 reduce the royalties that would otherwise payable with respect to such Product in such country pursuant to Section 6.7 by more than […***…]% in any quarter.

6.9 Prepayment. Amgen shall have the right to prepay any amounts payable pursuant to this Agreement without penalty, regardless of whether the event that would otherwise trigger such payment has occurred or whether Amgen has received an invoice for such payment.

6.10 Payment Method; Invoices. All payments under this Agreement shall be made by bank wire transfer in immediately available funds to an account designated in an invoice from the Party to whom such payments are due to the other Party, which invoice should include bank details and the contact name for any issue resolution. Any payments or portions thereof due under this Agreement that are not paid by the date such payments are due under this Agreement shall bear interest at a rate equal to: (i) the prime rate as reported by Citibank N.A., plus […***…]% per year; or (ii) if lower, the maximum rate

permitted by law; calculated on the number of days such payment is delinquent, compounded annually and computed on the basis of a 365-day year.

6.11 Currency Conversion. With respect to sales of the Product invoiced and Development Costs paid in United States dollars, the amounts due hereunder (and the amounts upon which such payments are based) will be expressed in United States dollars. With respect to sales of the Product invoiced and Development Costs paid in a currency other than United States dollars, the amounts due hereunder (and the amounts upon which such payments are based) will be reported in United States dollars, calculated using the applicable exchange rate for such currency used throughout Amgen's group reporting system and published accounts for the applicable quarter.

6.12 Taxes Generally; Withholding Taxes.

(a) All excises, taxes, and duties, with the exception of value added taxes ("VAT"), (collectively "Taxes") levied on account of a payment made by one Party to the other Party pursuant to this Agreement will be the responsibility of and paid by the Party receiving the payment or shall be subject to the withholding of this Section 6.12, as provided herein.

(b) If Taxes are required under Applicable Law to be withheld by the Party making a payment from any payment hereunder, such Party will (i) deduct those Taxes from the payment and (ii) pay the Taxes to the proper taxing authority. In the event such taxing authorities routinely provide a Tax receipt upon payment, such Party will procure a receipt for any such withholding evidencing payment of such Taxes, which will be forwarded to the Party receiving the payment. Each Party represents and warrants that it is resident for tax purposes in the United States and agrees to provide upon request a properly completed Form W-9 or other tax form necessary to certify United States residency or claim a reduction of, or exemption from, withholding.

(c) All payments due one Party from the other Party pursuant to this Agreement shall be paid exclusive of any VAT (which, if applicable, shall be payable upon receipt of a valid VAT invoice).

6.13 Records; Inspection. Amgen shall keep (and shall cause its Affiliates and require its Sublicensees to keep) complete, true and accurate books of accounts and records pertaining to the sale or other disposition of Products (including the number of Products sold, the gross sales and Net Sales of such Products, the royalties payable, the method used to calculate the royalties payable, and the exchange rates used) and of Development Costs incurred pursuant to Section 3.2(c) or 6.3, each in sufficient detail to permit verification of the amount of (a) royalty and sales milestone payments due by Amgen to Xencor, (b) if applicable, Development Costs for Incomplete Pre-POC Activities deductible by Amgen from Milestone payments hereunder, and (c) if applicable, Development Costs for the Post-Exercise Development Plan subject to sharing under the Co-Funding Arrangement. Such books and records shall be kept for at least […***…] following the end of the calendar year to which they pertain and shall be open for inspection and audit by Xencor during such […***…] period on the terms of this Section 6.13. Upon not less than […***…] prior written notice, Amgen shall permit an independent, certified public

accountant selected by Xencor and reasonably acceptable to Amgen, which acceptance will not be unreasonably withheld (for the purposes of this Section 6.13, the "Auditor"), to audit or inspect such books and records, for the sole purpose of whether there has been any under- or over-payment or

under- or over-statement of any such amount. The Auditor will disclose to Xencor only such information as is reasonably necessary for Xencor to determine its rights and obligations under this Article 6. The Auditor will send a copy of the report to Amgen at the same time it is sent to Xencor. The report sent to both Parties will include the methodology and calculations used to determine the results. Such inspections may be made no more than once each calendar year and during normal business hours. Such records for any particular calendar year shall be subject to no more than one inspection. The Auditor shall be obligated to execute a reasonable confidentiality agreement prior to commencing any such inspection. Inspections conducted under this Section 6.13 shall be at the expense of Xencor, unless a variation or error producing an underpayment in amounts payable exceeding […***…]% of the amount paid for a period covered by the inspection is established, in which case the reasonable out-of-pocket costs to conduct the inspection for such period and any unpaid amounts that are discovered shall be paid by Amgen, together with interest on such unpaid amounts at the rate set forth in Section 6.10 above. Xencor and the Auditor shall conduct any such inspection in a manner that minimizes disruption of Amgen's normal business activities. Amgen shall use commercially reasonable efforts to obtain for Xencor the right to audit Sublicensees pursuant to the terms of this Section 6.13 and shall, at a minimum, obtain for itself reasonable and customary rights to audit Sublicensees for such purposes. If Amgen is unable to obtain the right for Xencor to audit a Sublicensee, then Amgen shall exercise its right to audit such Sublicensee at the request and expense of Xencor (subject to reimbursement by Amgen as set forth above) and provide a copy of its auditor's report to Xencor at the same time it is sent to Amgen.

7. CONFIDENTIALITY

7.1 Confidential Information. Except as expressly provided in this Agreement, the receiving Party shall not publish or otherwise disclose and shall not use for any purpose any non-public, proprietary information furnished to it by the other Party pursuant to this Agreement (collectively, "Confidential Information"). Notwithstanding the foregoing, Confidential Information shall not include information that, in each case as demonstrated by written documentation:

(a) was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure or, as shown by written documentation, was developed by the receiving Party prior to its disclosure by the disclosing Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;

(d) was subsequently lawfully disclosed to the receiving Party by a person other than the disclosing Party, and who did not directly or indirectly receive such information from disclosing Party; or

(e) is developed by the receiving Party without use of or reference to any Confidential Information disclosed by the disclosing Party.

7.2 Permitted Disclosures. Notwithstanding the provisions of Section 7.1 above and subject to Sections 7.3 and 7.4 below, the receiving Party may disclose Confidential Information

of the disclosing Party as expressly permitted by this Agreement, and if and to the extent such disclosure is reasonably necessary in the following instances:

(a) filing or prosecuting Patents as expressly permitted by this Agreement;

(b) prosecuting or defending litigation as expressly permitted by this Agreement;

(c) establishing, enforcing or defending its rights under this Agreement;

(d) in the case of Amgen, as reasonably necessary to Develop, manufacture or Commercialize Compounds and Products in accordance with this Agreement, including providing Xencor Know-How to Regulatory Authorities, subject (where applicable) to compliance with Section 7.2(f);

(e) complying with a valid order of a court or other governmental body having jurisdiction or otherwise to comply with Applicable Laws; provided that the receiving Party shall, except where impracticable, give reasonable advance notice to the disclosing Party of the required disclosure, and, at the disclosing Party's request and expense, cooperate with the disclosing Party's efforts to contest such required disclosure, to obtain a protective order preventing or limiting the disclosure or requiring that the Confidential Information so disclosed be used only for the purposes for which such disclosure is required, or to obtain other confidential treatment of the Confidential Information required to be disclosed. In any event, the receiving Party shall disclose only such Confidential Information as it is required by such order or Applicable Laws to disclose and shall only disclose such Confidential Information for the purpose and to the entity(ies) required by such order or Applicable Laws;

(f) disclosure to Affiliates, actual or potential Sublicensees (in the case of Amgen but only after the Option Exercise Date and thereafter during the Term), employees, consultants, advisors (including financial advisors, attorneys and accountants) or agents of the receiving Party who have a need to know such information in order for the receiving Party to exercise its rights or fulfill its obligations under this Agreement, provided, in each case, that any such Affiliate, Sublicensee, employee, consultant, advisor or agent is, or agrees to be, bound by terms of confidentiality and non-use as materially protective of such Confidential Information as this Article 7;

(g) disclosure to actual or potential Third Party investors, funding sources or acquirers in connection with due diligence or similar investigations by such Third Parties, and in confidential financing documents, provided, in each case, that any such Third Party agrees to be bound by reasonable obligations of confidentiality and non-use; and

(h) either Party may issue such press releases and make such disclosures as it determines, based on advice of counsel, are reasonably necessary to comply with applicable laws or regulations, including the rules or regulations of the United States Securities and Exchange Commission or a similar regulatory agency in a country other than the United States or of any stock exchange.

7.3 Confidential Terms. Each Party agrees not to disclose to any Third Party the terms of this Agreement without the prior written consent of the other Party hereto, except each Party may disclose the terms of this Agreement as permitted by Section 7.2. Notwithstanding the foregoing, promptly following the Effective Date, Xencor or and Amgen may each (or if mutually agreed, jointly) issue a mutually agreed press release

announcing the execution of this Agreement disclosing the information set forth on Schedule J. Prior to issuance of such press release, the Parties shall mutually agree upon a Question & Answer outline for use in responding to inquiries about this Agreement; thereafter, each Party may each disclose to Third Parties the information contained in such press release and Question & Answer outline without the need for further approval by the other Party. In addition, Xencor shall have the right, following the Option Exercise Date and the achievement of each Milestone, to issue a press release, either alone or, if agreed by Amgen, jointly with Amgen, announcing such exercise or achievement but without disclosing the amounts of any associated payments hereunder; provided that Xencor shall provide Amgen with a copy of the proposed release at least five business days prior to its public disclosure.

7.4 Publication of Product Information. Amgen shall not publish any Data relating to the Compound or Products prior to the Option Exercise Date, without Xencor's prior written consent. Thereafter, Amgen shall have the right to publish such Data relating to Compounds and Products as Amgen considers appropriate, without the approval of Xencor. During the Collaboration Period, Xencor shall have the right to publish the Data that it generates under the Development Plan, provided that Xencor first delivers to Amgen for review a copy of the proposed written publication or an outline of an oral disclosure at least 30 days prior to submission for publication and presentation, and agrees to consider in good faith Amgen's comments thereto.

7.5 Prior Non-Disclosure Agreements. Upon execution of this Agreement, the terms of this Article 7 shall supersede any prior non-disclosure, secrecy or confidentiality agreement between the Parties. Any information disclosed under such prior agreements shall be deemed disclosed under this Agreement.

8. INTELLECTUAL PROPERTY

8.1 Ownership of Inventions.

(a) Title to all Inventions made solely by Xencor personnel ("Xencor Inventions"), including all Patent and other intellectual property rights therein, shall be owned solely by Xencor. Title to all Inventions made solely by Amgen personnel ("Amgen Inventions"), including all Patent and other intellectual property rights therein, shall be owned solely by Amgen. Title to all Inventions made jointly by personnel of Amgen and Xencor ("Joint Inventions"), including all Joint Patents and other intellectual property rights in Joint Inventions, shall be jointly owned by Xencor and Amgen.

(b) Subject to the terms of this Agreement, including the License grant set forth in Section 5.1 and the provisions of Article 6, it is understood that neither Party shall have any obligation to obtain any approval of, nor pay a share of the proceeds to, the other Party to practice, enforce, license, assign or otherwise exploit Joint Inventions and Joint Patents, and each Party hereby waives any right it may have under the Applicable Laws of any jurisdiction to require such approval or accounting.

8.2 Prosecution and Maintenance of Xencor Patents.

(a) Xencor Compound-Specific Patents and Xencor CD19 Patents.

(i) During Collaboration Period. Within […***…] after the Effective Date, Xencor shall file in the United States one or more divisional, continuation or continuation-in-part patent applications of the Xencor CD19 Patents or

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Xencor Background Patents as Xencor Compound-Specific Patents that (i) will Claim and contain disclosure supporting claims to the composition of matter or formulation of, and/or any method of making or using, XmAb5871 and other Compounds and/or Products, and (ii) will not contain any claims, and will not be amended by Xencor to contain claims, to the composition of matter or formulation of, and/or any method of making or using, any Antibody that is subject to license rights owed to any Third Party. Without limiting the foregoing, within […***…] after the Effective Date, Xencor shall file in the United States, one or more divisional, continuation or continuation-in-part patent applications with respect to patent application […***…] that (i) will Claim and contain disclosure supporting claims to the composition of matter or formulation of, and/or any method of making or using, XmAb5871 and other Compounds and/or Products, and (ii) will not contain any claims, and will not be amended by Xencor to contain claims, to the composition of matter or formulation of, and/or any method of making or using, any Antibody that is subject to license rights owed to any Third Party. Xencor will use reasonable efforts to promptly complete similar applications in other countries where relevant Patents exist or are pending and will, upon Amgen's reasonable request, use reasonable efforts to take similar action within a reasonable period of time with respect to any other Xencor Background Patent in the United States or any other jurisdiction. In addition, Xencor shall use reasonable efforts to file one or more divisional, continuation or continuation-in-part patent applications of the Xencor Background Patents as Xencor CD19 Patents. During the Collaboration Period, Xencor shall have the sole right to Prosecute and Maintain the Xencor Compound-Specific Patents and the Xencor CD19 Patents, at Xencor's expense, in good-faith consultation with Amgen. Xencor shall provide Amgen with a copy of each application for a Xencor Compound-Specific Patent or a Xencor CD19 Patent as filed,

together with notice of its filing date and serial number. Xencor shall keep Amgen advised of the status of all material communications, actual and prospective filings or submissions regarding such Xencor Patents, to the extent the same pertain to Compounds or Products, and shall give Amgen an opportunity to review and comment on any such communications, filing and submissions proposed to be sent to any patent office. Xencor shall consider in good faith Amgen's comments on the communications, filings and submissions for such Xencor Patents, as such Xencor Patents pertain to Compounds and Products. During the Collaboration Period, Xencor will not abandon or otherwise decline to pursue the Prosecution and Maintenance of any Xencor Compound-Specific Patent or Xencor CD19 Patent, to the extent such Xencor Patent pertains to a Compound or Product, without Amgen's prior consent (not to be unreasonably withheld). From and after the Option Exercise Date, the Prosecution and Maintenance of Xencor Patents shall be handled as set forth in Sections 8.2(a)(ii) and 8.2(b) below. For the purposes of this Section 8.2, "Prosecution and Maintenance" (including variations such as "Prosecute and Maintain") means, with respect to a Patent, the preparing, filing, prosecuting and maintenance of such Patent, in any jurisdiction, as well as re-examinations, reissues and requests for Patent term extensions and

the like with respect to such Patent, together with the conduct of interferences, the defense of oppositions and other similar proceedings with respect to a Patent. It is understood that Xencor is not obligated to keep Amgen informed regarding, or to obtain Amgen's consent to abandon, any Xencor Background Patent.

(ii) Following Option Exercise Date. Following the Option Exercise Date and thereafter during the Term:

(1) Amgen shall have the first right, at its expense, to control the Prosecution and Maintenance of Xencor Compound-Specific Patents in the Field in the Territory. Amgen shall consult with Xencor as to the Prosecution and Maintenance of the Xencor Compound-Specific Patents reasonably prior to any deadline or action with the U.S. Patent & Trademark Office or any foreign patent office, and shall furnish to Xencor copies of all relevant documents reasonably in advance of such consultation. In the event that Amgen desires to abandon any Xencor Compound-Specific Patent, or if Amgen later declines responsibility for any Xencor Compound-Specific Patent, Amgen shall provide reasonable prior written notice to Xencor of such intention to abandon or decline responsibility (which notice shall, in any event, be given no later than […***…] prior to the next deadline for any action that may be taken with respect to such Xencor Compound-Specific Patent with the U.S. Patent & Trademark Office or any foreign patent office), and subject to Section 8.5 below, Xencor shall have the right, at its expense, to Prosecute and Maintain such Xencor Compound-Specific Patent.

(2) Xencor shall continue to control the Xencor CD19 Patents in the same manner as provided in Section 8.2(a)(i) above; provided that Xencor shall have the right to abandon any Xencor CD19 Patent as follows: In the event that Xencor desires to abandon any Xencor CD19 Patent, or if Xencor later declines responsibility for any Xencor CD19 Patent, in each case as such Xencor Patent pertains to a Compound or a Product, Xencor shall provide reasonable prior written notice to Amgen of such intention to abandon or decline responsibility (which notice shall, in any event, be given no later than […***…] prior to the next deadline for any action that may be taken with respect to such Xencor CD19 Patent with the U.S. Patent & Trademark Office or any foreign patent office), and Amgen shall have the right, at its expense, to Prosecute and Maintain such Xencor CD19 Patent and shall use reasonable efforts to amend the claims to convert said Xencor CD19 Patent to a Xencor Compound-Specific Patent and Prosecute and Maintain such Xencor Compound-Specific Patent in each case in Xencor's name.

(iii) As used in this Section 8.2, to "abandon" a Patent shall include failing to defend or deciding not to defend against an opposition, failing to pursue or deciding not to pursue an interference or similar proceeding or failing to pursue or deciding not to pursue an appeal of an adverse decision, in

each case with respect to such Patent in the United States Patent & Trademark Office or a corresponding patent examining authority in another country of the Territory.

(b) Xencor Background Patents. Both before and after the Option Exercise Date, Xencor shall have the sole right, but not the obligation, at its expense, to control the Prosecution and Maintenance of the Xencor Background Patents.

(c) Joint Patents. Following the Option Exercise Date and thereafter during the Term, with respect to any Joint Patent that is directed to the composition of matter or formulation of, or any method of making or using, a Compound or Product, the Parties' rights and obligations regarding Prosecution and Maintenance shall be as set forth in Section 8.2(a), *mutatis mutandis*. With respect to any other Joint Patent, before or after the Option Exercise Date, the Parties shall mutually agree on a case-by-case basis which Party will be responsible for the Prosecution and Maintenance of such Joint Patent, and unless otherwise agreed by the Parties in writing, the Parties shall share equally (50%/50%) the cost of Prosecution and Maintenance of such Joint Patent.

(d) Amgen Patents. Amgen shall have the sole right, but not the obligation, at its expense, to control the Prosecution and Maintenance of Amgen Patents.

(e) Cooperation. Each Party shall cooperate with the other Party in connection with all activities relating to the Prosecution and Maintenance of the Xencor Compound-Specific Patents, Xencor CD19 Patents and Joint Patents undertaken by such other Party pursuant to this Section 8.2, including: (i) making available in a timely manner any documents or information such other Party reasonably requests to facilitate such other Party's Prosecution and Maintenance of the Xencor Compound-Specific Patents, Xencor CD19 Patents or Joint Patents pursuant to this Section 8.2; and (ii) if and as appropriate, signing (or causing to have signed) all documents relating to the Prosecution and Maintenance of any Xencor

Compound-Specific Patents, Xencor CD19 Patents or Joint Patents by such other Party. Each Party shall also promptly provide to the other Party all information reasonably requested by such other Party with regard to such Party's activities with respect to Xencor Compound-Specific Patents, Xencor CD19 Patents and Joint Patents pursuant to this Section 8.2, and if requested, permit such other Party to participate at its own expense in any opposition, interference, appeal or similar proceeding with respect to any such Xencor Patent, to the extent the same are directed to the Compound or any Product, and/or manufacturing and/or use thereof, in the Field in the Territory.

8.3 Defense and Settlement of Third Party Claims. Each Party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either of the Parties pursuant to this Agreement infringes or may infringe the intellectual property rights of such Third Party. Xencor shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by Xencor's activities at its own expense and by counsel of its own choice, and Amgen shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Amgen shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by Amgen's activities at its own expense and by counsel of its own choice, and Xencor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Neither Party shall have the right to settle any patent infringement litigation under this Section 8.3 in a manner

that admits the invalidity or unenforceability of the other Party's Patents or imposes on the other Party restrictions or obligations, without the written consent of such other Party (which shall not be unreasonably withheld).

8.4 Enforcement.

(a) Notice. In the event that Xencor or Amgen becomes aware of actual or threatened infringement or misappropriation of any Xencor Patent, Amgen Patent, Joint Patent, Xencor Know-How or Joint Invention by the manufacture, sale, use or importation in the Territory of a Product containing a Compound, including the filing of any certification pursuant to the Biologics Price Competition and Innovation Act of 2009 (or any amendment or successor statute thereto) or any equivalent thereof (any of the foregoing, an "Infringement"), that Party shall promptly notify the other Party in writing.

(b) Enforcement of Xencor Compound-Specific Patents and Joint Patents.

(i) During Collaboration Period. During the Collaboration Period, Xencor shall have the sole right, but not the obligation, to initiate infringement proceedings or take other appropriate actions against an Infringement of Xencor Compound-Specific Patents or Joint Patents in the Territory with respect to an Infringement.

(ii) Following Option Exercise Date. Following the Option Exercise Date and thereafter during the Term, Amgen shall have the first right, but not the obligation, to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of the Xencor Compound-Specific Patents or Joint Patents in the Territory, at its own expense and by counsel of its own choice, and Xencor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Upon Amgen's request following the Option Exercise Date, Xencor shall take all necessary actions to transition and transfer control to Amgen of any ongoing infringement proceedings or actions against an Infringement of the Xencor Compound-Specific Patents or Joint Patents then ongoing, and shall promptly provide all information reasonably requested by Amgen with regard to such proceedings or actions. If Amgen fails to bring any such action or proceeding with respect to an Infringement by the sooner of (a) […***…] following a request by Xencor to do so or (b) five days before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, then Xencor shall have the right, with Amgen's consent, to bring and control any such action at its own expense and by counsel of its own choice, and Amgen shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. It is understood that Amgen may exercise its rights under this Section 8.4(b)(ii) through a Sublicensee or other designee, and actions of such a Sublicensee or designee under authority from Amgen shall be deemed actions of Amgen for purposes of this Section 8.4(b)(ii). For the avoidance of doubt, Amgen shall have the first right to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of any Xencor Compound-Specific Patent that claims priority to a Xencor Patent listed in Schedule P, as described above in this Section 8.4(b)(ii). Notwithstanding the foregoing, to the

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extent a Xencor Compound-Specific Patent claims priority to a Xencor Background Patent other than those listed in Schedule P, then Amgen's right to initiate an action to enforce such Xencor Compound-Specific Patent shall be subject to Xencor's prior written consent.

(c) Enforcement of Xencor CD19 Patents.

(i) During Collaboration Period. During the Collaboration Period, Xencor shall have the sole right, but not the obligation, to initiate infringement proceedings or take other appropriate actions against an Infringement of Xencor CD19 Patents in the Territory with respect to an Infringement.

(ii) Following Option Exercise Date. Following the Option Exercise Date and thereafter during the Term, Xencor shall have the first right, but not the obligation, to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of the Xencor CD19 Patents in the Territory, at its own expense and by counsel of its own choice. If Xencor fails to bring any such action or proceeding with respect to an Infringement by the sooner of (a) […***…] following a request by Xencor to do so or (b) five days before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, then Amgen shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Xencor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. For the avoidance of doubt, Amgen shall have the first right to initiate and control any infringement proceedings or take other appropriate actions against an Infringement of any Xencor CD19 Patent that claims priority to a Xencor Patent listed in Schedule P, as described above in this Section 8.4(c)(ii). Notwithstanding the foregoing, to the extent a Xencor CD19 Patent claims priority to a Xencor Background Patent other than

those listed in Schedule P, then Amgen's right to initiate an action to enforce such Xencor CD19 Patent shall be subject to Xencor's prior written consent.

(d) Enforcement of Xencor Background Patents. Amgen shall have no right to initiate any infringement proceedings to enforce any Xencor Background Patent with respect to an Infringement in the Territory.

(e) Enforcement of Amgen Patents. Subject to Section 8.4(f), Amgen shall have the sole right to initiate any infringement proceedings or take other appropriate actions against an Infringement of any Amgen Patent in the Territory.

(f) Allocation of Recoveries. Except as otherwise agreed to by the Parties as part of a cost-sharing arrangement, any recovery realized as a result of litigation pursuant to this Section 8.4, after reimbursement of any litigation expenses of Xencor and Amgen, shall be retained by the Party that brought and controlled such litigation for purposes of this Agreement, except that (i) any recovery realized by Amgen as a result of such litigation, after reimbursement of the Parties' litigation expenses, shall be treated as Net Sales of Products for purposes of royalty calculations in the period in which payment of such recovery was received; and (ii) any recovery realized by Xencor as a result of such litigation, after reimbursement of the Parties' litigation expenses, shall be

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treated as Net Sales, *mutatis mutandis*, of Products by Xencor, and Xencor shall pay royalties to Amgen with respect thereto at the applicable rates set forth in Section 6.7 (subject to Section 6.8(b) or 6.8(c), if applicable), *mutatis mutandis*, in the period in which payment of such recovery was received. Notwithstanding the foregoing, to the extent any such recoveries are obtained with respect to Amgen Patents, the amount payable to Xencor with respect to that portion of such recovery attributable to an Amgen Patent (after reimbursement of litigation expenses) shall be reduced by […***…]%.

(g) Valid Claims. In the event that, after Option Exercise Date, Amgen requests that Xencor bring (or permit Amgen to bring) an enforcement action in any jurisdiction with respect to a Xencor Patent and Xencor refuses to do so, then the claims of such patent will no longer be considered "Valid Claims" hereunder in such jurisdiction.

(h) Cooperation. In the event a Party brings an infringement action in accordance with this Section 8.4, the other Party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a party. The Parties shall keep one another informed of the status of their respective activities regarding any litigation undertaken with respect to a Xencor Patent or a Joint Patent pursuant to this Section 8.4 or settlement thereof, and the Parties shall assist one another and cooperate in any such action at the other's reasonable request. Without limiting the foregoing, upon request by Amgen, Xencor shall join as a party plaintiff (including if required by Applicable Law, as the sole party plaintiff) in any action initiated by Amgen or its designee with respect to an Infringement; provided that Amgen reimburses the reasonable out-of-pocket expenses incurred by Xencor in fulfilling Amgen's request in connection with participating in such action as a party plaintiff (it being understood that Amgen shall have the right to maintain control of such action). Neither Party shall have the right to settle any patent infringement litigation under this Section 8.4 in a manner that admits the invalidity or unenforceability of the other Party's Patents or imposes on the other Party restrictions or obligations, without the prior written consent of the other Party, which shall not be unreasonably withheld.

8.5 Patent Extensions. Following the Option Exercise Date and thereafter during the Term, the Parties shall cooperate in obtaining patent term restorations, supplemental protection certificates and/or their equivalents, and other forms of patent term extensions for Products with respect to the Xencor Compound-Specific Patents in any country and/or region where applicable; provided that, notwithstanding Section 8.2 above, Amgen shall have the final decision making authority with respect thereto. Amgen shall not have the right to seek any such restoration, supplemental protection certificate or other extension of any Xencor CD19 Patent or Xencor Background Patent without Xencor's prior written consent, which Xencor may withhold in its sole discretion. Xencor shall not, without Amgen's prior written consent, seek any such restoration, supplemental protection certificate or other extension of (i) a Xencor Compound-Specific Patent, with respect to any product (i.e., whether or not a "Product" hereunder), or (ii) any Xencor CD19 Patent or Xencor Background Patent, with respect to a Compound or a Product.

8.6 Trademarks. As between the Parties, Amgen shall own all right, title and interest in and to any trademarks adopted by Amgen for use with the Products within the

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Territory, and shall be responsible for the registration, filing, maintenance and enforcement thereof. Xencor shall not at any time do or authorize to be done any act or thing which is likely to materially impair the rights of Amgen therein, and shall not at any time claim any right of interest in or to such marks or the registrations or applications therefor.

9. TERM AND TERMINATION

9.1 Term. The term of this Agreement (the "Term") shall commence on the Effective Date, and unless terminated earlier as provided in this Article 9, shall continue in full force and effect until expiration of the last-to-expire Royalty Term for any Product in the Territory.

9.2 Termination If Option Not Exercised During Option Period. This Agreement shall immediately and automatically terminate in its entirety upon expiration or termination of the Option Period in the event Amgen has not exercised the Option prior to such expiration or termination (including as described in Schedule M), subject to Section 5.3 and to Sections 9.7, 9.8, 9.9 and 9.11 below. Notwithstanding the foregoing, in the event of a dispute as to whether all Core Collaboration Period Development Activities or the Option Data Package have been completed or delivered, this Agreement shall not terminate under this Section 9.2, and the Option Period shall be tolled until such dispute has been resolved in accordance with Article 12.

9.3 Termination by Amgen For Convenience. Amgen shall have the right to terminate this Agreement for convenience upon 90 days prior written notice to Xencor.

9.4 Termination for Breach. Either Party to this Agreement may terminate this Agreement in the event the other Party shall have materially breached or defaulted in the performance of any of its material obligations hereunder, and such default shall have continued for 90 days (or, in the case of breach of undisputed payment obligations, 30 days) after written notice thereof was provided to the breaching Party by the non-breaching Party. Any such termination shall become effective at the end of such 90-day (or 30-day, as applicable) period unless the breaching Party has cured any such breach or default prior to the expiration of such period (or, except in the case of breach or default of payment obligations, if such breach or default cannot reasonably be cured within such 90-day period, unless, prior to the expiration of the 90-day period, the breaching Party has undertaken appropriate steps to commence such cure during such 90-day period and diligently continues to pursue reasonable efforts to cure such breach in a manner reasonably assuring such cure within a reasonable period of time thereafter). Any right to terminate under this Section 9.4 shall be stayed and the cure period tolled in the event that, during any cure period, the Party alleged to have been in material breach or default shall have initiated dispute resolution in accordance with Article 12 with respect to the alleged breach, which stay and tolling shall continue until such dispute has been resolved in accordance with Article 12. In addition, Xencor shall have: (a) the right to terminate this Agreement immediately upon written notice to Amgen, if Amgen or its Affiliate initiates a Xencor Patent Challenge; and (b) the right to terminate any sublicense under the License granted to a Sublicensee, if such Sublicensee or its affiliate initiates a Xencor Patent Challenge, provided that, in each of (a) and (b) above Xencor shall not have such termination right if the Xencor Patent Challenge is withdrawn or dismissed within 30 days after a request by Xencor to do so. For such purposes, a "Xencor Patent Challenge" means the commencement or assertion by Amgen, its Affiliate or Sublicensee (i) in any lawsuit or reexamination proceeding (excluding any administrative opposition proceeding), of any claim challenging the

validity or enforceability of an issued Xencor Patent to the extent such Patent and such challenge apply to a Compound, or (ii) in any administrative opposition proceeding, of any claim challenging the validity or enforceability of a Xencor Patent; *provided, however,* that none of the following shall constitute a "Xencor Patent Challenge" for purposes of this Section 9.4: (A) Amgen's or its Affiliate's good faith assertion that (x) any Invention claimed by a Patent filed by or on behalf of Xencor as a Xencor Patent was an Amgen Invention or Joint Invention, or (y) any Invention claimed by a Joint Patent filed by or on behalf of Xencor as a Joint Patent was a Joint Invention; (B) Amgen's or its Affiliate's good faith assertion, in the context of whether a payment of royalties is due to Xencor, that no Valid Claim within the Xencor Patents applies with respect to a Product; (C) any claim made by Amgen or its Affiliate as a defense in any lawsuit or administrative proceeding brought by Xencor; and (D) any lawsuit, reexamination proceeding or opposition brought by Amgen or its Affiliate challenging the validity or enforceability of any claim within an issued Xencor Patent which claim does not Claim the composition of matter or formulation of, or any method of making or using, a Compound (and not challenging the validity or enforceability of any claim within an issued Xencor Patent that Claims the composition of matter or formulation of, or any method of making or using, a Compound).

9.5 Termination for Bankruptcy. Either Party may terminate this Agreement upon written notice to the other Party in the event any of the following occurs with respect to such other Party: (i) the other Party becomes bankrupt, or files a petition in bankruptcy or makes a general assignment for the benefit of creditors or otherwise acknowledges in writing insolvency, or is adjudged bankrupt, and such Party (A) fails to assume this Agreement in any such bankruptcy proceeding within 30 days after filing or (B) assumes and assigns this Agreement to a Third Party; (ii) the other Party is placed in a process of complete liquidation; (iii) a trustee or receiver is appointed for any substantial portion of the other Party's business and such trustee or receiver is not discharged within 60 days after appointment; (iv) any case or proceeding shall have been commenced or other action taken against the other Party in bankruptcy or seeking liquidation, reorganization, dissolution, a winding-up arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or similar act or law of any jurisdiction now or hereafter in effect and is not dismissed or converted into a voluntary proceeding governed by clause (i) above within 60 days after filing; or (v) there shall have been issued a warrant of attachment, execution, distraint or similar process against any substantial part of the property of the other Party and such event shall have continued for a period of 60 days and none of the following has occurred: (1) it is dismissed, (2) it is bonded in a manner reasonably satisfactory to the Party with the termination right under this Section 9.5, or (3) it is discharged.

9.6 Alternative to Amgen Termination for Xencor Breach. In the event that Amgen is entitled to terminate this Agreement for Xencor's material breach (after notice, opportunity to cure, and any dispute resolution proceedings, all as set forth in Section 9.4), but Amgen wishes to retain the License, Option and other rights granted to it hereunder, Amgen may, in lieu of terminating this Agreement, terminate Article 0, and/or (ii) if Amgen has not yet exercised the Option, Amgen shall have the right to exercise the Completion Option as described in Section 3.3; *provided, however,* that, except for any such terminated provisions, this Agreement, including the License and, if not previously exercised, the Option, will remain in full force and effect in accordance with its terms, subject to Amgen's continued compliance with its obligations hereunder. Notwithstanding the foregoing, if the Xencor breach that entitled Amgen to terminate

this Agreement was a breach of Section 6.3, then upon exercise of its rights under this Section 9.6, Amgen shall also have the right to terminate Section 6.3.

9.7 Consequences of Termination.

(a) Upon any termination of this Agreement by either Party as permitted by this Article 9, all rights and obligations of the Parties hereunder (including the License granted by Xencor to Amgen hereunder) shall terminate and be of no further force or effect, except as otherwise expressly set forth below in this Section 9.7 and in Sections 9.8, 9.9 and 9.11.

(b) Solely in the case of termination of this Agreement pursuant to Section 9.2, Section 5.3 shall survive.

(c) Solely in the case of termination of this Agreement pursuant to Section 9.2 or 9.3, or termination of this Agreement by Xencor pursuant to Section 9.4, the following shall apply:

(i) Effective upon any such termination, Amgen shall, and it hereby does, grant to Xencor an exclusive, perpetual, royalty-free license, with the right to sublicense through multiple tiers, under Amgen and Joint Compound-Specific Patents, to Develop, make, have made, use, sell, have sold, offer for sale and import Reverted Products. For such purposes: "Amgen and Joint Compound-Specific Patents" means all Amgen Patents and Joint Patents that, in each case, (A) Claim only Option Period Invention(s) and/or the composition of

matter or formulation of, or any method of making or using, a Compound, alone or as incorporated into a Product, or a Product (excluding any active ingredient that is not a Compound), and (B) do not Claim the composition of matter or formulation of, or any method of making or using, any Antibody that is not a Compound or any product that is not a Product.

For purposes of the foregoing, "Reverted Product" means any Product containing any of the following:

a. XmAb5871;

b. any Compound that comprises any of the Fc variants listed in Schedule A attached hereto (as "variant" is defined in such Schedule);

c. any Compound that comprises any other Fc variant owned by, or licensed to, Xencor during the Option Period, provided that Xencor notifies Amgen in writing of the identity of such Fc variant within 90 days after the earlier of (A) the Option Exercise Date or (B) the termination of this Agreement, which written notice shall expressly refer to this Section 9.7(c)(i)c; or

d. any Compound for which (A) Amgen or Xencor conducted any clinical trial prior to termination of this Agreement or (B) Xencor conducts any clinical trial within 3 years after such termination.

For clarity, Amgen retains the right at all times after termination of this Agreement pursuant to Section 9.2 or 9.3, or termination of this

Agreement by Xencor pursuant to Section 9.4, to practice the Amgen and Joint Compound-Specific Patents and Amgen Know-How for all purposes, except, from the date of such termination, to Develop, make, have made, use, sell, have sold, offer for sale or import Reverted Products;

(ii) Effective upon any such termination, Amgen shall, and it hereby does, grant to Xencor a non-exclusive, perpetual, royalty-free license, with the right to sublicense, under Amgen Blocking Patents, solely to Develop, make, have made, use, sell, offer for sale, have sold and import Reverted Products in the Field in the Territory. "Amgen Blocking Patents" means Amgen Patents, other than Amgen Patents within Amgen and Joint Compound-Specific Patents, that Claim inventions actually practiced or generated by or on behalf of Amgen in the Development, manufacture, use, sale, offer for sale or import of Compound or Products in the Field in the Territory prior to termination of this Agreement;

(iii) As promptly as practicable (and in any event within 90 days) after such termination, Amgen shall (A) deliver to Xencor all then—existing Regulatory Documents and Data Controlled by Amgen to the extent they pertain to Compound and Products (or true, correct and complete copies thereof), and hereby grants to Xencor, effective as of the effective date of such termination, the right to use and reference all such Regulatory Documents and Data as necessary or useful for the exercise of the licenses granted to Xencor under Section 9.7(c)(i) or (ii) as applicable, (B) disclose to Xencor all Amgen Know-How necessary or useful for the practice of the licenses granted pursuant to Section 9.7(c)(i) or (ii), to the extent such Amgen Know-How was actually used or generated by Amgen in the course of manufacturing, Developing or commercializing a Reverted Product, and hereby grants to Xencor, effective as of the effective date of such termination, the right to use and practice such Amgen Know-How as necessary or useful for the exercise of the license granted to Xencor under Section 9.7(c)(i) or (ii), (C) transfer and assign to Xencor all of its right, title and interest in and to all then-existing Regulatory Filings with respect to the Reverted Products, and (D) cooperate reasonably in transitioning the Reverted Products to Xencor;

(iv) To the extent that any of the foregoing licenses or rights granted by Amgen include Patents or Know-How that were acquired from a Third Party, but that are subject to payment or other obligations to a Third Party, then Amgen shall so notify Xencor, together with a true, complete and correct written description of such payment and/or other obligations (a "Third Party Technology Notice"), and the inclusion of such Third Party technology in such licenses shall be subject to Xencor's agreeing in writing to reimburse, and promptly reimbursing, Amgen for any payments that become owing to such Third Party by reason of the grant to, or the exercise of Xencor's rights with respect to, the Third Party technology, to the extent the same were disclosed to Xencor in the Third Party Technology Notice. In addition, as a condition of such license, upon request, Xencor shall agree in writing to be bound by any obligations that are applicable to sublicensees of the applicable Third Party technology

under the agreement under which such Third Party technology was acquired;

(v) Xencor shall have the right, but not the obligation, to purchase from Amgen at Amgen's fully-burdened manufacturing cost (calculated in accordance with GAAP, consistently applied) any or all quantities of usable clinical and/or commercial GMP-grade Compound or Products in Amgen's or its Affiliates' possession as of the date of termination. Any packaging, transport, insurance and other costs relating to delivery shall be at Xencor's expense; and

(vi) If Amgen was manufacturing, or having manufactured on its behalf, any Reverted Product, or the Compound contained therein, prior to termination, then at Xencor's request, until the earlier of (A) such time as Xencor has secured another source of Compound or Product that is able to meet Xencor's Compound and Product quality and quantity requirements, and (B) 18 months after such termination, Amgen shall use Commercially Reasonable Efforts to supply, or cause to be supplied, to Xencor such quantities of Compound or Product as Xencor may reasonably require for the Development and commercialization of Compound and Products in the Field in the Territory; provided that Xencor shall use commercially reasonable efforts to secure another source of supply of such Compound and Product as soon as reasonably practicable.

(vii) Notwithstanding the foregoing, in no event shall Xencor as a result of this Section 9.7(c) have any right or license with respect to any Antibody or compound that is not a "Compound" as defined in this Agreement.

9.8 Accrued Obligations. The expiration or termination of this Agreement for any reason shall not release either Party from any liability that, at the time of such expiration or termination, has already accrued to the other Party or that is attributable to a period prior to such expiration or termination, nor will any termination of this Agreement preclude either Party from pursuing all rights and remedies it may have under this Agreement, or at law or in equity, with respect to breach of this Agreement. Notwithstanding the foregoing, in the event that Amgen provides notice of termination under Section 9.3 or 9.4 above prior to the date the Second Option Exercise Fee is due, then such payment shall not be deemed to have accrued and Amgen shall not be obligated to make such payment.

9.9 General Survival. The following provisions of this Agreement shall survive expiration or termination of this Agreement for any reason: Articles 1, 11, 12 and 13, and Sections 6.10 through 6.13, 7.1, 7.2, Section 8.1, Section 9.1, Sections 9.7 through 9.11, Section 10.8, Section 10.9, and the first sentence of Section 7.3. In addition, upon the expiration, but not an earlier termination, of this Agreement, the following Sections shall also survive: Section 6.7(f), if applicable, and the corresponding provisions of Sections 6.7(c), 6.7(d) and 6.8; and Section 8.4, with respect to Infringements occurring prior to such expiration.

9.10 Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Xencor or Amgen are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code and other similar laws in a jurisdiction outside the United States, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that the Parties, as

licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the U.S. Bankruptcy Code or such similar laws in a jurisdiction outside the United States. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the U.S. Bankruptcy Code, the Party hereto that is not a party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property (including, in the case of Xencor as the party to such proceeding, all Xencor Know-How and all Xencor Information and Materials and Data), and same, if not already in its possession, shall be promptly delivered to them (i) upon any such commencement of a bankruptcy proceeding upon its written request therefor, unless the Party subject to such proceeding elects to continue to perform all of its obligations under this Agreement, or (ii) if not delivered under (i) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

9.11 Additional Rights. Neither Party will be precluded from pursuing all rights and remedies that it may have hereunder at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation.

10. REPRESENTATIONS, WARRANTIES AND COVENANTS

10.1 Representations and Warranties of the Parties. Each Party hereby represents and warrants to the other Party as of the Effective Date that it has full corporate power and authority and has taken all requisite corporate action necessary to enter into and perform this Agreement, and that this Agreement is a legal and valid obligation binding upon such Party and enforceable in accordance with its terms. The execution, delivery and performance of this Agreement by such Party do not conflict with, or constitute a default under, any agreement, instrument or understanding, oral or written, to which such Party is a party or by which it is bound, nor, to its knowledge as of the Effective Date, violate any Applicable Law.

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

(a) it has as of the Effective Date the full right, power and authority to grant the licenses granted to Amgen under Section 5.1, including the exclusive license, with the right to sublicense through multiple tiers, under the Patents identified in Schedules D, E and F and Xencor's interest in the Joint Patents, to Develop, make, have made, use, sell, have sold, offer for sale and import the Compound and Products in the Field in the Territory, and Xencor has not previously granted and, during the Term, will not grant any rights that would conflict with, or that would otherwise materially interfere with, diminish or negatively affect the rights and licenses granted to Amgen herein, including such right and licenses with respect to the Patents identified in Schedules D, E and F;

(b) there are no agreements in effect as of the Effective Date with a Third Party under which rights with respect to the Xencor Patents or Xencor Know-How are being licensed to Xencor other than (i) that certain […***…], and (ii) […***…]

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[…***…]. […***…];

(c) it holds good title to and is the sole and exclusive owner or licensee of all right, title and interest in and to the Xencor Patents free and clear of any lien, mortgage, security interest, pledge, license, restriction on transferability, defect of title or other claim, charge or encumbrance, except for: (i) […***…] ownership of […***…] on Xencor's Behalf […***…] pursuant to the […***…] Agreement, and, if Xencor elects to obtain a license with respect to any […***…], the obligation under the […***…] to pay upfront or license fees, annual maintenance fees and milestone payments as set forth in the […***…] Agreement with respect to such […***…]; (ii) the […***…]; and (iii) licenses and other rights granted to Third Parties under […***…] and Xencor Background Patents for purposes other than the Development, manufacture, use, sale, offer for sale or import of Compounds and Products;

(d) Xencor has the right to disclose the Xencor Know-How to Amgen as contemplated by this Agreement;

(e) Schedules D, E and F attached hereto accurately and completely identify all Patents in which Xencor has any rights as of the Effective Date that have been used in connection with or are reasonably necessary or useful for, the Development, manufacture or commercialization of Compounds or Products, and Xencor does not have rights in or to any Patent or Information or Materials that would be within the Xencor Patents or the Xencor Know-How, but for the fact that Xencor does not Control such Patent or Information or Materials. XmAb5871 does not use or incorporate any Xencor XmAb Xtend Technology. To Xencor's knowledge as of the Effective Date, (i) the issued patents within the Xencor

Patents are valid and enforceable, (ii) there are no claims against Xencor as of the Effective Date, nor any reissue, reexamination, interference, opposition or similar proceedings pending or threatened, with respect to the Xencor Patents or Xencor Know-How, and (iii) with respect to all Patents of Third Parties Xencor has disclosed to Amgen prior to the Effective Date as being relevant to the Development, manufacture, or commercialization of Compound, all information disclosed by Xencor to Amgen regarding such Patents is correct, and Xencor has not knowingly omitted to disclose to Amgen any material information in Xencor's possession regarding such Patents;

(f) it has conducted, and has caused its contractors to conduct, all preclinical and clinical studies for Products and manufacturing of the Compound and Products, in accordance with (i) all Applicable Laws of the United States and the country in which such clinical studies are conducted, (ii) the applicable published standards and guidelines of the FDA and the Regulatory Authority in such country, and (iii) the scientific standards applicable to the conduct of such studies and activities in the United States and in such country including current good laboratory practice, current good clinical practice and current good manufacturing practice. Neither Xencor, nor to its knowledge any officer,

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employee or agent of Xencor, has made an untrue statement of a material fact to any Regulatory Authority with respect to the Compound or Products (whether in any submission to such Regulatory Authority or otherwise), or has knowingly failed to disclose a material fact required to be disclosed to any Regulatory Authority with respect to the Compound or Products;

(g) to its knowledge, Xencor has not employed any personnel, and has not knowingly used a contractor or consultant, debarred by the FDA (or subject to a similar sanction of a Regulatory Authority), or who is subject of an FDA debarment investigation or proceeding (or similar proceeding of a Regulatory Authority);

(h) Except as disclosed to Amgen prior to the Effective Date, there are no inquiries, actions or other proceedings pending before or, to Xencor's knowledge, threatened by, any Regulatory Authority or other government agency with respect to the Compound or Products or any facility where the Compound or any Product is manufactured, and neither Xencor nor, to the knowledge of Xencor, its subcontractors, has received written notice threatening any such inquiry, action or other proceeding;

(i) Xencor has made available to Amgen for its review all material Data generated by or on behalf of Xencor with respect to the Compound or Products. To Xencor's knowledge, all of the Data and information relating to Compound and Products that Xencor has disclosed or made available to Amgen is accurate in all material respects, and Xencor has not omitted therefrom any material Data or information relating to the Compound or Products in Xencor's possession or control prior to the Effective Date that a reasonable person in Amgen's position would want to have examined prior to executing this Agreement.

10.3 Covenants.

(a) Covenant by Xencor. Following delivery of the Option Data Package, if Amgen requests that Xencor provide information known to Xencor relating to the accuracy of any representation or warranty made by Xencor in Section 10.2 as if made on the date of such request, then to the extent such information has not previously been disclosed to Amgen, Xencor shall provide such information to Amgen within 30 days after such request.

(b) Mutual Covenants. Each Party hereby covenants to the other Party that:

(i) it will conduct, and will cause its contractors to conduct, all preclinical and clinical studies for Products and manufacturing of the Compound and Products, in accordance with (i) all Applicable Laws of the United States and the country in which such clinical studies are conducted, (ii) the known or published standards of the FDA and the Regulatory Agency in such country, and (iii) the scientific standards applicable to the conduct of such studies and activities in the United States and in such country including current good laboratory practice, current good clinical practice and current good manufacturing practice. Neither such Party, nor any officer, employee or agent of such Party, will make an untrue statement of a material fact to any Regulatory Authority with respect to the Compound or Products (whether in any submission to such Regulatory Authority or otherwise), and neither will knowingly fail to disclose a material fact required to be disclosed to any Regulatory Authority with respect to the Compound or Products; and

(ii) it will not knowingly employ any personnel or knowingly use a contractor or consultant that has been debarred by the FDA (or subject to a similar sanction of a Regulatory Authority), or that is subject of an FDA debarment investigation or proceeding (or similar proceeding of a Regulatory Authority).

10.4 Diligence Obligations of Amgen. Except as otherwise provided herein, following the Option Exercise Date, Amgen shall use Commercially Reasonable Efforts (directly and/or through one or more Affiliates and/or Sublicensees) to Develop, obtain Marketing Approval for and commercialize at least one Product. The foregoing shall include use of Commercially Reasonable Efforts (directly and/or through one or more Affiliates and/or Sublicensees) with respect to each of the Major Markets. Amgen shall keep Xencor reasonably informed as to its progress and activities relating to the Development, commercialization, marketing and promotion of Compound and Products in the Territory, as follows:

(a) during the existence of the DC, via DC meetings and required reports to the DC under Article 0;

(b) after the DC ceases to exist and prior to First Commercial Sale of the first Product, by delivering […***…] written reports to Xencor in […***…] summarizing the status of Amgen's and its Affiliates' and Sublicensees' efforts with respect to Products, including significant Development, clinical trial progress, regulatory approval and commercialization plans, activities and results with respect to Products; and

(c) after First Commercial Sale of the first Product, by delivering annual written reports to Xencor in January of each year summarizing the status of Amgen's and its Affiliates' and Sublicensees' efforts with respect to Products, including significant Development, clinical trial progress,

regulatory approval and commercialization plans, activities and results with respect to Products.

Without limiting the generality of the foregoing (and both during and after the DC's existence), Amgen shall provide Xencor with written notice with respect to the following within […***…] after occurrence: (i) filing of any IND for a Compound or Product in a Major Market; (ii) initiation of any clinical trial of a Compound or Product; (iii) filing of a BLA with respect to any Product in a Major Market; (iv) receipt of Marketing Approval for any Product in a Major Market; and (v) First Commercial Sale of a Product in a Major Market; in each case to the extent such activity is undertaken by or on behalf of Amgen or its Affiliates or Sublicensees.

10.5 Exclusivity of Efforts. For clarity, it is understood that any Antibody that Amgen Develops or commercializes and which meets the definition "Compound" under Section 1.21 above, shall be deemed a "Compound" hereunder for all purposes of this Agreement, including the milestone and royalty obligations in Sections 6.5 and 6.7, whether or not such Compound incorporates or utilizes any Xencor Patents or Xencor Know-How. Similarly any Antibody that is Controlled by Xencor as of the Effective Date or during the Term that meets the definition of "Compound" under Section 1.21 above shall also be deemed a "Compound" for all purposes of this Agreement, including the milestone and royalty provisions of Sections 6.5 and 6.7.

10.6 Change of Control of Xencor. Xencor shall notify Amgen in writing promptly of the closing of any Change of Control of Xencor involving a Significant Pharmaceutical Company. With respect to any such Change of Control occurring prior to the Option

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Exercise Date, Amgen shall have the rights set forth in Section 3.3 and Schedule M. With respect to any such Change of Control occurring after the Option Exercise Date, during the […***…] period after Xencor provides notice of the closing of such Change of Control, Amgen may, by written notice to Xencor, terminate Article 0. If Amgen so terminates Article 2, then any decision that would otherwise have been made by the DC shall be made by Amgen; it being understood that the limitations on a Party's deciding vote on the DC specified in Section 2.5 shall also apply to Amgen's right to make decisions under this Section 10.6. For the avoidance of doubt, except as expressly set forth above in this Section 10.6, no Change of Control of either Party shall have any effect on the respective rights and obligations of the Parties under this Agreement.

10.7 Review of Material Agreements. During the Collaboration Period, prior to entering into any material agreements with respect to either the Compound or Products (including the Development or manufacture thereof), Xencor shall provide Amgen with a reasonable opportunity to review and comment on any such agreement and shall consider in good faith any comments provided thereon by Amgen.

10.8 Disclaimer. Except as expressly set forth in this Agreement, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS," AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES.

10.9 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 7 NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided, however,* that this Section 10.9 shall not be construed to limit either Party's indemnification obligations under Article 11.

11. INDEMNIFICATION

11.1 Indemnification of Xencor. Amgen shall indemnify and hold harmless each of Xencor, its Affiliates and the directors, officers, stockholders and employees of such entities and the successors and assigns of any of the foregoing (the "Xencor Indemnitees"), from and against any and all liabilities, damages, penalties, fines, costs, expenses, including, reasonable attorneys' fees and other expenses of litigation ("Liabilities"), from any claims, actions, suits or proceedings brought by a Third Party (a "Third Party Claim") to which any Xencor Indemnitee may become subject, to the extent such Liabilities arise directly or indirectly out of: (a) the research, Development, manufacture, use, handling, storage, marketing, distribution, importation, sale or other disposition of any Compound or Product by or on behalf of Amgen, its Affiliates or Sublicensees; (b) the gross negligence or willful misconduct of any Amgen Indemnitee; or (c) Amgen's breach of any representation, warranty, covenant or other agreement made by Amgen in this Agreement; except, in each case, to the extent such Liabilities result from the gross negligence or willful misconduct of any Xencor Indemnitee or the breach by Xencor of any warranty, representation, covenant or agreement made by Xencor in this Agreement. For purposes of clarification, the foregoing shall not relieve Xencor of its co-funding obligations under Section 6.3 (if applicable).

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11.2 Indemnification of Amgen. Xencor shall indemnify and hold harmless each of Amgen, its Affiliates and Sublicensees and the directors, officers and employees of Amgen, its Affiliates and Sublicensees and the successors and assigns of any of the foregoing (the "Amgen Indemnitees"), from and against any and all Liabilities from any Third Party Claims incurred by any Amgen Indemnitee, arising from, or occurring as a result of (a) the research, Development, manufacture, use, handling, storage, marketing, distribution, importation, sale or other disposition of any Compound or Product by or on behalf of Xencor, its Affiliates or its Third Party licensees; (b) the gross negligence or willful misconduct of any Xencor Indemnitee; or (c) Xencor's breach of any representation, warranty, covenant or other agreement made by Xencor in this Agreement; except, in each case, to the extent such Liabilities result from the gross negligence or willful misconduct of any Amgen Indemnitee or the breach by Amgen of any warranty, representation, covenant or agreement made by Amgen in this Agreement.

11.3 Procedure. A Party that intends to claim indemnification under this Article 11 (the "Indemnitee") shall promptly notify the other Party (the "Indemnitor") in writing of the assertion or the commencement of a Third Party Claim and will provide the Indemnitor such information with respect thereto that the Indemnitor may reasonably request. The Indemnitor shall be entitled to participate in the defense of any Third Party Claim and, subject to the limitations set forth in this Section, shall be entitled to control and appoint lead counsel for such defense, in each case at its expense. If the Indemnitor shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 11.3, the Indemnitor shall obtain the prior written

consent of the Indemnitee (not to be unreasonably withheld) before entering into any settlement of such Third Party Claim. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any action with respect to a Third Party Claim, to the extent prejudicial to its ability to defend such action, shall relieve such Indemnitor of any liability to the Indemnitee under this Section 11.3, but the omission to so deliver written notice to the Indemnitor shall not relieve the Indemnitor of any liability that it may have to any Indemnitee otherwise than under this Section 11.3. The Indemnitee under this Section 11.3 shall cooperate fully with the Indemnitor and its legal representatives in the investigation of any action with respect to a Third Party Claim covered by this indemnification.

12. DISPUTE RESOLUTION

12.1 Discussions. Upon the written request of either Party to the other Party, any claim, dispute, or controversy as to the breach, enforcement, interpretation or validity of this Agreement (other than any dispute the resolution of which is within the express authority of the DC), including any action or claim based on tort, contract, or statute, or concerning the interpretation, effect, termination, validity, performance and/or breach of this Agreement (each, a "Dispute Claim"), will be referred to the Chief Executive Officer of Xencor and a designated official of Amgen (who shall be a Vice President or higher with authority to resolve such matter), for resolution. In the event the two individuals referred to in the preceding sentence are unable to resolve such dispute within […***…] after the initial written request, then, upon the written demand of either Party, the Dispute Claim shall be subject to arbitration, as provided in Section 12.2.

12.2 Arbitration.

(a) Claims. Subject to Section 12.3 below, any Dispute Claim that is not resolved under Section 12.1 within […***…] after a Party's initial written request for resolution, shall be resolved by final and binding arbitration administered by JAMS (the "Administrator") in accordance with its Comprehensive Arbitration Rules and Procedures (the "Rules"), except to the extent any such Rule conflicts with the express provisions of this Section 12.2. (Capitalized terms used but not otherwise defined in this Agreement shall have the meanings provided in the Rules.) The Arbitration shall be conducted by one neutral arbitrator selected in accordance with the Rules, provided that such individual shall not be a current or former employee or director, or a current stockholder, of either Party, any of their respective Affiliates or any Sublicensee. The Arbitration shall be held in Los Angeles, California.

(b) Discovery. Within […***…] after selection of the Arbitrator, the Arbitrator shall conduct the Preliminary Conference. In addressing any of the subjects within the scope of the Preliminary Conference, the Arbitrator shall take into account both the needs of the Parties for an understanding of any legitimate issue raised in the Arbitration and the desirability of making discovery efficient and cost-effective. In that regard, the Parties agree to the application of the E-Discovery procedures set forth in Rule 16.2(c) of JAMS' Expedited Procedures. In addition, each Party shall have the right to take up to […***…] of deposition testimony, including expert deposition testimony. The Parties agree that the Arbitrator shall set a discovery cutoff not to exceed […***…] (rather than […***…]) calendar days after the Preliminary Conference for percipient discovery and not to exceed […***…] (rather than […***…]) calendar days after the Preliminary Conference for expert discovery. These dates may be extended by the Arbitrator for good cause shown.

(c) Hearing; Decision. The Hearing shall commence within […***…] calendar days after the discovery cutoff. The Arbitrator shall require that each Party submit concise written statements of position and shall permit the submission of rebuttal statements, subject to reasonable limitations on the length of such statements to be established by the Arbitrator. The Hearing shall be no longer than […***…] business days in duration. The Arbitrator shall also permit the submission of expert reports. The Arbitrator shall render the Award within […***…] days after the Arbitrator declares the Hearing closed, and the Award shall include a written statement describing the essential findings and conclusions on which the Award is based, including the calculation of any damages awarded. The Arbitrator will, in rendering his or her decision, apply the substantive law of the State of California, without giving effect to its principles of conflicts of law, and without giving effect to any rules or laws relating to arbitration. The Arbitrator's authority to award special, incidental, consequential or punitive damages shall be subject to the limitation set forth in Section 10.9. The Award rendered by the Arbitrator shall be final, binding and non-appealable, and judgment may be entered upon it in any court of competent jurisdiction. However, the Parties agree that the JAMS Optional Arbitration Appeal Procedures shall apply to the Arbitration, at the request by either Party in accordance with such Appeal Procedures. If a Party appeals the Award rendered by the Arbitrator, the Award issued by the Appeal Panel (as defined in such Appeal Procedures) shall be final,

binding and non-appealable, and judgment may be entered upon it in any court of competent jurisdiction.

(d) Costs. Each Party shall bear its own attorney's fees, costs, and disbursements arising out of the Arbitration, and shall pay an equal share of the fees and costs of the Arbitrator; provided, however, the Arbitrator shall be authorized to determine whether a Party is the prevailing party, and if so, to award to that prevailing party reimbursement for any or all of its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.), and/or the fees and costs of the Administrator and the Arbitrator.

12.3 Court Actions. Nothing contained in this Agreement shall deny either Party the right to seek injunctive or other equitable relief from a court of competent jurisdiction in the context of a bona fide emergency or prospective irreparable harm, and such an action may be filed and maintained notwithstanding any ongoing discussions between the Parties or any ongoing arbitration proceeding. In addition, either Party may bring an action in any court of competent jurisdiction to resolve disputes pertaining to the validity, construction, scope, enforceability, infringement or other violations of Patents or other intellectual property rights, and no such claim shall be subject to arbitration pursuant to Section 12.2.

13. GENERAL PROVISIONS

13.1 Force Majeure. If the performance of any part of this Agreement (except for any payment obligation under this Agreement) by either Party is prevented, restricted, interfered with or delayed by an event or circumstance of *force majeure* (including, fire, flood, embargo, power shortage or failure, acts of war, insurrection, riot, terrorism, strike, lockout or other labor disturbance or acts of God) that is not within the reasonable control, directly or indirectly, of the Party seeking to have its performance excused thereby, the Party so affected shall, upon giving written notice to the other Party, be excused from such performance to the extent of such prevention, restriction, interference or delay; provided that the affected Party shall use its reasonable efforts to avoid or remove such causes of non-performance and shall continue performance with the utmost dispatch whenever such causes are removed. The Parties agree that a Party's financial inability or other inability to obtain funds sufficient to perform its obligations hereunder shall not be grounds for obtaining relief under this Section 13.1.

13.2 Governing Law. This Agreement and all questions regarding its validity or interpretation, or the breach or performance of this Agreement, shall be governed by, and construed and enforced in accordance with, the laws of the State of California, without reference to conflict of law principles.

13.3 Waiver. Except as otherwise expressly provided in this Agreement, any term of this Agreement may be waived only by a written instrument executed by a duly authorized representative of the Party waiving compliance. The delay or failure of either Party at any time to require performance of any provision of this Agreement shall in no manner affect such Party's rights at a later time to enforce the same. No waiver by either Party of any condition or term in any one or more instances shall be construed as a further or continuing waiver of such condition or term or of another condition or term.

13.4 Modification. No amendment or modification of any provision of this Agreement shall be effective unless in writing signed by a duly authorized representative of each Party.

No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by a duly authorized representative of each Party.

13.5 Severability. In the event any provision of this Agreement should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and all other provisions of this Agreement shall remain in full force and effect in such jurisdiction. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

13.6 Entire Agreement. This Agreement (including the Exhibits and Schedules attached hereto) constitutes the entire agreement between the Parties relating to its subject matter and supersedes all prior or contemporaneous agreements, understandings or representations, either written or oral, between Xencor and Amgen with respect to such subject matter.

13.7 Notices. Unless otherwise agreed by the Parties or specified in this Agreement, all communications between the Parties relating to, and all written documentation to be prepared and provided under, this Agreement shall be in the English language. Any notice required or permitted under this Agreement shall be in writing in the English language: (a) delivered personally; (b) sent by registered or certified mail (return receipt requested and postage prepaid); (c) sent by express courier service providing evidence of receipt, postage pre-paid where applicable; or (d) sent by facsimile (receipt verified and a copy promptly sent by another permissible method of providing notice described in (a), (b) or (c) above), to the following addresses of the Parties or such other address for a Party as may be specified by like notice:

To Amgen:
Amgen Inc.
One Amgen Center Drive
Thousand Oaks, CA 91320-1799
Telephone: (805) 447-1000
Facsimile: (805) 499-4531
Attention: Corporate Secretary

To Xencor:
Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Telephone: (626) 305-5900
Facsimile: (626) 305-0350
Attention: Chief Executive Officer

With a copy to:
Wilson, Sonsini, Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304
Telephone: (650) 493-9300
Facsimile: (650) 493-6811
Attention: Kenneth A. Clark

Any notice required or permitted to be given concerning this Agreement shall be effective upon receipt by the Party to whom it is addressed or within two (2) business days of dispatch whichever is earlier.

13.8 Assignment. This Agreement shall not be assignable by either Party to any Third Party hereto without the written consent of the other Party hereto; except either Party may assign this Agreement without the other Party's consent:

(a) to a Third Party in connection with the transfer or sale of all or substantially all of the business of such Party to which this Agreement relates, whether by merger, sale of stock, sale of assets or otherwise (a "Sale Transaction"), subject to Section 13.9; or

(b) to an Affiliate, provided that the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate.

Neither Party shall transfer to a Third Party (other than a permitted assignee of this Agreement) title to or ownership of any Patents within such Party's Compound-specific Patents (i.e., the Xencor Compound-Specific Patents or the Amgen and Joint Compound-Specific Patents, as applicable) relating to a

Compound or Product and licensed (or required to be licensed) to the other Party hereunder, without the other Party's prior written consent, not to be unreasonably withheld. Xencor shall not transfer to a Third Party (other than a permitted assignee of this Agreement) title to or ownership of, any Patent within the Xencor CD19 Patents or Xencor Background Patents, if such Patent covers a Compound or a Product, unless such Third Party expressly takes such Patent subject to the License (and agrees to similarly obligate any further assignee). In addition, if Xencor requests in writing within […***…] after a termination of this Agreement to which Section 9.7(c) applies, Amgen shall not transfer to any Third Party any Amgen Blocking Patent specified in such request by Xencor, unless such Third Party expressly takes such Patent subject to Xencor's license under Section 9.7(c)(ii) (and agrees to similarly obligate any further assignee). Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of each Party, its successors and permitted assigns. Any assignment of this Agreement in contravention of this Section 13.8 shall be null and void.

13.9 Sale Transaction or Amgen Acquisition. In the event of (x) a Sale Transaction (as defined in Section 13.8(a)), or (y) the acquisition by Amgen of all or substantially all of the business of a Third Party (together with any entities that were affiliates of such Third Party immediately prior to such acquisition, an "Amgen Acquiree"), whether by merger, sale of stock, sale of assets or otherwise (an "Amgen Acquisition"):

(a) intellectual property rights of the acquiring party in a Sale Transaction, if other than one of the Parties to this Agreement (together with any entities that were affiliates of such Third Party immediately prior to such Sale Transaction, a "Third Party Acquirer"), or the Amgen Acquiree, as applicable, shall not be included in the technology licensed hereunder or otherwise subject to this Agreement, provided that to the extent any Confidential Information of the acquired Party in the case of a Sale Transaction or of Amgen in the case of an Amgen Acquisition that, in each case, is within the Information and Materials licensed hereunder (i.e., within the Xencor Know-How if Xencor is the acquired Party, or the Amgen Know-How (i) if Amgen is the acquired Party or (ii) in the event of an Amgen Acquisition), is used by such Third Party Acquirer or Amgen Acquiree, in any material manner for the Development, manufacture or commercialization of a Compound or Product, such Compound or Product, respectively, and the intellectual property rights generated by the Third Party Acquirer or Amgen Acquiree in connection with the use of such Confidential Information shall be included in the technology licensed hereunder and subject to this Agreement to the extent it would fall within the definition of Xencor Technology or Amgen Technology, as applicable, but for this Section 13.9(a);

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(b) notwithstanding any other provision of this Agreement to the contrary, no Antibody or product of the Third Party Acquirer or Amgen Acquiree (each such Antibody or product, an "Excluded Product"), shall be deemed a "Compound" or "Product" hereunder (even if such Excluded Product would be within the definition of "Compound" or "Product" hereunder), *so long as* such Excluded Product is: (i) controlled by the Third Party Acquirer prior to the Sale Transaction, or by the Amgen Acquiree prior to consummation of the Amgen Acquisition, as applicable; (ii) acquired (whether by in-license or otherwise) by the Third Party Acquirer, or by the Amgen Acquiree, as applicable, in each case, from another Third Party after consummation of such Sale Transaction or Amgen Acquisition; or (iii) solely in the case of a Sale Transaction, developed internally by the Third Party Acquirer without material use of or reference to Confidential Information of the acquired Party within the Information and Materials licensed hereunder and without the practice of intellectual property of the acquired Party licensed hereunder; and

(c) notwithstanding any other provision of this Agreement to the contrary, Section 5.5 shall not be construed to prohibit or restrict any Third Party Acquirer of a Party or any Amgen Acquiree, or, in each case, its Affiliated Companies, from making, Developing, using, selling, offering for sale, importing or commercializing any Restricted Antibody, *so long as* such Restricted Antibody is: (i) controlled by the Third Party Acquirer prior to the Sale Transaction, or by the Amgen Acquiree prior to consummation of the Amgen Acquisition, as applicable; (ii) acquired (whether by in-license or otherwise) by the Third Party Acquirer , or by the Amgen Acquiree , as applicable, in each case, from another Third Party after consummation of such Sale Transaction or Amgen Acquisition; or (iii) solely in the case of a Sale Transaction, developed internally by the Third Party Acquirer without material use of or reference to Confidential Information of the acquired Party within the Information and Materials licensed hereunder and without the practice of intellectual property of the acquired Party licensed hereunder.

13.10 No Partnership or Joint Venture. Nothing in this Agreement is intended, or shall be deemed, to establish a joint venture or partnership (or any fiduciary duty) between Xencor and Amgen. Neither Party to this Agreement shall have any express or implied right or authority to assume or create any obligations on behalf of, or in the name of, the other Party, or to bind the other Party to any contract, agreement or undertaking with any Third Party.

13.11 Interpretation. The captions to the several Articles and Sections of this Agreement are not a part of this Agreement, but are included for convenience of reference and shall not affect its meaning or interpretation. In this Agreement: (a) the word "including" shall be deemed to be followed by the phrase "without limitation" or like expression; (b) the singular shall include the plural and vice versa; and (c) masculine, feminine and neuter pronouns and expressions shall be interchangeable. Each accounting term used herein that is not specifically defined herein shall have the meaning given to it under GAAP. All references to a "business day" or "business days" in this Agreement means any day other than a day which is a Saturday, a Sunday or any day banks are authorized or required to be closed in the United States. Ambiguities and

[SIGNATURE PAGE FOLLOWS]

uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the Parties regarding this Agreement shall be in the English language.

13.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Collaboration and Option Agreement as of the date first set forth above.

XENCOR, INC.

BY: /s/ Bassil Dahiyat

NAME: Bassil Dahiyat

TITLE: President and CEO

AMGEN INC.

BY: /s/ Robert A. Bradway

NAME: Robert A. Bradway

TITLE: President and Chief Operating Officer

LIST OF SCHEDULES

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Schedule A

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Schedule D

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Schedule G

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Schedule H

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Schedule J

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Schedule K

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Schedule L

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Exhibit 10.22

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

CLINICAL SUPPLY AGREEMENT

THIS CLINICAL SUPPLY AGREEMENT (this "**Agreement**") is entered into and effective this 1st day of October, 2012 ("**Effective Date**"), by and between Cook Pharmica LLC ("COOK"), an Indiana limited liability company with offices at 1300 South Patterson Drive, Bloomington, Indiana 47403 and Xencor, Inc. ("CLIENT"), a Delaware corporation, with offices at 111 West Lemon Avenue, Second Floor, Monrovia, CA, 91016. In this Agreement, COOK and CLIENT each may be referred to individually as a "**Party**" and together as "**Parties.**"

RECITALS

WHEREAS, COOK is in the business of, among other things, manufacturing and testing biological products; and

WHEREAS, subject to the terms and conditions set forth in this Agreement, CLIENT wishes to have COOK produce for CLIENT the Bulk Drug Substance for use in clinical studies.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

AGREEMENT

1. **Definitions.** For purposes of this Agreement, the following terms will have the meanings set forth below:

1.1 "**Affiliate**" means any Person, corporation, partnership or other entity that directly or indirectly controls or is controlled by or is under common control with a Party, where "control" is determined by direct or indirect ownership of fifty percent (50%) or more of the shares of stock or membership interests entitled to vote for the election of directors or managers as applicable.

1.2 **"Ancillary Intellectual Property"** shall mean the portion of Intellectual Property that is discovered, generated, conceived, first reduced to practice or writing, or developed (in whole or in part) by a party during performance of this Agreement, and which does not specifically claim the Protein Molecule and which is generally useful for the production, formulation, or use of protein molecules in addition to the Protein Molecules. Examples of Ancillary Intellectual Property include, but are not limited to; cell culture media improvements, cell culture method improvements, and cell transfection improvements.

1.3 "**Agreement**" has the meaning stated in the opening paragraph.

1.4 "**Applicable Laws**" means all ordinances, rules and regulations of any kind whatsoever of any Regulatory Authority, including, without limitation, the FDCA, that are applicable with respect to the context in which the term is used.

1.5 "**Batch**" means a specific quantity of the Product (including samples) which is produced as a result of the completion of one operation of the Process for the Product in accordance with the Product Specifications and CGMP as required by the Project Plan.

1.6 **"Batch Record"** shall mean an accurate reproduction of the Master Batch Record documenting each significant step in the manufacturing, processing, testing, packaging and/or holding of a particular Batch.

1.7 **"BLA"** shall mean the FDA required Biologic License Application or a corresponding license required by a Regulatory Authority.

1.8 **"Bulk Drug Substance**" shall mean a solution in which the active ingredient is a Protein Molecule in a purified and appropriately formulated form as specified in the Bulk Drug Substance Specifications

1.9 **"Bulk Drug Substance Specifications"** shall mean a list of the analytical testing methods or references to analytical procedures and corresponding acceptance criteria (numerical limits, ranges or other criteria for the tests described), to be performed on each Batch of the purified Bulk Drug Substance prior to its disposition. Bulk Drug Substance Specifications shall be set forth in the COOK document for the Bulk Drug Substance, which shall be agreed upon by CLIENT and COOK prior to any Production of Bulk Drug Substance.

1.10 "**Cell Line**" means the cell line used to express the Protein Molecule that is listed in the Project Plan.

1.11 "**CGMP**" means those current practices, as amended from time to time, related to the manufacture of biologics as set forth in the FDCA and such standards of good manufacturing practice as are required by the FDA or other Regulatory Authorities, as agreed in the Project Plan and as may be set forth in the United States Code of Federal Regulations (Title 21, Parts 210-211), and relevant EMEA regulations and ICH guidelines.

1.12 **"Certificate of Analysis"** shall mean a document issued by COOK summarizing testing parameters relative to the Bulk Drug Substance Specifications and test results for each Batch of Bulk Drug Substance, in a format set forth in Exhibit A.

1.13 **"Certificate of Compliance"** shall mean a document prepared by COOK (a) listing the production date, unique Batch number, and quantity of Drug Substance in such batch (b) certifying that such Batch was produced in accordance with the Master Batch Record

1.14 "**Change Order**" has the meaning stated in Section 3.5(a).

1.15 "**CLIENT**" has the meaning stated in the opening paragraph.

1.16 "**CLIENT Confidential Information**" means all Confidential Information owned or controlled by CLIENT that is disclosed to COOK under this Agreement.

1.17 "**CLIENT Intellectual Property Rights**" means (a) all patent and other intellectual property rights owned or controlled by CLIENT as of the Effective Date (including any patent filings made by CLIENT after the date of this Agreement for intellectual property/know how developed by CLIENT before the date of this Agreement) which claim or cover the (i) Product, (ii) CLIENT Materials and/or (iii) a method or process exclusive to the Production of Product; and (b) intellectual property developed independently of the activities contemplated in this Agreement by any employee of CLIENT without any reference to any of the Confidential Information disclosed by COOK.

1.18 "**CLIENT Materials**" mean the materials for use in the Services supplied by CLIENT to COOK as outlined in the signed and accepted Project Plan, including, without limitation, the Cell Line.

1.19 "**Confidential Information**" shall mean all information acquired from the other Party or its Affiliates, employees, subcontractors, suppliers, agents, distributors, licensees or customers in connection with this Agreement, including, without limitation, all information concerning the process, Product Specifications, Client Intellectual Property Rights, Cook Intellectual Property Rights, Inventions, Price, and Services.

1.20 "**COOK Confidential Information**" means all Confidential Information owned or controlled by COOK that is disclosed to CLIENT under this Agreement.

1.21 "**COOK Intellectual Property Rights**" means (a) all patent and any other intellectual property rights owned or controlled by COOK as of the Effective Date; (b) those patent and any other intellectual property rights owned or controlled by COOK as of the Effective Date that are further developed or refined in the course of Production; and (c) those intellectual property rights that are developed by COOK outside the performance of the Production and include without limitation, those which claim, cover or relate to any method, process, know-how, trade secret or other technology that COOK may incorporate or use in the course of performing the Services.

1.22 "**Damages**" means any and all costs, losses, claims, actions, liabilities, fines, penalties, costs and expenses, court costs, and fees and disbursements of counsel, consultants and expert witnesses incurred by a party hereto (including interest which may be imposed in connection therewith).

1.23 "**Dedicated Equipment**" means the capital equipment identified in a Project Plan that is dedicated for use in the provision of the Services.

1.24 **"Drug Product"** shall mean each pharmaceutical product set forth in a Project Plan to be produced by COOK in bulk or finished dosage form for development and/or clinical use only.

1.25 "**Effective Date**" has the meaning stated in the opening paragraph.

1.26 "**Facility**" means the COOK manufacturing facility located at 1300 Patterson Drive, Bloomington, IN 47403.

1.27 "**FDA**" means the United States Food and Drug Administration and any successor agency or entity that may be established hereafter.

1.28 "**FDCA**" means the Federal Food, Drug and Cosmetic Act (21 U.S.C. § 301 et seq.).

1.29 "**Force Majeure**" means causes beyond the reasonable control of a Party (or its Affiliates, suppliers, public utilities, or common carriers) including, without limitation, acts of God (including but not limited to earthquake, tornado or hurricane), laws or regulations of any government or agency thereof (that could not reasonably have been expected or anticipated on the Effective Date following diligent inquiry into current and proposed federal, state, local and other regulatory requirements), war, terrorism, civil commotion, damage to or destruction of production facilities or materials, scientific or technical events, labor disturbances (whether or not any such labor disturbance is within the power of the affected Party to settle) and epidemic.

1.30 "**Indemnitee**" has the meaning stated in Section 7.3.

1.31 "**Indemnitor**" has the meaning stated in Section 7.3.

1.32 "**Intellectual Property**" means a patentable Invention that relates directly to the Product and that is: (a) first conceived and reduced to practice during the Term in the course of, and as a direct result of, performing the Services; and (b) uses CLIENT Materials. For the avoidance of doubt, Intellectual Property shall include Inventions made solely by employees of COOK, employees of CLIENT or jointly by employees of COOK and employees of CLIENT.

1.33 "**Inventions**" means all innovations, inventions, improvements, original works of authorship, developments, concepts, know-how or trade secrets, whether or not patentable, directly resulting from the performance of the Services pursuant to the Project Plan during the Term of this Agreement.

1.34 "**Master Batch Record**" (MBR) means the document that contains the complete procedure for the Producing of the Product, setting forth materials and components required, formulation, theoretical yield, manufacturing procedures, assay requirements, and labeling of batches or production runs. Any changes or additions to

the Master Batch Records shall be made by the written agreement of COOK and CLIENT.

1.35 "**Nonconforming Product**" has the meaning stated in Section 4.1.

1.36 "**Party**" or "**Parties**" has the meaning stated in the opening paragraph.

1.37 "**Person**" means a natural person, a corporation, a partnership, a trust, a joint venture, a limited liability company, any governmental authority or any other entity or organization.

1.38 "**Price**" means the price(s) specified in the signed and accepted Project Plan attached hereto.

1.39 "**Process**" means the process for the Production of the Product from the Cell Line using the Product Specifications, including any improvements thereto from time to time made as a direct result of the Services during the Term of the Agreement.

1.40 "**Process Consumables**" shall mean materials used as an aid in the Production of Product that do not become part of the finished Product including but not limited to filters, tubing, and bags.

1.41 "**Produce**" or "**Production**" means the production of Product under the terms of this Agreement using the Process.

1.42 "**Producer Price Index**" means the U.S. Bureau of Labor Statistics Producer Price Index.

1.43 "**Product**" means the Bulk Drug Substance described more specifically in the Project Plan, Produced by COOK utilizing the Process.

1.44 "**Product Specifications**" means the Production and Product Specifications set forth in the Master Batch Records for the Product.

1.45 "**Project Plan**" means the document set forth in Exhibit B, as may be amended by the Parties from time to time, as well as any additional project plans that refer to this Agreement, that are signed by authorized representatives of both Parties setting forth the proposed course of action for the Production of the Product. Any changes or additions to the Project Plan shall be made by written agreement of COOK and CLIENT.

1.46 **"Protein Molecule"** shall mean the Protein Molecule as detailed in the Project Plan

1.47 **"Protein Molecule Specific Intellectual Property**" shall mean the portion of Intellectual Property (as defined above) that is discovered, generated,

conceived, first reduced to practice or writing, or developed (in whole or in part) by a party during performance of this Agreement, and which specifically claims the Protein Molecule or is solely useful for the production, formulation, or use of the Protein Molecule in the Bulk Drug Substance and Product Development and Production. Examples of Protein Molecule Specific Intellectual Property include, but are not limited to: nucleic acid constructs made by COOK or CLIENT for the production of the Protein Molecule specifically, and addition of Protein Molecule-specific stabilizing agents or Protein Molecule-specific nutrients to the cell culture media to increase yield.

1.48 "**Quality Agreement**" shall mean a written document outlining the responsibilities, roles, deliverables and time requirements with respect to the quality assurance of the Bulk Drug Substance and/or intermediaries thereof produced by COOK for CLIENT. The Quality Agreement agreed by COOK and CLIENT as of the effective date is attached to this Agreement as Exhibit C and is incorporated herein by this reference.

1.49 "**Regulatory Authority**" means any national, state, provincial, or local or any foreign or supranational government, governmental, regulatory or administrative authority, agency or commission of any court, tribunal or judicial or arbitral body.

1.50 "**Services**" means all or any part of the services, including the Production of Product for sale to CLIENT, to be provided by COOK (or any permitted subcontractor) pursuant to this Agreement as further described in the signed and accepted Project Plan.

1.51 "**Supply Deficiency**" means a failure by COOK to produce the number of Batches at least equal to the number specified in the delivery schedule in the Project Plan.

1.52 "**Term**" has the meaning stated in Section 10.1.

1.53 "**Testing Laboratory**" means any third party instructed by COOK to carry out tests on the Cell Line or the Product.

1.54 "**Tests**" means the tests to be carried out on the Product immediately following pick-up of the Product by CLIENT, as stated in the Project Plan.

1.55 "**United States**" means the fifty (50) states, the District of Columbia and all of the territories of the United States of America.

2. **Supply of CLIENT Materials.**

2.1 **License Grant.** CLIENT hereby grants COOK, its Affiliates and its subcontractors the non-exclusive right to use the CLIENT Confidential Information, the CLIENT Intellectual Property Rights and the CLIENT Materials solely for the purpose of performing COOK's

obligations under this Agreement. The foregoing license grant

shall also include any and all information, data and processes developed subsequent to the Effective Date relating to the Production of the Product. The foregoing license grant shall extend beyond termination of this Agreement as necessary to complete the Production of outstanding open orders.

2.2 **Supply of CLIENT Materials.** Immediately following the Effective Date of this Agreement, CLIENT shall supply to COOK the CLIENT Materials and CLIENT Confidential Information necessary for COOK's performance of the Services. CLIENT shall provide COOK in written form all information currently known (or of which CLIENT becomes aware during the Term of this Agreement) regarding handling precautions, toxicity and hazards associated with the CLIENT Materials and the Production of related bulk compounds. CLIENT shall also provide COOK with appropriate Material Safety Data Sheets for the CLIENT Materials. All property rights in the CLIENT Confidential Information and/or CLIENT Materials supplied to COOK shall remain vested in CLIENT, except as set forth in Section 2.1 and Article 9.

2.3 **COOK Obligations Relating to CLIENT Materials.** COOK shall:

(a) at all times use reasonable efforts to keep the CLIENT Materials secure and safe from loss or damage, but in no case shall COOK be obligated to use efforts greater than COOK uses to store its own material of similar nature; and

(b) not transfer to a third party any part of the CLIENT Materials or the Product, except to Affiliates and subcontractors, or for the purpose of any Tests at the Testing Laboratories, provided that CLIENT is given prior notification or if CLIENT has given prior written consent to such transfer; and provided further that any such Affiliates, subcontractors or Testing Laboratories are subject to obligations of confidentiality at least as restrictive as those obligations of confidence imposed on COOK under this Agreement.

3. **Services and Supply.**

3.1 **Services Generally.**

(a) **Appointment.** CLIENT hereby appoints COOK to perform the Services and to Produce the Product; and COOK accepts such appointment.

(b) **Performance.** COOK shall use commercially reasonable efforts to perform the Services as provided in Exhibit A and shall use commercially reasonable efforts to achieve the estimated schedules, Product Specifications and amounts of Product.

(c) **Project Plan.**

(i) Each Project Plan shall describe the Services with respect to the applicable Product and certain other relevant terms and conditions for performance of the Services by COOK under this Agreement. Each agreed upon

Project Plan shall be attached hereto as an exhibit and incorporated herein by reference.

(ii) From time to time, but no less often than once per quarter, the Parties will meet to review and, if necessary, update, by mutual agreement, each Project Plan. In the event that the Parties agree to update, modify or expand the Project Plan, such amended Project Plan will become part of this Agreement in the manner stated in Section 3.1(c)(i) upon execution of that Project Plan by authorized representatives of both Parties.

3.2 **Product Yield.** CLIENT acknowledges and agrees that, due to the unpredictable nature of biological processes, Product yield cannot be guaranteed and may vary.

3.3 **Supply Deficiencies.**

(a) **Supply Deficiency.** If there is a Supply Deficiency, COOK shall immediately notify CLIENT and COOK may, in its sole discretion, take one or more of the following steps to remedy any remaining Supply Deficiency:

(i) Utilize any production capacity which is not then committed to the performance of the Services or to performance of services for third party customers;

(ii) Utilize suitable production capacity (i.e., fully validated for production of Batches of the Product in accordance with this Agreement) of COOK or its Affiliates not then committed to third party customers; and

(iii) Coordinate and cooperate with CLIENT to reschedule Batches of Product ordered hereunder in order to maximize COOK's ability to rectify the Supply Deficiency while minimizing the disruption to any open orders and any commitments to third party customers.

(b) **Remedy.** If COOK fails to initiate a rescheduled Production Batch within […***…], the CLIENT at its discretion may cancel any and all unfulfilled part of the Services.

3.4 **Joint Communication.** COOK and CLIENT shall communicate and cooperate on a regular basis during the provision of Services herein. Representatives of the Parties shall meet at such times and in such places as the Parties shall deem appropriate to discuss the Services.

3.5 **Changes to Process, Product Specifications or Project Plan.**

(a) **Voluntary Changes.** From time to time during the Term of this Agreement, either Party may submit to the other Party a written proposal requesting changes to

the Process, Product Specifications, or Project Plan, but no change to the Process, Product Specifications or Project Plan shall be made except by an agreement in writing signed by the authorized representatives of the Parties ("**Change Order**"). CLIENT agrees to pay COOK any commercially reasonable increase in cost for Process, materials or equipment associated with the agreed upon Change Order provided the cost is outlined and agreed by the CLIENT prior to the initiation of any proposed changes

(b) **Changes Required by Applicable Law.** Notwithstanding Section 3.5(a), COOK shall not unreasonably refuse any written request from CLIENT to make changes to the Process, Product Specifications or Project Plan that are required by changes in an applicable Regulatory Authority or Applicable Laws, provided that it is feasible for COOK to effect such improvement without requiring any capital investment or major process changes on the part of COOK. Notwithstanding the provisions of this Section 3.5(b), no change to Services, Process, Product Specifications or any Project Plan shall be made except by a Change Order signed by the authorized representatives of the Parties. CLIENT agrees to pay COOK any commercially reasonable increase in cost for Services, materials or equipment associated with a change in Services under this Section 3.5(b).

3.6 **Savings.** All savings due to cost improvements or other improvements for work or services performed by Cook shall be for the benefit of and shall accrue to COOK except as otherwise may be agreed upon in writing by both Parties.

3.7 **Packaging and Labeling.** Unless otherwise agreed, COOK shall package and label Product for delivery in accordance with its standard operating procedures. CLIENT shall provide prior written notice to COOK of any special packaging and labeling requirements for Product. All additional costs and expenses (including reasonable profit) of whatever nature incurred by COOK in complying with such special requirements shall be charged to CLIENT in addition to the Price.

3.8 **Delivery.** The Product shall be delivered Ex-Works, the Facility. Title for Product shall pass to CLIENT upon release by COOK as outlined in the terms of the Quality Agreement and payment as set forth in a Project Plan. CLIENT shall pick up the Product within […***…][…***…] days of formal notice of Product release by the Cook quality department CLIENT shall be solely responsible for arranging for, at CLIENT's sole risk and expense: (a) insurance to cover the storage of the Product at the Facility after such […***…][…***…] day period, and (b) the transportation or shipping of Product from the Facility.

3.9 **Audit.** […***…] per calendar year upon […***…] days prior written notice, CLIENT shall have the right to conduct an audit of that portion of the Facility directly used in the provision of Services. Notwithstanding the foregoing notice period, for purposes of confidentiality, safety and to avoid the possibility of contamination, if a third party's product is being manufactured during the time that CLIENT intends to conduct an audit, such audit may be reasonably delayed upon prior written notice to CLIENT. The form, participants and procedures of the audit shall be subject to

COOK's reasonable prior approval. When conducting an audit, each of CLIENT's representatives will (a) be subject to a nondisclosure obligation at least as restrictive as the obligations contained in Article 8, (b) follow such security and facility access procedures as designated by COOK, (c) be accompanied by a COOK representative, (d) not enter areas of any COOK facility at times when any third party's products are being manufactured to assure protection of the COOK Confidential Information or the confidential information of a third party, and (e) use best efforts to avoid disrupting COOK's operations. In addition to an audit by CLIENT, COOK agrees to reasonably cooperate with applicable Regulatory Authorities and shall permit reasonable Product-specific inspections by such Regulatory Authorities.

3.10 **Orders.**

(a) **Quantity and Delivery Schedule.** The quantity of Product to be Produced, by Batch, by COOK hereunder and the delivery schedule for the Product shall be stated in the Project Plan.

(b) **Obsolescence Charge.** To the extent COOK purchases stock materials for Production and such materials are not necessary to Produce the quantity of Product ordered, CLIENT shall, in accordance with Section 5.2, reimburse COOK for any such materials that were unused and unable to be reused for any subsequent Production. COOK shall make reasonable commercial efforts to use such stock materials for other scheduled production in its facility when practicable.

(c) **Materials Expiration.** In the event of a delay in the Production of any Batch, including a Force Majeure event, CLIENT shall, in accordance with Section 5.2, reimburse COOK for the cost of any expired materials purchased by COOK for the Production of such Batch. This provision shall not apply if it is determined that such delay is due solely to the gross negligence of COOK.

3.11 **Rescheduling by CLIENT**

(a) **Rescheduling of Drug Substance Batches.** Subject to Section 3.10(b), with respect to each Batch that is rescheduled to a subsequent date by CLIENT:

(i) if the applicable Batch is rescheduled by notifying COOK more than […***…] days prior to the scheduled start date, there will be no rescheduling fee;

(ii) if the applicable Batch is rescheduled by notifying COOK more than […***…] days but less than […***…] days prior to the scheduled start date, […***…] ([…***…]%) of the Price for the applicable Batch will be invoiced at the time the rescheduling takes place, […***…] ([…***…]%) will be invoiced upon such rescheduled start date and the remaining […***…] ([…***…]%) will be invoiced upon the COOK release of such Batch;

(iii) if the applicable Batch is rescheduled by notifying COOK more than […***…] days but less than […***…] days prior to the Scheduled start date, […***…] ([…***…]%) of the Price for the applicable Batch will be invoiced at the time the rescheduling takes place, […***…] ([…***…]%) will be invoiced on the rescheduled start date, and the remaining […***…] ([…***…]%) will be invoiced upon the COOK release of such Batch; and

(iv) if the applicable Batch is rescheduled by notifying COOK less than […***…] days prior to the scheduled start date, […***…] ([…***…]%) of the Price for the applicable Batch will be invoiced at the time the rescheduling takes place, and the remaining […***…] ([…***…]%) will be invoiced upon the COOK release of such Batch.

(b) **Procedure.** The rescheduled start date that CLIENT requests must be within […***…] of the scheduled start date, and both Parties must agree to the rescheduled start date; *provided, however*, that COOK may only reject a rescheduled start date proposed by CLIENT if COOK's manufacturing schedule is booked for a third party customer for such date. Each Batch may be rescheduled only once unless otherwise agreed in writing. COOK reserves the right to set a rescheduled start date outside of the […***…] period only if COOK's manufacturing schedule is booked for a third party customer. If COOK is required, as a result of any rescheduling, to purchase additional materials, COOK shall be reimbursed for the cost of those additional materials plus any applicable markup set forth in Section 5.2. Notwithstanding anything to the contrary in this Section 3.10, CLIENT may exchange scheduled manufacturing slots between Batches as may be mutually agreed by both Parties without triggering the provisions of Section 3.10(a).

3.12 **Cancellation by CLIENT.**

(a) **Cancellation of Drug Substance Batches.** Subject to Section 3.11(b), with respect to each Batch scheduled (including, without limitation, a rescheduled Batch) that is cancelled by CLIENT:

(i) if the applicable Batch is cancelled more than […***…] days prior to the applicable scheduled start date or rescheduled start date, as applicable, there will be no cancellation fee;

(ii) if the applicable Batch is cancelled more than […***…] days but less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run;

(iii) if the applicable Batch is cancelled more than […***…] days but less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run;

(iv) if the applicable Batch is cancelled more than […***…] days but less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run; and

(v) if the applicable Batch is cancelled less than […***…] days prior to the scheduled start date or rescheduled start date, as applicable, COOK shall invoice CLIENT a cancellation fee of […***…] ([…***…]%) of the Price for the applicable manufacturing run.

(vi) If COOK notifies the CLIENT at any time that its previously scheduled slot for manufacturing will not be available and there is more than a […***…] day delay in availability, the CLIENT may cancel the Batch with no cancellation fee and any deposit or funds previously advanced will be refunded.

(b) **Procedure.** With respect to any rescheduled Batch that is subsequently cancelled, any fees due under this Section 3.11 shall be reduced by the amount of payments paid by CLIENT to COOK under Section 3.10(a) with respect to such same Batch. With respect to any cancelled Batch, COOK shall use commercially reasonable efforts to sell the applicable manufacturing capacity to other customers, and some portion, or all, as applicable, of the fees paid or due under this Section 3.11 shall be refunded to CLIENT (or CLIENT shall not be obligated to pay, as applicable) in the event that COOK is able to sell the manufacturing capacity that corresponds to such cancelled Batch. For the avoidance of doubt, (i) if a Batch is rescheduled, the rescheduled start date shall be used for purposes of determining the amount of the applicable cancellation fee, if any, and (ii) the price of the stability studies for such cancelled run shall not be included in the calculation of any applicable cancellation fee under this Section 3.11.

(c) **Cancellation of Other Services.** If CLIENT cancels a Project Plan related to stability or development services, CLIENT is responsible for paying: (i) all fees and costs incurred for the portion of the work completed and all related costs which have been ordered and cannot be cancelled; and ii) a cancellation fee in an amount equal to that portion of the Price, as set forth in the Project Plan, of the work scheduled for the four (4) months subsequent to the date of cancellation.

3.13 **Dedicated Equipment.**

(a) **Selection and Procurement.** COOK shall select and procure the Dedicated Equipment at CLIENT's sole cost, plus the applicable COOK markup (as set forth in Section 5.2) to cover handling costs, in accordance with the Product Specifications. COOK shall use commercially reasonable efforts to determine whether the Dedicated Equipment conforms to the applicable Product Specifications and will work in the Facility for purpose stated in the Project Plan.

(b) **Use of Dedicated Equipment.** COOK may use the Dedicated Equipment only for performing its obligations under this Agreement. COOK shall use the Dedicated

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Equipment only in accordance with any written instructions prescribed by CLIENT or the manufacturer of the Dedicated Equipment, and shall perform such routine maintenance for the Dedicated Equipment as is reasonably required by such written instructions at no additional charge to CLIENT. All costs for any extraordinary or non-routine maintenance that may be required will be approved in advance by CLIENT, and the appropriate Project Plan will be revised to reflect any additional maintenance costs that may be required during the Term. Except (i) in connection with such routine maintenance, (ii) as required by the Services, or (iii) as directed in writing by CLIENT, COOK shall not make any alterations, additions or improvements to the Dedicated Equipment. All alterations, additions or improvements made to the Dedicated Equipment will be at CLIENT's sole cost and expense.

(c) **Ownership and Risk of Loss; Disposition of Equipment.** CLIENT owns and shall continue to own all right, title and interest in and to any Dedicated Equipment. CLIENT assumes any risk of loss, damage, theft or destruction of the Dedicated Equipment while that Dedicated Equipment is in COOK's possession or on COOK's premises unless it is determined that any loss, theft, or damage to the Dedicated Equipment is due to the gross negligence of COOK. Upon termination or expiration of this Agreement, CLIENT shall have the right and obligation to, upon reasonable notice, reclaim possession of such Dedicated Equipment at its sole expense (including all costs of disconnection, removal, physical transfer and any subsequent reinstallation and requalification costs). COOK shall reasonably cooperate with CLIENT to remove and return such Dedicated Equipment to CLIENT in accordance with CLIENT's written instructions and shall invoice CLIENT for (i) direct costs incurred and (ii) any damage other than reasonable wear and tear to the COOK Facility incurred as a result of the use and removal of the Dedicated Equipment. Notwithstanding the above, upon termination or expiration of this Agreement, CLIENT may offer to sell to COOK, or COOK may offer to purchase from CLIENT, the Dedicated Equipment at its then depreciated cost or fair market value, whichever is less. Neither COOK nor CLIENT shall be obligated to make or accept such offers. In the event that CLIENT has not removed the Dedicated Equipment within 60 days after reasonable notice, the Dedicated Equipment shall be deemed to be abandoned and COOK may dispose of it or use it as it sees fit.

3.14 **Certificates of Analysis.** COOK shall test, or cause to be tested by third parties, in accordance with the Bulk Drug Substance Specifications, each batch of Bulk Drug Substance produced pursuant to the Project Plan(s) before delivery to CLIENT. A Certificate of Analysis for each batch delivered shall set forth the items tested, Bulk Drug Substance Specifications, and test results. COOK shall also submit a Certificate of Compliance to certify that all Batch Production and batch records have been reviewed and approved by the appropriate quality assurance unit at COOK. COOK shall send such Certificates to CLIENT prior to or at the same time as shipment of Bulk Drug Substance. CLIENT shall test for final release of each Bulk Drug Substance as meeting Bulk Drug Substance specifications. CLIENT assumes full responsibility for final release of each batch of Bulk Drug Substance.

4. **Nonconforming Product.**

4.1 **Tests.** Client and COOK will mutually agree on Bulk Drug Substance Specifications ahead of any production batch. Within […***…] business days following receipt by CLIENT of the Batch Documentation for a given batch of Bulk Drug Substance, CLIENT shall determine whether the production run was in compliance with CGMP and whether the Bulk Drug Substance conforms to the Bulk Drug Substance Specifications and shall notify COOK of said acceptance or non-acceptance of the Bulk Drug Substance. If CLIENT determines, within the above time period, that the Bulk Drug Substance is non-conforming, ("**Nonconforming Product**"), then CLIENT shall give COOK written notice thereof as soon as practicable but in no event later than […***…] days from the date of receipt of the Batch documentation and shall, unless otherwise directed by COOK, return the Batch for further testing by COOK. Failure to provide such written notice and return the Batch for further testing by COOK shall constitute an irrevocable acceptance by CLIENT of such Batch and an admission that the Batch meets Bulk Drug Substance Specifications. If, after conducting its own review, COOK agrees, or it is determined pursuant to Section 4.2, that the returned Batch fails to meet the Bulk Drug Substance Specifications and, to the extent that such failure is not due (in whole or in part) to acts or omissions of CLIENT or any third party after pick-up of such Batch, the provisions of Section 4.3 shall apply. For the avoidance of doubt, where the specifications have not been agreed upon by the parties hereto, COOK shall be obligated only to use its reasonable endeavors to Produce Bulk Drug Substance that meets CGMP and draft Bulk Drug Substance Specifications.

4.2 **Disputes.** If there is any dispute concerning whether a Batch meets the applicable Bulk Drug Substance Specifications and/or the reasons therefore, the Parties shall designate an independent expert (acting as an expert and not as an arbitrator) to determine whether or not the Batch at issue meets the applicable Bulk Drug Substance Specifications. The decision of such independent expert shall be in writing and shall be binding on both COOK and CLIENT. The costs of such independent expert shall be borne by the Parties equally; provided, however that the Party that is determined to be incorrect in the dispute shall be responsible for all such costs and shall indemnify the prevailing Party for its share of the costs incurred.

4.3 **Nonconforming Product.** In the event the Product is determined to be Nonconforming Product (whether by agreement of COOK pursuant to Section 4.1 or by an independent expert pursuant to Section 4.2), all such Nonconforming Product shall be either returned to COOK or destroyed, at COOK's option; notwithstanding, CLIENT may retain a limited amount of Nonconforming Product for archival purposes and for comparability testing. Additionally, COOK shall re-perform its Services to replace such Nonconforming Product at its own cost and expense and shall use commercially reasonable efforts to replace such Nonconforming Product in a reasonable time given any contractually obligated capacity constraints but in no case less than […***…] from the date that the Bulk Drug Substance is determined to be nonconforming.

CLIENT shall be responsible for all costs and expenses for all materials (including without limitation, CLIENT MATERIALS) and Process Consumables utilized in replacement of Nonconforming Product except where it is determined that the failure of the nonconformance product is determined to be due to COOK's negligence, in which case COOK shall be responsible for all costs and expenses including materials and process consumables.

4.4 **Remedy.** In the event that COOK is unable initiate a replacement batch run within the […***…] days provided in Section 4.3, CLIENT may request and receive a full refund of all amounts paid for the cost of the batch production run.

4.5 **Sole Remedy.** The provisions of this Article 4 shall be the sole remedies available to CLIENT with respect to Product that fails to meet Product Specifications.

5. **Price; Payment Terms; Insurance.**

5.1 **Price.** CLIENT shall pay the Price for Services rendered by COOK in accordance with the Project Plan.

5.2 **Cost Reimbursement.** For all pass-through and out-of-pocket costs specified in the Project Plan, CLIENT shall pay COOK, at cost plus the applicable mark-up specified below. Such mark-up shall be inclusive of packaging and shipping materials:

Raw Materials:	[…***…]%
Resins and multiuse ultrafiltration membranes:	[…***…]%
Filters, containers, and product contact disposable:	[…***…]%
Dedicated Equipment (e.g. tanks, columns):	[…***…]%

5.3 **Payment Terms.** COOK shall generate invoices for all fees and cost reimbursements. Invoices for engineering and production Batches will be sent after completion and COOK's release as outlined under the terms of the Quality Agreement of each Batch. Invoices for cost reimbursement will be sent monthly. Unless otherwise indicated in writing by COOK, all Price(s) and charges are exclusive of any applicable taxes, levies, import duties and fees of whatever nature imposed by or under the authority of any government or public authority, all of which shall be paid by CLIENT (other than taxes on COOK's net income). CLIENT shall pay invoices within thirty […***…] of invoice date. Invoices not disputed within […***…] days of receipt shall be deemed accepted and payment shall be made without deduction, deferment, set-off, lien or counterclaim of any nature. Invoices that remain unpaid more than […***…] days beyond the scheduled payment due date may be subject to an interest charge equal

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to […***…] ([…***…]%) per month, calculated from the scheduled payment due date forward; provided that in no event shall such annual rate exceed the maximum interest rate permitted by Applicable Law in regard to such payments. Such payments when made shall be accompanied by all interest so accrued. Payments may either be made by check or wire transfer of immediately available funds to the following account or such other account as COOK may designate from time to time:

By Wire:

[…***…] Bank

Routing: […***…]

Account: […***…]

Account Title: […***…]

5.4 **Insurance.** Each of CLIENT and COOK shall during the Term of this Agreement, and for […***…] thereafter, maintain in full force and effect insurance coverage adequate in scope for: (a) as to COOK, the Services performed by it, and (b) as to CLIENT, the development, testing, marketing and commercialization of the Product (including product liability coverage). CLIENT acknowledges that the Price(s) set forth in Exhibit A remain subject to adjustment pending COOK's discussion with its insurance carrier regarding any special coverage or premium required in order to adequately cover the Services.

6. **Representations and Warranties.**

6.1 **Mutual Representations and Warranties.** Each Party hereby represents and warrants to the other Party as follows:

(a) Such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized.

(b) Such Party (i) has the requisite power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and (ii) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder.

(c) This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms.

(d) All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such Party in connection with this Agreement have been obtained.

(e) The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (i) do not conflict with or violate any requirement of Applicable Laws or regulations and (ii) do not conflict with, or constitute a default under, any contractual obligation of such Party.

6.2 **Representations and Warranties of CLIENT.** CLIENT further represents and warrants, and covenants that:

(a) CLIENT has lawful access to and the right to license or sublicense the CLIENT Confidential Information, CLIENT Intellectual Property Rights and CLIENT Materials to COOK under this Agreement.

(b) CLIENT is not subject to any claim or notice of infringement or misappropriation of any third party intellectual property rights relating to the CLIENT Confidential Information, CLIENT Intellectual Property Rights and CLIENT Materials used by COOK under this Agreement.

(c) The biological and chemical properties of the CLIENT Materials have been evaluated prior to the Effective Date and CLIENT shall provide to COOK an accurate and complete Material Safety Data Sheet sufficient to allow COOK to safely handle CLIENT Materials during the performance of the Services hereunder.

6.3 **Representations and Warranties of COOK.** COOK represents, warrants and covenants that:

(a) Bulk drug substance produced under this Agreement will be Produced, tested, and packaged in accordance with CGMP as specified in a Project Plan and Quality Agreement, will meet the Bulk Drug Substance Specifications that were in effect at time of Production when made available at COOK's shipping docks, and shall be free from defects in material and workmanship.

(b) COOK has obtained and will remain in compliance with all permits, licenses and other authorizations during the Term of this Agreement which are required under Applicable Laws.

(c) Bulk Drug Substance provided to CLIENT by COOK hereunder will not be adulterated or misbranded within the meaning of the FDCA. THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS SECTION 6.3 ARE EXPRESSLY IN LIEU OF AND EXCLUDE, AND COOK HEREBY EXPRESSLY DISCLAIMS, ALL OTHER REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ARISING FROM A COURSE OF DEALING OR USAGE OR TRADE PRACTICE, WITH REGARD TO ANY PRODUCT DELIVERED HEREUNDER, WHETHER USED ALONE OR IN COMBINATION WITH OTHER SUBSTANCES OR NON-INFRINGEMENT OF THE

PATENT RIGHTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY OTHER PERSON.

7. **Indemnification; Limitation of Liability.**

7.1 **CLIENT Indemnification.** CLIENT shall indemnify, defend and hold harmless COOK against any Damages, whether or not foreseeable or in the contemplation of COOK or CLIENT, that COOK may suffer as a result of any third party claims, suits or actions arising out of or incidental to (a) any breach of the representations and warranties set forth in Sections 6.1 and 6.2, (b) the distribution or use of the Product, except to the extent such loss, damage, costs and expenses are directly caused by COOK's gross negligence or willful misconduct, (c) product liability in respect of the Product, (d) any bodily injury arising from the Product, (e) negligence (active, passive or imputed), gross negligence or intentional acts or omissions of CLIENT in relation to the use, processing, storage or sale of the Product, or (f) any claims by third parties alleging COOK's use of the Cell Line, CLIENT Materials, CLIENT Confidential Information, CLIENT Intellectual Property Rights or the Product Specifications infringes any rights (including, without limitation, any intellectual or other proprietary rights) of any third party (whether or not CLIENT knew or should have known about such alleged infringement) except to the extent COOK infringes any rights of any third parties by application of COOK's existing production techniques while performing the Services unless such application or production technique has been developed specifically as part of the Services.

7.2 **COOK Indemnification.** COOK shall indemnify, defend and hold harmless CLIENT against any Damages, whether or not foreseeable or in the contemplation of CLIENT or COOK, that CLIENT may suffer as a result of any third party claims, suits or actions arising from COOK's breach of the representations and warranties in Sections 6.1 and 6.3, except to the extent the loss, damage, costs and expenses are a result of (a) CLIENT's gross negligence or willful misconduct, (b) COOK's use of an application or production technique that has been developed as part of the Services or is provided by CLIENT, or (c) and COOK's use of CLIENT Materials.

7.3 **Procedure for Indemnification.** A Party (the "**Indemnitee**") that intends to claim indemnification under Sections 7.1 or 7.2 shall promptly notify the other Party (the "**Indemnitor**") of any claim, demand, action or other proceeding for which the Indemnitee intends to claim such indemnification. The Indemnitor shall have the right to participate in, and to the extent the Indemnitor so desires, to assume the defense thereof with counsel selected by the Indemnitor; provided, however, that the Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitor, if representation of the Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between the Indemnitee and any other Party represented by such counsel in such proceeding. The indemnity obligations under Sections 7.1 and 7.2 shall not apply to

amounts paid in settlement of any claim, demand, action or other proceeding if such settlement is effected without the prior express written consent of the Indemnitor, which consent shall not be unreasonably withheld or delayed. The failure to deliver notice to the Indemnitor within a reasonable time after notice of any such claim or demand, or the commencement of any such action or other proceeding, if prejudicial to its ability to defend such claim, demand, action or other proceeding, shall relieve such Indemnitor of any liability to the Indemnitee under Sections 7.1 and 7.2 with respect thereto, but the omission so to deliver notice to the Indemnitor shall not relieve it of any liability that it may have to the Indemnitee otherwise than under Sections 7.1 and 7.2. The Indemnitor may not settle or otherwise consent to an adverse judgment in any such claim, demand, action or other proceeding that diminishes the rights or interests of the Indemnitee without the prior express written consent of the Indemnitee, which consent shall not be unreasonably withheld or delayed. The Indemnitee, its employees and agents shall reasonably cooperate with the Indemnitor and its legal representatives in the investigation and defense of any claim, demand, action or other proceeding covered by this Section 7.3.

7.4 **Complete Indemnification.** As the Parties intend complete indemnification, all costs and expenses incurred by an Indemnitee in connection with enforcement of Sections 7.1 and 7.2 shall also be reimbursed by the Indemnitor.

7.5 **Limitation of Liability.** IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY THIRD PARTY UNDER THIS AGREEMENT FOR ANY PUNITIVE DAMAGES OR SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS, BUSINESS OR REVENUE) EVEN IF ADVISED OR AWARE OF THE POSSIBILITY OF SUCH DAMAGES. In addition, without prejudice or modification to the terms of Sections 7.1 and 7.3, the liability of Cook to Client, its permitted assigns and successors in interest, for any loss suffered by Client or its permitted assigns and successors in interest, arising as a direct result of a breach of this Agreement, or of any other liability, including without limitation, misrepresentation and negligence (whether active, passive or imputed), arising out of this Agreement and Services provided hereunder, including without limitation the production and/or supply of the Product and COOK's liability under Section 7.2, shall be limited to the payment of Damages in an amount which shall not exceed the amount received by Cook from Client for Services under the Project Plan covering the Product or Services to which the claim relates during the twelve (12) months immediately preceding the event that constitutes the basis of the claim for Damages; provided, however, if and to the extent such Damages are caused by Cook's willful or intentional misconduct in the performance of the Services, then the damage limitation in this Section 7.5 shall not apply.

7.6 **Abatement.** Notwithstanding anything to the contrary in this Agreement, in the event that the use of the Process is held in a suit or proceeding to infringe any intellectual property rights of a third party (or to constitute the misappropriation of a trade secret of a third party) and the use of the Process is

enjoined, or COOK has an objective basis (confirmed by an opinion of its legal counsel) for believing that it is likely to be found to infringe or constitute a misappropriation, or is likely to be enjoined, then COOK shall, at its option, either (a) procure the right to continue the use of the Process or (b) modify the Process so that it becomes non-infringing or no longer constitutes a misappropriation, provided that such modification has no adverse effect on CLIENT hereunder; provided, however, that if (i) and (ii) are not reasonably practicable, then COOK shall have the right, in its sole discretion, to terminate this Agreement by giving CLIENT […***…] prior written notice upon which notice the provisions of Section 10.3(a) shall apply.

7.7 **Limitations an Essential Element of the Agreement.** The Parties are willing to enter into this Agreement only in consideration of and in reliance upon the provisions of this Agreement limiting their exposure to loss or liability. Such provisions are an essential part of the bargain underlying this Agreement and have been reflected in the pricing and other consideration specified in this Agreement. Both Parties understand and agree that the exclusion of warranties, limitation of liability and the limitation of remedies allocate risks between the Parties as authorized under Applicable Laws.

8. **Confidentiality and Non-Solicitation of Employees.**

8.1 **Confidential Information.** Each Party agrees that during the Term of this Agreement and for a period of […***…] thereafter, it will keep the Confidential Information of the other Party secret and confidential, respect the other Party's proprietary rights therein and make use of and permit to be made use of such information only as necessary to perform its obligations and exercise its rights under this Agreement. Neither Party may disclose or permit the Confidential Information of the other Party to be disclosed to any third party except as expressly provided herein without the other Party's prior written consent.

8.2 **Disclosure of Confidential Information.** CLIENT and COOK shall grant access to the Confidential Information only to Affiliates, subcontractors, employees, consultants, marketing collaborators and contractors who reasonably need to know such information for purposes such Party's exercise of its rights or performance of its obligations under this Agreement and who are subject to the same obligations of confidentiality as COOK and CLIENT under appropriate confidentiality agreements.

8.3 **Exception to Confidentiality.** The obligations in Article 8 shall not apply to Confidential Information to the extent that it:

(a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving Party in breach of Article 8, generally known or available;

(b) is known by the receiving Party at the time of receiving such information, as shown by contemporaneous written records predating such receipt;

***** Confidential Treatment Requested**

(c) is furnished after the Effective Date to the receiving Party by a third party, without breach of and not subject to any obligation of confidentiality;

(d) is independently developed by the receiving Party without use of or reference to Confidential Information of the other Party, as shown by independent written records, contemporaneous with such development; or

(e) COOK or CLIENT is required to disclose under any statutory, regulatory, stock exchange or similar legislative requirement or court order, provided, however, that (i) receiving Party gives the disclosing Party prior written notice of such required disclosure and assists the disclosing Party in its reasonable efforts to prevent or limit such disclosure; and (ii) the Confidential Information so disclosed otherwise remains the Confidential Information of the disclosing Party for the purposes of Article 8.

8.4 **Restrictions on Soliciting or Hiring COOK Employees**. During the Term of the Agreement and for […***…] after the Agreement terminates or expires, CLIENT shall not, directly or indirectly, solicit, hire, employ or attempt to solicit, hire or employ any person who is or was an employee of COOK during the Term (or the following […***…]), or in any other way directly or indirectly seek to solicit, induce, bring about, influence, promote, facilitate, or encourage any such individual to work for CLIENT or any party other than COOK.

8.5 **Restrictions on Soliciting or Hiring CLIENT Employees or Consultants engaged by CLIENT**. During the Term of the Agreement and for […***…] after the Agreement terminates or expires, COOK shall not, directly or indirectly, solicit, hire, employ or attempt to solicit, hire or employ any person who is or was an employee or consultant of CLIENT during the Term (or the following […***…]), or in any other way directly or indirectly seek to solicit, induce, bring about, influence, promote, facilitate, or encourage any such individual to work for COOK or any party other than CLIENT.

8.6 **Remedies.** Each Party acknowledges and agrees that neither Party shall have an adequate remedy at law for a violation of this Article 8 and therefore shall be entitled to enforce this Article 8 by temporary or permanent injunctive or mandatory relief obtained in any court of competent jurisdiction without the necessity of proving Damages, posting any bond or other security, and without prejudice to any other rights and remedies which may be available to such Party at law or in equity.

8.7 **Use of Name.** Neither Party shall use the name or trademarks of the other Party, except to the extent that a Party is permitted to use the Confidential Information of the other Party or required to do so pursuant to this Article 8, without the prior written consent of such other Party, such consent not to be unreasonably withheld. Under no circumstances shall either Party state or imply in any promotional material, publication or other published announcement that the other Party has tested or approved any product.

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9. **Intellectual Property.**

9.1 **Disclosure.** Subject to the obligations of confidentiality set forth in Article 8, each Party shall disclose to the other Party any and all Inventions made pursuant to the activities undertaken relating to this Agreement at least quarterly or as may otherwise be agreed to in writing by the Parties.

9.2 **COOK Intellectual Property Rights.** COOK shall solely own all right, title and interest in and to the COOK Intellectual Property Rights. During the Term of this Agreement to the extent that the making, use or sale of the Product by CLIENT requires a license under the COOK Intellectual Property Rights, COOK shall grant a nonexclusive license under the COOK Intellectual Property Rights to CLIENT to make use and sell (but not to have made or import) the Product and with no right to sublicense. Except within the scope of the license granted by COOK to CLIENT under Section 9.5 below with respect to Ancillary Intellectual Property, CLIENT shall not, without COOK's prior written consent, use the COOK Intellectual Property Rights for any purpose other than as stated in this Section 9.2.

9.3 **CLIENT Intellectual Property Rights.** CLIENT shall solely own all right, title and interest in and to the CLIENT Intellectual Property Rights. CLIENT will retain all right, title and interest in Client Intellectual Property Rights in and to the Cell Line, the Bulk Drug Substance, the Drug Product, and all labeling and trademarks associated therewith. During the Term of this Agreement, CLIENT hereby grants to COOK, its Affiliates and its subcontractors a worldwide, non-exclusive, royalty-free, paid-up, non-transferable (except for assignments pursuant to Section 12.1) license, or, as applicable, sublicense, under the CLIENT Intellectual Property Rights for the purpose of performing its obligations under this Agreement. Except within the scope of the license granted by CLIENT to COOK under Section 9.5 below with respect to Ancillary Intellectual Property, COOK shall not, without CLIENT's prior written consent, use the CLIENT Intellectual Property Rights for any purpose other than to perform the Services as contemplated in this Agreement.

9.4 **Protein Molecule Specific Intellectual Property.** All right, title and interest in Protein Molecule Specific Intellectual Property discovered, made or conceived by employees of COOK, or by employees or consultants of CLIENT, or employees of both COOK and CLIENT, in the course of and arising out of the activities contemplated in this Agreement relating to the Protein Molecule, shall be solely owned by CLIENT regardless of inventorship, and COOK hereby assigns to CLIENT all of COOK's right, title, and interest in and to Protein Molecule Specific Intellectual Property. Cook shall execute, at CLEINT's expense, all formal documents reasonably requested by CLIENT and customarily required by patent authorities to record such assignment.

9.5 **Ancillary Intellectual Property.** All right, title and interest in Ancillary Intellectual Property discovered, made or conceived by employees of COOK, or by

employees or consultants of CLIENT or by employees and consultants of both COOK and CLIENT in the course of and arising out of the contemplated in this Agreement shall be (i) solely owned by COOK if discovered, made or conceived solely by employees of COOK, (ii) solely owned by CLIENT if discovered, made or conceived solely by employees or consultants of CLIENT or (iii) jointly owned by COOK and CLIENT if discovered, made or conceived by employees of both COOK and CLIENT. COOK hereby grants to CLIENT a fully paid-up, royalty-free, non-exclusive, irrevocable,

perpetual license to practice COOK owned Ancillary Intellectual Property for the Production of the Protein Molecule, derivatives, and variations thereof. CLIENT hereby grants to COOK a fully paid-up, royalty-free, non-exclusive, irrevocable, perpetual license to practice CLIENT owned Ancillary Intellectual Property to make, use, sell, offer to sell, sell and import protein molecules and related methods other than the Protein Molecule. Each Party shall bear the expense of activities relating to its own filing, prosecution and maintenance of any patent or patent applications provided for by this Section 9.5. Each Party shall execute, at the other Party's expense, all formal documents as may be reasonably requested by the other Party and customarily required by patent authorities for either Party to record the rights and licenses granted pursuant to this Section 9.5.

9.6 **No Implied Licenses.** Except as expressly set forth in this Agreement, nothing contained in this Agreement shall be construed as granting, by implication, estoppel or otherwise, any licenses or rights under any patents or other intellectual property rights. Only licenses and rights granted expressly herein shall be of legal force and effect.

10. **Term and Termination.**

10.1 **Term.** This Agreement shall begin on the Effective Date and terminate five (5) years thereafter ("**Term**") unless terminated by either Party in accordance with the provisions of this Article 10. This Agreement shall automatically renew for an additional two (2) year term unless terminated by a Party pursuant to Section 10.2.

10.2 **Termination Without Cause.** COOK may terminate this Agreement for any reason by giving the CLIENT one hundred and eighty (180) days prior written notice.

10.3 **Termination for Breach.**

(a) **Generally.** Except as provided in Section 10.3(b), the failure by either Party (the "**Defaulting Party**") to comply with any of the Defaulting Party's material obligations under this Agreement shall entitle the other Party (the "**Non-Defaulting Party**") to give to the Defaulting Party notice specifying the nature of the default and requiring the Defaulting Party to cure such default. If such default is not cured within fifteen (15) days (in the case of a payment breach) or thirty (30) days (in the case of a non-payment breach) after the receipt of such notice (or, if such default reasonably cannot be cured within such period or if the Defaulting Party shall not commence and diligently continue actions to cure such default during such period), the Non-

Defaulting Party shall be entitled, without prejudice to any of the other rights conferred on it by this Agreement or available to it at law, in equity or under this Agreement, to terminate this Agreement by giving further notice to the Defaulting Party, to take effect immediately upon delivery thereof. The right of either Party to terminate this Agreement, as provided in this Section 10.3(a), shall not be affected in any way by its waiver or failure to take action with respect to any previous default.

(b) **Exhaustion.** No default based on a claimed failure of any Product to conform to the Product Specifications shall be the subject of a notice under Section 10.3(a) until and unless all procedures and remedies specified in Section 3.3 shall have first been exhausted. Furthermore no inability to supply CLIENT with Product caused by an event of Force Majeure shall be the subject of a notice under Section 10.3(a).

10.4 **Termination for Insolvency.** Subject to any limitations imposed by applicable law, either Party shall have the right to terminate this Agreement by giving notice to the other Party in the event that:

(a) Such other Party shall have: (i) voluntarily commenced any proceeding or filed any petition seeking relief under the bankruptcy, insolvency or other similar laws of any jurisdiction, (ii) applied for, or consented to, the appointment of a receiver, trustee, custodian, sequestrator, conciliator, administrator or similar official for it or for all or substantially all of its property, (iii) filed an answer admitting the material allegations of a petition filed against or in respect of it in any such proceeding, (iv) made a general assignment for the benefit of creditors of all or substantially all of its assets, (v) become unable generally, or admitted in writing its inability, to pay all or substantially all of its debts as they become due, or (vi) taken corporate action for the purpose of effecting any of the foregoing; or

(b) An involuntary proceeding shall have been commenced, or any involuntary petition shall have been filed, in a court of competent jurisdiction seeking: (i) relief in respect of such other Party, or of its property, under the bankruptcy, insolvency or similar laws of any jurisdiction, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conciliator, administrator or similar official for such other Party or for all or substantially all of its property, or (iii) the winding-up or liquidation of such other Party; and, in each case, such proceeding or petition shall have continued undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall have continued unstayed, unappealed and in effect for thirty (30) days.

10.5 **Consequences of Termination.**

(a) **Return of Confidential Information.** Upon any expiration or termination of this Agreement, each Party will use diligent efforts (including without limitation a diligent search of files and computer storage devices) to return or destroy all Confidential Information of the other Party and all copies, summaries, compilations, extracts or other derivatives thereof, except to the extent such Confidential Information is necessary to exercise any right surviving termination of this Agreement. Additionally, each Party will be allowed to

keep one archival copy of any Confidential Information of the other Party solely for record keeping and for the purpose of determining its rights and obligations hereunder.

(b) **Payments Upon and After Termination.** Upon expiration or termination of this Agreement, CLIENT shall pay COOK all fees and costs incurred by COOK for: (i) that portion of the work performed to the date of termination, including reimbursement for reasonable overhead and profit of such work, plus reasonable expenses resulting from the cancellation as stated in the Project Plan or as reflected in COOK's records; and (ii) costs incurred by COOK for disposition of work and material on hand. Any such payments shall be made within thirty (30) days after invoicing by COOK. Notwithstanding any other provision of this Agreement, all payments to be made on account of or in conjunction with the expiration or termination of this Agreement shall be made in cash and all previously issued, unused trade credits shall be settled in cash upon such expiration or termination.

10.6 **Accrued Rights; Surviving Obligations.**

(a) **Accrued Rights.** Termination, relinquishment or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of either Party prior to such termination, relinquishment or expiration. Such termination, relinquishment or expiration shall not relieve either Party from obligations that are expressly indicated to survive termination or expiration of this Agreement.

(b) **Surviving Obligations.** All of the Parties' respective rights and obligations under Sections 1, 2.1, 3.12(c), 4, 5, 6, 7, 8, 9, 10, 11.3, 11.7, and 12 check shall survive termination, relinquishment or expiration of this Agreement.

11. **Regulatory Matters.**

11.1 **Permits.** During the Term of this Agreement and for the period required in the applicable Project Plan, COOK shall secure and maintain in good order, at its sole cost and expense, such current governmental registrations, permits and licenses as are required by Regulatory Authorities in order for COOK to perform its obligations under this Agreement (each, a "**Registration**"). Notwithstanding the foregoing, CLIENT shall be responsible for reimbursing COOK for the cost of any permits that are solely and specifically required to Produce the Product. COOK shall make copies of such Registrations and all related documents available for viewing by CLIENT and its designees for inspection, upon reasonable request from CLIENT. All copies will remain in COOK's possession and control.

11.2 **Compliance with CGMPs; Monitoring of Records.** If and as required by the Project Plan, COOK shall monitor and maintain reasonable records respecting its compliance with CGMPs in the manner provided by the Quality Agreement, including the process of establishment and implementation of the operating procedures and the training of personnel as are reasonably necessary to assure such compliance.

11.3 **Records.** COOK shall maintain the records required by the terms and conditions of the Quality Agreement, or as otherwise agreed to in writing by COOK and CLIENT in the Project Plan. COOK agrees that, in response to any complaint, or in the defense by CLIENT of any litigation, hearing, regulatory proceeding or investigation relating to the Production of Product, COOK shall use reasonable efforts to make available to CLIENT during normal business hours and upon reasonable prior written notice, such COOK employees and records reasonably necessary to permit the effective response to, defense of, or investigation of such matters, subject to appropriate confidentiality protections. CLIENT shall reimburse COOK for all costs and expenses incurred by COOK in connection with the performance of COOK's obligations under the immediately preceding sentence.

11.4 **Regulatory Communications and Correspondence.** Any and all communications from and to the FDA or other Regulatory Authorities related to the Production of the Product at the Facility shall be handled in accordance with the terms and conditions of the Quality Agreement, or as otherwise agreed in writing by COOK and CLIENT.

11.5 **Regulatory Filings and Maintenance.** CLIENT shall be solely responsible for preparing and submitting to the FDA all documents necessary for the regulatory approval of Product including adverse drug experience reports, field alert reports, periodic reports and applications for renewals, variations, supplements and amendments. COOK shall prepare and maintain all regulatory filings and manufacturing files, certificates, authorizations, data and other records that directly pertain to the Production of the Product, as further set forth in the Quality Agreement or as otherwise agreed in writing by COOK and CLIENT.

11.6 **Cooperation in Obtaining FDA Approvals.** As set forth in the Quality Agreement, or as otherwise agreed to in writing by COOK and CLIENT, at CLIENT's request, COOK shall provide CLIENT with such existing documents and information (or copies thereof) held by COOK as is reasonably requested in writing by CLIENT to assist CLIENT in securing and maintaining FDA approvals for the Product. In addition, COOK shall provide CLIENT with such information as is reasonably requested in writing by CLIENT relating to the manufacturing process, the master production record, the Services performed under this Agreement or other Product-related manufacturing documentation. Any CLIENT requests for documents or other work product that do not exist as of the date of such request or other substantive requests for assistance in compiling any regulatory filing shall constitute additional Services, and COOK shall notify CLIENT of the same, and, if CLIENT authorizes such Services, COOK shall invoice CLIENT for such additional Services at COOK's designated hourly rates including associated costs and expenses.

11.7 **Ownership of Regulatory Filings.** CLIENT shall be the sole owner of all regulatory filings and all governmental approvals obtained by CLIENT from any Regulatory Authority with respect to the Product. Notwithstanding the foregoing, and

for the avoidance of doubt, all rights in and to COOK Intellectual Property Rights and COOK Confidential Information shall remain entirely vested in COOK.

12. **Miscellaneous.**

12.1 **Assignment.** Neither Party may assign this Agreement without the prior written consent of the other Party, which consent will not be unreasonably withheld. Notwithstanding the foregoing, either Party may, without the prior consent of the other Party, assign this Agreement to its Affiliate(s) or to the successor entity in connection with a merger or acquisition, or to an entity acquiring substantially all of the product line or business operations of the assigning Party to which this Agreement pertains, provided that such successor or acquiring entity will expressly assume in writing the obligation to perform in accordance with the terms and conditions of this Agreement. Any purported assignment not in compliance with this Section 12.1 shall be void.

12.2 **Severability.** If any item or provision of this Agreement shall to any extent be invalid or unenforceable, it shall be severed from this Agreement, and the remainder of this Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by Applicable Law.

12.3 **Notices.** Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties hereto to the other shall be in writing, delivered personally or by facsimile (and promptly confirmed by personal delivery, first class air mail or courier), first class air mail or courier, postage prepaid (where applicable), addressed to such other Party at its address indicated below, or to such other address as the

addressee shall have last furnished in writing to the address or in accordance with this Section 12.3 and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

If to COOK:

Cook Pharmica LLC
P.O. Box 970
Bloomington, Indiana 47402
Attention: President

With a copy to:
Cook Group, Inc.
750 Daniels Way
Bloomington, IN 47402
Attention: General Counsel

If to CLIENT: Xencor, Inc.
111 West Lemon Avenue

Second Floor
Monrovia, CA, 91016
Attention: John J. Kuch, Vice President, Finance
Facsimile: 626-256-3562

12.4 **Governing Law.** The Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

12.5 **Venue, Jurisdiction.** Any action or proceeding brought by either Party seeking to enforce any provision of, or based on any right arising out of, this Agreement must be brought against either Party in the courts of the State of Indiana. Each Party (a) hereby irrevocably submits to the jurisdiction of the state courts of the State of Indiana and to the jurisdiction of any United States District Court in the State of Indiana, for the purpose of any suit, action, or other proceeding arising out of or based upon this Agreement or the subject matter hereof brought by any Party or its successors or assigns, (b) hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action, or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action, or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court, and (c) hereby waives and agrees not to seek any review by any court of any other jurisdiction that may be called upon to grant an enforcement of the judgment of any such Indiana state or federal court.

12.6 **Entire Agreement.** This Agreement constitutes the entire and exclusive agreement between the Parties with respect to the subject matter hereof and supersedes and cancels all previous discussions, agreements, representations, commitments and writing in respect thereof. No amendment or addition to this Agreement shall be effective unless reduced to writing and executed by the authorized representatives of the Parties. In the event of a conflict between the provisions of this Agreement and the provisions of any exhibits or attachments hereto, including the Project Plan, the provisions of this Agreement shall govern.

12.7 **Attempts to Amicably Resolve Disputes.**

(a) To avoid litigation and to resolve any conflicts that arise during the performance of the Services or thereafter, COOK and CLIENT agree that, prior to the commencement of litigation by either Party, the Parties shall engage in executive mediation. Either Party may seek executive mediation by delivering a written request for such mediation to the other. Delivery of such request may be made by hand, by facsimile transmission or by electronic mail. The request shall be addressed to the following individuals:

COOK: Tedd M. Green, President

CLIENT: Bassil I. Dahiyat, President, & CEO

(b) Within five (5) business days of the delivery of such request, each Party shall appoint a company executive who is not directly involved in the dispute to meet with the other Party's company executive for the purpose of resolving the dispute. No later than ten (10) business days of their appointment, the two executives shall meet to consider the dispute. They may request such information as either deems necessary and may meet jointly or separately with party representatives involved in the dispute. The two appointed executives shall use good faith efforts to reach a resolution of the dispute.

(c) If a resolution is reached, it shall be reduced to writing and shall be final and binding on the parties.

(d) If the two executives cannot reach agreement within five (5) business days of their initial meeting, unless the two executives agree to additional review time, either Party may thereafter pursue any remedy at law or in equity.

12.8 **Waiver.** No waiver of any rights shall be effective unless consented to in writing by the Party to be charged and the waiver of any breach or default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

12.9 **Independent Contractors.** COOK and CLIENT each acknowledge that they shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture, agency or any type of fiduciary relationship. Neither COOK nor CLIENT shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior consent of the other Party to do so.

12.10 **Affiliate(s).** Any licenses granted under this Agreement by CLIENT will be deemed to be granted both to COOK and COOK's Affiliate(s). COOK shall cause its Affiliate(s) to comply fully with the provisions of this Agreement to the extent such provisions specifically relate to, or are intended to specifically relate to, its Affiliate(s), as though its Affiliate(s) were expressly named as joint obligors hereunder.

12.11 **Counterparts/Facsimile.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures shall have the same force and effect as original signatures.

12.12 **Subcontracting.** COOK shall be free to subcontract any of its obligations hereunder, provided each such subcontractor agrees to be bound by obligations of confidentiality similar to those contained herein.

12.13 **Force Majeure.** Neither Party shall be liable for failure of or delay in performing obligations set forth in this Agreement, and neither shall be deemed in breach of its obligations, if such failure or delay is due to Force Majeure. In event of

Force Majeure, the Party affected thereby shall use reasonable efforts to cure or overcome the same and resume performance of its obligations hereunder. If an event of Force Majeure continues and causes a Party to delay its performance of its obligations for more than sixty (60) days, then the other Party shall have the right upon written notice to terminate this Agreement without any liability to the other Party.

12.14 **Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by one Party to the other are, for all purposes of Section 365(n) of Title XI of the United States Code ("**Title XI**"), licenses of rights to "intellectual property" as defined in Title XI. During the Term of this Agreement each Party shall create and maintain current copies to the extent practicable of all such intellectual property. If a bankruptcy proceeding is commenced by or against one Party under Title XI, the other Party shall be entitled to a copy of any and all such intellectual property and all embodiments of such intellectual property, and the same, if not in the possession of such other Party, shall be promptly delivered to it (a) upon such Party's written request following the commencement of such bankruptcy proceeding, unless the Party subject to such bankruptcy proceeding, or its trustee or receiver, elects within thirty (30) days to continue to perform all of its obligations under this Agreement, or (b) if not delivered as provided under clause (a) above, upon such other Party's request following the rejection of this Agreement by or on behalf of the Party subject to such bankruptcy proceeding. If a Party has taken possession of all applicable embodiments of the intellectual property of the other Party pursuant to this Section 12.14 and the trustee in bankruptcy of the other Party does not reject this Agreement, the Party in possession of such intellectual property shall return such embodiments upon request. If a Party seeks or involuntarily is placed under Title XI and the trustee rejects this Agreement as contemplated under 11 U.S.C. 365(n)(1), the other Party hereby elects, pursuant to Section 365(n) of Title XI, to retain all rights granted to it under this Agreement to the extent permitted by Applicable Law.

12.15 **Exporter of Record.** CLIENT shall be the exporter of record for any Product shipped out of the United States. CLIENT warrants that all shipments of Product exported from the United States will be made in compliance with all export laws and regulations and all applicable import laws and regulations of the country of importation. CLIENT shall be responsible for obtaining any licenses or government authorization(s) necessary for exportation from the United States. CLIENT's designated carrier and freight forwarder shall solely be CLIENT's agent. CLIENT shall select and pay the freight forwarder and such designated freight forwarder shall solely be responsible for preparing and filing any relevant declarations or other documents required for the export. CLIENT shall bear all costs and expenses associated with this Section 12.15.

12.16 **Quality Agreement.** The safety, quality control, and quality assurance aspects of the Services relating to Product shall be pursuant to the Quality Agreement. In the event of a conflict between the provisions of this Agreement and the provisions of the Quality Agreement, the provisions of this Agreement shall govern.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

Cook Pharmica LLC	Xencor, Inc.
By: /s/ Tedd M. Green	By: /s/ Bassil I. Dahiyat
Tedd M. Green, President	Bassil I. Dahiyat, President, & CEO

137-2141

EXHIBIT A

[…***…]

***** Confidential Treatment Requested**

EXHIBIT B

[…***…]

***** Confidential Treatment Requested**

EXHIBIT C

[…***…]

***** Confidential Treatment Requested**

Exhibit 10.23

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

[Execution Copy]

OPTION AND LICENSE AGREEMENT

This OPTION AND LICENSE AGREEMENT (this "Agreement"), effective as of January 28, 2013 (the "Effective Date"), is made by and between Alexion Pharmaceuticals, Inc., a Delaware corporation ("Alexion"), having a principal place of business at 352 Knotter Drive, Cheshire, Connecticut 06410, and Xencor, Inc., a Delaware corporation ("Xencor"), having a principal place of business at 111 West Lemon Avenue, Monrovia, California 91016. Alexion and Xencor may each be referred to herein, individually, as a "Party" or, collectively, as the "Parties."

BACKGROUND

A. Xencor has developed certain proprietary technologies related to enhancing the biological properties of antibodies and protein molecules.

B. Alexion is engaged in the discovery, research, development, and commercialization of pharmaceutical, biological and other products.

C. Alexion desires to obtain from Xencor, and Xencor desires to grant to Alexion, (i) the exclusive right to conduct certain research activities with respect to incorporation of Xencor Fc Domains into Target Compounds and (ii) an option to practice an exclusive license to research, develop and commercialize Licensed Compounds and Licensed Products in the Field in the Territory (as such terms are defined below), subject to the terms and conditions set forth herein.

NOW THEREFORE, for and in consideration of the covenants, conditions, and undertakings hereinafter set forth, it is agreed by and between the Parties as follows:

ARTICLE 1
DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the meanings indicated in this Article 1 below or elsewhere in this Agreement:

1.1 "Acceptance" means, with respect to an Application, acceptance by the applicable Regulatory Authority of an Application; provided, that, acceptance will automatically be deemed to have occurred sixty days after such Application is filed with the applicable Regulatory Authority, unless such Regulatory Authority rejects such Application prior thereto.

1.2 "Affiliate" means any entity that, directly or indirectly, controls, is controlled by or is under common control with a Party hereto. For the purpose of this Section 1.2, "control" means the ownership or voting control of more than fifty percent (50%) of the outstanding voting securities or interest in capital or profits of an entity, or the right to direct or control the

management or affairs of such entity, or the power to elect or appoint fifty percent (50%) or more of the members of the governing body of such entity.

1.3 "Application" means any marketing authorization application or equivalent application, and all amendments and supplements thereto, filed with the applicable Regulatory Authority in a country or jurisdiction in the Territory (including any supra-national agency such as the EMA in the European Union), including a Biologics License Application as described in Title 21 of the United States Code of Federal Regulations, Part 601, *et seq.*, or any equivalent application filed with the applicable Regulatory Authority in any other jurisdiction in the Territory.

1.4 "Commercially Reasonable Efforts" means with respect to the efforts to be expended by Alexion with respect to a Commercial License, that level of efforts and resources, at the relevant point in time, that are of a substantially similar level of effort and resources expended for the development and commercialization of products that pharmaceutical companies of size and resources comparable to those of Alexion commonly exercise for a product of similar commercial potential at a similar stage in its lifecycle as a Licensed Product, taking into consideration all relevant factors at the time such efforts are expended.

1.5 "Compound" means any Target Compound that incorporates any Xencor Fc Domain.

1.6 "Control" means, with respect to inventions, discoveries, information, data or know-how or Patents, possession of the right (other than pursuant to this Agreement), whether arising by ownership, license, or other authorization, to grant a license or sublicense without breaching the terms of any agreement or other arrangement with, or violating the rights of any Third Party; "Controlled" and "Controlling" shall have their correlative meanings.

1.7 "Fc Domain" means the Fc fragment of an antibody (meaning, e.g., IgG1 from residue 231 (or the analogous residue in any other IgG heavy chain) to the carboxy terminus thereof, where the sequence numbering is defined using the EU numbering system (Edelman, GM, et al., Proceedings of the National Academy of Sciences USA, vol. 63, p. 78, 1969)) as applied in the Kabat antibody sequence database, and any fragment or portion thereof, including naturally occurring fragments, naturally occurring variants of such fragments, and non-naturally occurring variants of such fragments.

1.8 "Field" means the treatment, prevention or diagnosis of human diseases and disorders.

1.9 "First Commercial Sale" means, with respect to a Product, the first sale to a Third Party of such Product in a given country following the receipt of Regulatory Approval for such Product in such country.

1.10 "Governmental Authority" means any multi-national, federal, state, local, municipal, provincial or other governmental authority of any nature (including any department, agency, bureau, branch, office, commission, council, court or other tribunal).

1.11 "Information" means all technical and scientific know-how and information, pre-clinical and clinical trial results, computer programs, knowledge, technology, means, methods, processes, practices, formulas, techniques, procedures, technical assistance, designs, drawings, apparatus, written and oral representations of data, specifications, assembly procedures, schematics and other information of whatever nature and all other scientific, clinical, regulatory, marketing, financial and commercial information or data.

1.12 "Initiation" means, with respect to any Phase 1 Trial, Phase 2 Trial or Phase 3 Trial, the first dosing of the first patient in such trial.

1.13 "Major EU Country" means any of the following: England, France, Germany, Italy and/or Spain.

1.14 "Net Sales" means monies received and other amounts collected by Alexion, its Affiliates and Sublicensees for sales of Licensed Products in the Territory by Alexion, its Affiliates and Sublicensees to Third Parties that are not Affiliates or Sublicensees of the selling party (unless such Affiliate or Sublicensee is the end user of such Licensed Product), less the following items, as allocable to Licensed Products (if not previously deducted in calculating the amount collected or in the monies received): […***…].

1.15 "Patents" means, in any country, (a) all patents (including, but not limited to, any inventor's certificate, utility model, petty patent and design patent), including any reissue, re-examination, renewal or extension (including any supplementary protection certificate) of any patent, and any confirmation patent or patent of addition based on any patent, in such country; (b) patent applications, including any continuations, continuations-in-part, divisionals, provisionals, continued prosecution application, substitute applications, and any other patent application that claims priority from any patent.

1.16 "Phase 1 Trial" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. §312.21(a), as amended, or the comparable law in a country other than the United States.

1.17 "Phase 2 Trial" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. §312.21(b), as amended, or the comparable law in a country other than the United States; that is intended to support a preliminary determination as to whether a compound or product is safe for its intended use, and to provide preliminary information about such compound's or product's efficacy, in order to permit the design of further clinical trial(s).

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1.18 "Phase 3 Trial" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. §312.21(c), as amended, or the comparable law in a country other than the United States; that is intended as a pivotal efficacy and safety clinical trial; provided that if a Phase 2 Trial has not previously been completed, then a clinical trial shall not be deemed a "Phase 3 Trial" until the design of such clinical trial is acknowledged in writing by a Regulatory Authority (either prospectively or following completion of the clinical trial) to be sufficient for such clinical trial to be included as a pivotal efficacy and safety clinical trial in an Application.

1.19 "Product" means, at a given time, any product Controlled or otherwise developed or commercialized by Alexion or any of its Affiliates or Sublicensees that contains or incorporates a Compound in any form or formulation, the making, using, selling, offering for sale or importing of which, but for the licenses, including the Commercial License, granted under this Agreement, would infringe a Valid Claim.

1.20 "Regulatory Approval" means all approvals, licenses, registrations and authorizations of any governmental entity, including all pricing and, if required by the applicable Regulatory Authority, reimbursement approvals, that are necessary to market, sell and obtain reimbursement for a Product in a particular country.

1.21 "Regulatory Authority" means, in a particular country or jurisdiction, any Governmental Authority that has the authority to regulate the manufacture, marketing, testing, pricing, or sale of drug products in such country or jurisdiction.

1.22 "Research Term" means the period of time commencing on the Effective Date and continuing until the earlier to occur of (a) (i) the fifth anniversary of the Effective Date, or (ii) if Alexion exercises the Research Extension Option in accordance with this Agreement (including payment of the Research Extension Fee), the eighth anniversary of the Effective Date, and (b) termination of this Agreement.

1.23 "Sublicensee" means any Third Party to whom Alexion has licensed or sublicensed any or all of the Xencor Technology.

1.24 "Target" means each of any […***…] including all variants and orthologs thereof, further including their respective fragments thereof, as exemplified (for illustrative purposes only) by […***…].

1.25 "Target Compound" means any of (a) any antibody that modulates and directly binds to a Target, (b) any molecule that modulates and directly binds to a Target or (c) any protein that contains a Target.

1.26 "Territory" means worldwide.

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1.27 "Third Party" means any entity other than Xencor or Alexion or an Affiliate of either of them.

1.28 "U.S." means the United States of America, including its territories and possessions.

1.29 "Valid Claim" means a claim in an issued, unexpired patent included in the Xencor Patents, and which claim has not lapsed, been abandoned, been revoked or been held to be unpatentable, invalid or unenforceable by a decision of a court or other governmental agency or competent jurisdiction from which no appeal can be or is taken within the time allowed for appeal and which has not been admitted to be invalid or unenforceable through reissue, re-examination, disclaimer or otherwise.

1.30 "Xencor Fc Domain" means any Fc Domain that is Controlled by Xencor during the Term and, when incorporated into a protein, is shown to or has been shown to enhance serum half-life or increase FcRn binding relative to a wild type Fc Domain. Without limiting the foregoing, Xencor agrees that the Fc Domains that contain the following variants are "Xencor FC Domains" for purposes of this Agreement: […***…].

1.31 "Xencor Know-How" means all Information Controlled by Xencor on the Effective Date or during the Term that cover any Xencor Fc Domain to the extent reasonably necessary or useful to make, have made, use, sell, have sold, offer for sale or import any Compound in the Field in the Territory.

1.32 "Xencor Patents" means all Patents Controlled by Xencor on the Effective Date or during the Term that claim or cover any Xencor Fc Domain to the extent reasonably necessary or useful to make, have made, use, sell, have sold, offer for sale or import any Compound in the Field in the Territory. The Xencor Patents as of the Effective Date are listed in **Exhibit 1.32** attached hereto.

1.33 "Xencor Technology" means the Xencor Patents and Xencor Know-How.

ARTICLE 2
RESEARCH PROGRAM

2.1 Conduct of the Research Program. During the Research Term, Alexion (itself or with or through its Affiliates) shall conduct at its expense research activities, including performing human clinical trials (but subject to the limitations herein), relating to the incorporation of Xencor Fc Domains into Target Compounds (the "Research Program"); provided, however, that Alexion (and its Affiliates) shall not have the right to advance any Product beyond completion of one initial multi-dose human clinical trial without exercising a Commercial License with respect to such Product. Alexion acknowledges that Xencor is not granting to Alexion any licenses under the Xencor Technology to conduct research activities other than those set forth herein. The Research Program shall be conducted by or on behalf of Alexion and its Affiliates and Sublicensees in a good, scientific manner in compliance with all

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applicable laws and regulations and in accordance with the terms and conditions set forth in this Agreement. Inventorship of inventions shall be determined in accordance with U.S. patent laws. Alexion may perform any portion of the Research Program through one or more subcontractors; provided, however that Alexion shall remain responsible for the performance by its subcontractors and the compliance of its subcontractors with the provisions of this Agreement in connection with such performance.

2.2 Reports. During the Research Term, Alexion shall provide Xencor with an annual written summary of the results and progress of the Research Program, including any significant data and results in respect of Products.

2.3 Research Term Extension. Alexion shall have the right to extend the Research Term until the eighth anniversary of the Effective Date, by providing written notice thereof to Xencor and paying to Xencor the Research Term Extension Fee at any time prior to the fifth anniversary of the Effective Date.

ARTICLE 3
LICENSE AND OPTION

3.1 Research License Grant to Alexion. Subject to the terms and conditions of this Agreement, Xencor hereby grants to Alexion an exclusive (even as to Xencor) license, with a right to sublicense to Affiliates and subcontractors only, under the Xencor Technology to make and use Xencor Fc Domains for the purpose of incorporating Xencor Fc Domains into, and to evaluate, Target Compounds in the course of conducting the Research Program. Alexion acknowledges that the license granted in this Section 3.1 shall not include any right or license to use the Xencor Technology for any purpose other than making and using Xencor Fc Domains to incorporate such Xencor Fc Domains into, and to evaluate, Target Compounds in the course of conducting the Research Program.

3.2 Commercial License Option.

3.2.1 Grant of Option. Subject to the terms and conditions of this Agreement, Xencor hereby grants to Alexion the exclusive option, on a Target-by-Target basis (the "Option") to practice a Commercial License (as defined below) with respect to any or all Targets, which Alexion may exercise at any time during the Research Term.

3.2.2 Exercise of an Option. Subject to the terms and conditions of this Agreement, Alexion may exercise an Option with respect to any or all Targets at any time during the Research Term by (a) sending written notice of such exercise ("Exercise Notice") to Xencor, which exercise notice identifies the Target or Targets for which Alexion is exercising the Option, and (b) paying to Xencor the Option Fee for such Commercial License. The exercise of an Option and the corresponding provisions of this Agreement that are triggered by the exercise of such Option shall become effective only upon payment in full of the Option Fee with respect to such Option. At any time during the Research Term, an Option may be exercised, and the Commercial License practiced by Alexion, with respect to all Products that bind to or contain

one or more Targets; provided, that Alexion pays the Option Fee with respect to each Target for which the Option is exercised as set forth in Article 5 below.

3.2.3 Effect of Expiration or Termination of Research Term. If Alexion does not exercise any Option during the Research Term, the Option and this Agreement shall terminate and be of no further force or effect.

3.3 Commercial License.

3.3.1 Commercial License Grant. Subject to the terms and conditions of this Agreement, including without limitation Section 3.3.2, Xencor hereby grants to Alexion, an exclusive (even as to Xencor), worldwide, royalty-bearing license, including the right to sublicense in accordance with Section 3.4, under the Xencor Technology to research, develop, make, have made, use, sell, offer for sale, have sold and import Products that bind to or contain the Target(s) for which the Option is exercised (such Products for which the Option is exercised, the "Licensed Products") in the Field in the Territory (the "Commercial License").

3.3.2 Right to Practice the Commercial License; Termination of the Commercial License. Notwithstanding anything express or implied to the contrary herein, Alexion may not practice the Commercial License for a certain Product unless and until Alexion exercises the Option for the applicable Target with respect thereto in accordance with Section 3.2 and pays the applicable Option Fee. On a Target by Target basis, if Alexion does not exercise the Option for a Target on or prior to the expiration or termination of the Research Term, then the Commercial License and Option with respect to such Target shall terminate and be of no further force and effect as of the earlier of the date of expiration or termination of the Research Term.

3.4 Sublicense Rights. Alexion may grant sublicenses under and within the scope of any Commercial License granted pursuant to Section 3.3. Each sublicense granted by Alexion shall be consistent with all the terms and conditions of this Agreement, and subordinate thereto, and Alexion shall remain responsible to Xencor for all payments and royalties under any sublicense as if such events or sales were achieved or made by Alexion under this Agreement. Within thirty days following execution of each sublicense agreement, Alexion shall provide Xencor with written notice of such sublicense and shall certify in such notice that the sublicense was granted in accordance with this Section 3.4. In the event of any termination of this Agreement by Xencor pursuant to the terms hereof, all sublicenses granted by Alexion to Sublicensees pursuant to this Section 3.4 shall automatically become a direct license and obligation between Xencor and such Sublicensee with respect to the subject matter hereof with all rights of Alexion thereunder automatically becoming rights of Xencor (including all rights to receive payment) unless the Sublicensee is in material default under such sublicense at the time of termination of this Agreement; provided, that in no event shall Xencor have any obligations under such sublicense beyond the obligations of Xencor set forth in this Agreement unless otherwise agreed in writing by Xencor.

3.5 No Implied Licenses. Each Party acknowledges that the rights and licenses granted under this Article 3 and elsewhere in this Agreement are limited to the scope expressly granted. Accordingly, except for the rights expressly granted under this Agreement, no right,

title, or interest of any nature whatsoever is granted whether by implication, estoppel, reliance, or otherwise, by either Party to the other Party. All rights with respect to Patents and other intellectual property rights that are not specifically granted herein are reserved to the owner thereof. Without limiting the foregoing, Xencor reserves all rights to practice and use, and grant to Third Parties the right to practice and use, the Xencor Technology to incorporate Fc Domains into molecules other than Compounds or Products.

3.6 Exclusivity. Xencor will not, either itself or through a Third Party, (a) during the Research Term, grant to any Affiliate or Third Party a license under the Xencor Technology to research, develop, make, have made, use, sell, offer for sale, have sold or import Compounds or Products in the Field in the Territory and (b) during the Term, grant to any Affiliate or Third Party a license under the Xencor Technology to research, develop, make, have made, use, sell, offer for sale, have sold or import any Compounds for which the Option for a Commercial. License with respect to the Target of such Compounds has been exercised in accordance with Section 3 or Licensed Products in the Field in the Territory.

ARTICLE 4
DEVELOPMENT AND COMMERCIALIZATION

4.1 [Reserved].

4.2 Diligence. Subject to the terms and conditions of this Agreement, if Alexion exercises an Option in accordance with Section 3.2, then thereafter during the Term, with respect to each Target for which an Option is exercised, Alexion shall, at its expense, use Commercially Reasonable Efforts to develop and commercialize at least one Licensed Product that binds to or contains such Target in the Field in the Territory.

4.3 Disclosure Regarding Alexion Efforts. If Alexion exercises an Option in accordance with Section 3.2, then thereafter during the Term, Alexion shall provide annual written reports to Xencor summarizing the status of the development efforts of Alexion and its Affiliates and Sublicensees with respect to Licensed Products that bind to or contain the Target for which such Option was exercised. Xencor's right to receive such annual reports with respect to a Licensed Product shall terminate upon submission of the first Application in any of the United States, Europe or Japan for such Licensed Product.

ARTICLE 5
FEES AND ROYALTIES

5.1 Upfront Fee. Alexion shall pay to Xencor a non-refundable, non-creditable upfront fee equal to US$3,000,000 within fifteen days after the Effective Date.

5.2 Research Term Extension Fee. If Alexion elects to exercise the option to extend the Research Term to the eighth anniversary of the Effective Date pursuant to Section 2.3, Alexion shall pay to Xencor a non-creditable, non-refundable fee equal to US$[…***…],

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together with provision of the exercise notice, at any time prior to the fifth anniversary of the Effective Date.

5.3 Annual Fee. Alexion shall pay to Xencor a non-refundable, non-creditable annual fee equal to (a) US$[…***…] on or prior to each of the first, second, third and fourth anniversaries of the Effective Date, and (b) US$[…***…] if Alexion extends the Research Term pursuant to Section 2.3, on or prior to each of the fifth, sixth, and seventh anniversaries of the Effective Date.

5.4 Option Exercise Fee. If Alexion elects to exercise the Option for a particular Target pursuant to Section 3.2, Alexion shall pay to Xencor a non-creditable, non-refundable fee equal to US$[…***…] (the "Option Fee") with respect to each Target for which the Option is exercised, together with provision of the Exercise Notice. If Alexion exercises the Option with respect to more than one Target in a given Exercise Notice, Alexion shall pay the Option Fee with respect to each such Target. If Alexion exercises the Option with respect to a Target and then subsequently exercises the Option with respect to another Target, Alexion shall pay the Option Fee for each such exercise.

5.5 Milestones.

5.5.1 Milestone Events. Alexion shall provide written notice to Xencor within ten business days following the first occurrence of each of the milestone events set forth below with respect to a Product (in the case of Section 5.5.1(i)) or Licensed Product (whether such milestone is achieved by Alexion or any Affiliate or Sublicensee) for which a milestone payment is or may be due hereunder ([…***…]). Subject to Section 5.5.3 below, within thirty days after the provision of such notice by Alexion, Alexion shall pay to Xencor the corresponding non-refundable, non-creditable milestone payment set forth below:

Milestone Event	Milestone Payment	
(i) […***…]	US$	[…***…]
(ii) […***…]	US$	[…***…]
(iii) […***…]	US$	[…***…]
(iv) […***…]	US$	[…***…]
(v) […***…]	US$	[…***…]
(vi) […***…]	US$	[…***…]
(vii) […***…]	US$	[…***…]

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(viii) […***…]	US$	[…***…]
(ix) […***…]	US$	[…***…]
(x) […***…]	US$	[…***…]
(xi) […***…]	US$	[…***…]

5.5.2 Milestones Payable for first Product for each Target. Subject to Section 5.5.3, on a Target-by-Target basis the milestone payments set forth in Section 5.5.1 shall be payable one time for the first time such milestone event is achieved with respect to the first Product or Licensed Product for a particular Target to achieve such milestone event, regardless of the number of times such milestone event is achieved with respect to one or more Products or Licensed Products for a particular Target. An aggregate of up to US$66,500,000 may be paid under Section 5.5.1 with respect to each Target. In addition, notwithstanding anything to the contrary, on a Target-by-Target basis the milestone payment corresponding to the milestone event set forth in Section 5.5.1(i) shall be payable one time with respect to each Target when it is first achieved regardless of whether the Commercial License is exercised with respect to such Target at such time, subject to Section 5.5.3.

5.5.3 […***…].

5.6 Royalties. Alexion shall pay to Xencor a royalty equal to […***…]% of Net Sales by Alexion, its Affiliates or Sublicensees, which may be paid directly by Alexion or an Affiliate of Alexion. Royalties under this Section 5.6 shall be payable on a Licensed Product-by-Licensed Product and country-by-country basis during the Royalty Term for each Licensed Product in

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each country. For the avoidance of doubt, no royalty is payable with respect to sales of Licensed Product in any country unless the sale of such Licensed Product in such country would, without the licenses granted under this Agreement, infringe a Valid Claim in such country at the time of sale. The "Royalty Term" shall mean, with respect to a Licensed Product in a country, the period beginning on the date of First Commercial Sale of such Licensed Product in such country and expiring on the expiration date of the last-to-expire Valid Claim covering the sale of such Licensed Product in such country. In no event shall Alexion have the right to offset, credit or otherwise reduce any royalties payable under this Agreement.

ARTICLE 6
PAYMENTS; BOOKS AND RECORDS

6.1 Royalty Reports and Payments. Royalties shall be calculated and reported for each calendar quarter and shall be paid within […***…] after the end of each calendar quarter. Each payment shall be accompanied by a report of Net Sales by Alexion, its Affiliates and Sublicensees which shall include […***…].

6.2 Payment Method. All payments under this Agreement shall be made by bank wire transfer in immediately available funds to an account designated by the Xencor. All amounts specified in this Agreement, and all payments made hereunder, are and shall be made in U.S. dollars. Any payments due under this Agreement which are not paid by the date such payments are due under this Agreement (but excluding payments which are being disputed in good faith by Alexion), shall bear interest to the extent permitted by applicable law at the U.S. prime rate per annum quoted by The Wall Street Journal (U.S., Western

Edition), or its successor, on the first business day after such payment is due, plus an additional […***…], calculated on the number of days such payment is delinquent. This Section 6.2 shall in no way limit any other remedies available to either Party.

6.3 Currency Conversion. Amounts payable to Xencor based on sales in currencies other than U.S. dollars shall be converted to U.S. dollars at the rate of exchange at the close of business on the date immediately prior to the date Alexion receives the amount. The rate of exchange shall be the value of U.S. dollars calculated using Alexion's then current internal foreign currency translation methodology actually used on a consistent basis in preparing its audited financial statements.

6.4 Tax. Xencor will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are required to be withheld by Alexion, Alexion will (a) deduct such taxes from the payment made to Xencor, (b) timely pay the taxes to the proper taxing authority, and (c) send proof of payment to Xencor.

6.5 Records; Audits. During the Term and for a period of […***…] thereafter, Alexion shall keep (and shall cause its Affiliates and Sublicensees to keep) complete and accurate records pertaining to the sale or other disposition of Licensed Products in sufficient

detail to permit Xencor to confirm the accuracy of all payments due hereunder. Xencor shall have the right to cause an independent, certified public accountant reasonably acceptable to Alexion to audit such records to confirm gross receipts, Net Sales and royalty payments for a period covering not more than the preceding […***…]. Such audits may be exercised no more than once per calendar year during normal business hours upon reasonable prior written notice to Alexion. No accounting period of Alexion shall be subject to audit more than one time by Xencor. Adjustments shall be made by the parties to reflect the results of such audit. Xencor shall bear the full cost of such audit unless such audit discloses an underpayment by Alexion of more than […***…]% of the amount of royalty payments due under this Agreement, in which case, Alexion shall bear the full cost of such audit and shall promptly remit to Xencor the amount of any underpayment, plus interest calculated in accordance with Section 6.2.

ARTICLE 7
CONFIDENTIALITY

7.1 Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, each Party agrees that, during the Term and for five (5) years thereafter, such Party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any confidential or proprietary information furnished to it by or on behalf of the other party pursuant to this Agreement or the Confidentiality Agreement (collectively, "Confidential Information"). Such Party (the "Receiving Party") will maintain all Confidential Information of the other Party (the "Disclosing Party") as confidential and will not disclose any such Confidential Information or use any such Confidential Information for any purpose, except (a) as expressly authorized by this Agreement, (b) as permitted by Section 7.2 or Section 7.3, or (c) to those of its and its Affiliates' respective employees, agents, consultants, subcontractors and other representatives who require access to such Confidential Information to accomplish the purposes of this Agreement, provided that such persons are under obligations of confidentiality and non-use of the Confidential Information at least as stringent as those set forth in this Article 7. The Receiving Party may use the Confidential Information only to the extent required to accomplish the purposes of this Agreement. The Receiving Party will use at least the same standard of care as it uses to protect its own confidential information, but no less than reasonable care, to ensure that its and its Affiliates' employees, agents, consultants, subcontractors and other representatives do not disclose or make any unauthorized use of the Confidential Information. The Receiving Party will promptly notify the Disclosing Party upon discovery of any unauthorized use or disclosure of the Confidential Information. For the avoidance of doubt, the terms of this Agreement and the existence of this Agreement is deemed "Confidential Information" of each Party.

7.2 Authorized Disclosures. The Receiving Party may disclose Confidential Information of the Disclosing Party as expressly permitted by this Agreement, or if and to the extent such disclosure is reasonably necessary in the following instances:

7.2.1 filing or prosecuting Patents as permitted by this Agreement;

7.2.2 establishing or enforcing the Receiving Party's rights under this Agreement;

7.2.3 prosecuting or defending litigation as permitted by this Agreement;

7.2.4 complying with a valid order of a court or other governmental body having jurisdiction or with applicable laws, rules and regulations; provided that the Receiving Party shall, except where impracticable or prohibited by law, give reasonable advance notice to the Disclosing Party of the required disclosure, and, at the Disclosing Party's request and expense, cooperate with the Disclosing Party's efforts to contest such required disclosure, to obtain a protective order preventing or limiting the disclosure or requiring that the Confidential Information so disclosed be used only for the purposes for which such disclosure is required, or to obtain other confidential treatment of the Confidential Information required to be disclosed. In any event, the Receiving Party shall disclose only such Confidential Information as it is required by such order or applicable law, rule or regulation to disclose and shall only disclose such Confidential Information for the purpose and to the entity(ies) required by such order or applicable law, rule or regulation;

7.2.5 in the case of Alexion, disclosure to actual or potential Sublicensees, provided, in each case, that any such Sublicensee has agreed in writing to be bound by obligations of confidentiality and non-use at least as stringent as those set forth in this Article 7, and that the Confidential Information so disclosed shall remain subject to this Article 7;

7.2.6 disclosure of (i) a redacted form of this Agreement and/or (ii) a written summary of the terms of this Agreement (in each case of clauses (i) and (ii), but not any other Confidential Information) to actual or potential Third Party investors, funding sources or acquirers in connection with due diligence or similar investigations by such Third Parties, and in confidential financing documents, provided, in each case, that: (a) any such Third Party agrees in writing to

be bound by reasonable obligations of confidentiality and non-use at least as stringent as those set forth in this Article 7, (b) Alexion's company name, corporate address and any other information that could reasonably identify Alexion as the licensee under this Agreement or as a user of the Xencor Technology will be redacted or omitted from any disclosure, and (c) the Confidential Information so disclosed shall remain subject to this Article 7; and

7.2.7 in addition to the authorized disclosures set forth in clauses 7.2.1 - 7.2.6, the Parties agree that Confidential Information shall not include:

(a) information that is in the public domain at the time of disclosure hereunder or which subsequently comes within the public domain through no fault of or action by the Receiving Party;

(b) information that is in the possession of the Receiving Party at the time of disclosure by the Disclosing Party hereunder, as evidenced by the Receiving Party's prior written records;

(c) information that is obtained, after the date hereof, by the Receiving Party from any third party that is lawfully in possession of such information and not in violation of any contractual or legal obligation with respect to such information; and

(d) information that is independently developed by the Receiving Party, after the date hereof, without the aid, application, use of or reference to information provided by the Disclosing Party, in each such case as evidenced by written records.

7.3 Terms of this Agreement. Each Party agrees not to disclose to any Third Party the terms of this Agreement without the prior written consent of the other Party, except as expressly permitted by Section 7.2. Xencor and Alexion will not issue a press release announcing this Agreement, without the prior written consent of the other Party. Thereafter, each Party may disclose the information contained in such press release without the need for further approval by the other Party.

ARTICLE 8
INTELLECTUAL PROPERTY

8.1 Ownership. Xencor shall at all times be and remain the sole and exclusive owner of any Xencor Fc Domain and Xencor Technology, subject only to the licenses granted to Alexion under Article 3. Xencor acknowledges and agrees that nothing in this Section 8.1 limits, restricts or prohibits Alexion's, its Affiliates', or Sublicensees' right to research, develop, make, have made, use, sell, offer for sale, have sold or import Products or Licensed Products pursuant to this Agreement and Xencor has no right, title or interest in any such Products or Licensed Products.

8.2 Prosecution and Maintenance. Xencor shall have the sole right, but not the obligation, at Xencor's expense, to control and manage the preparation, filing, prosecution (including interferences, reissue proceedings and reexaminations) and maintenance of all Xencor Patents. Alexion agrees to reasonably cooperate in the preparation, filing, prosecution and maintenance of Xencor Patents in the Territory under this Agreement and in the obtaining and maintenance of any patent extensions, supplementary protection certificates and the like with respect thereto.

8.3 Enforcement and Defense.

8.3.1 Notice. Each Party shall promptly notify the other in writing of any alleged or threatened infringement of any Xencor Patent in the Field in the Territory of which they become aware.

8.3.2 Enforcement and Defense. Xencor shall have the sole right, but not the obligation (subject only to the rights of Alexion as set forth in this Section 8.3.2), to bring and control any action or proceeding with respect to infringement of any Xencor Patent, by competent and qualified patent litigation counsel of Xencor's own choice. Alexion shall have the

right to join, using its own counsel, any such action or proceeding involving a Competitive Product (as defined below); provided that, for clarity, Xencor shall maintain sole control over any such action or proceeding brought pursuant to this Section 8.3.2. Any recovery received as a result of any action or proceeding brought by Xencor pursuant to this Section 8.3.2 shall be retained solely by Xencor, except that, to the extent that any such recovery is attributed to loss of sales of a Product(s) Controlled by Alexion, its Affiliates or Sublicensees, such recoveries shall be paid to Alexion (such amounts paid to Alexion, "Alexion Recoveries"). Alexion Recoveries less all payments made by Alexion (or its Affiliates) to or on behalf of Xencor for reimbursement of legal fees and other expenses related to the applicable Alexion Recoveries shall be treated as Net Sales for purposes of royalty and sales milestone payment obligations pursuant to this Agreement. With respect to any alleged infringement by a Third Party of a Xencor Patent as a result of the research, development, manufacture, use, sale, offer for sale or import of any product that contains or incorporates a Compound that binds to or contains the same Target as a Compound contained or incorporated (in any form or formulation) in a Product Controlled by Alexion or its Affiliates or Sublicensees and for which Alexion has exercised the Option (including payment of the applicable Option Fee) (any such Third Party product, a "Competitive Product"), Xencor shall timely and regularly confer with Alexion in good faith with respect to strategizing, preparing and presenting a patent enforcement action or proceeding against such Third Party and will consider all reasonable comments and recommendations of Alexion in connection therewith in good faith. If, notwithstanding Xencor's good faith consultation with Alexion, Xencor does not initiate and diligently prosecute an enforcement action or proceeding regarding infringement by a Third Party of a Xencor Patent as a result of the research, development, manufacture, use, offer for sale, sale or import of a Competitive Product within (a) […***…] following the notice of alleged infringement pursuant to Section 8.3.1, or (b) […***…] before the expiration of the statute of limitations, if any, set forth in the applicable laws and regulations for the filing of such action or proceeding, whichever comes first, and: (i) Alexion in good faith believes that (1) the research, development, manufacture, use, offer for sale, sale or import, as applicable, of the Competitive Product infringes a Xencor Patent (and Alexion acknowledges that, for clarity, any activity that falls within 271(e)(1) or another safe harbor under applicable law is not infringing activity) and (2) the failure to bring such an action or proceeding may result in a material diminution in value of the relevant Product (the "Affected Product"); (ii) neither Alexion nor its Affiliate nor its Sublicensee Controls or has the right to bring an enforcement action or proceeding with respect to any Patent (other than a Xencor Patent) that covers or claims the Competitive Product; and (iii) Alexion provides written notice of (i) and (ii) to Xencor (such notice, a "Notice of Enforcement"), then Xencor shall enforce the applicable Xencor Patent against such Third Party with respect to such Competitive Product using commercially reasonable efforts. If, after delivery of a Notice of Enforcement, Xencor initiates a lawsuit to cause the cessation of the infringement by such Competitive Product, Xencor will use counsel selected by Xencor and reasonably acceptable to Alexion. Xencor shall timely and regularly confer with Alexion with respect to strategizing, preparing and presenting any such action or proceeding and will consider all reasonable comments and

recommendations of Alexion in connection therewith in good faith. Alexion shall reimburse Xencor for all reasonable out-of-pocket expenses (including outside legal fees) incurred by Xencor in connection with any legal proceeding undertaken by Xencor as a result of the Notice of Enforcement to enforce the applicable Xencor Patent against such Third Party. Alexion and

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Xencor agree to enter into a common interest agreement reasonably acceptable to the Parties in connection with any proceeding involving a Competitive Product. Subject to the terms and conditions of this Agreement, Xencor shall have the sole right to settle or otherwise resolve any dispute with a Third Party involving the infringement of a Xencor Patent; provided that, in the case of any proceeding regarding infringement by a Third Party of a Xencor Patent as a result of the research, development, manufacture, use, offer for sale, sale or import of a Competitive Product only, such settlement or resolution does not, without Alexion's prior written consent, (i) limit the rights of, or impose any obligation on, Alexion, its Affiliates or Sublicensees to market or sell Licensed Products, (ii) include a covenant by Xencor not to sue such Third Party or its Affiliates or Sublicensees, or (iii) require the payment of money by Alexion, its Affiliates or Sublicensees.

[…***…].

[…***…]

[…***…]

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 Mutual Representations and Warranties. Each party represents and warrants to the other, as of the Effective Date, that: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and

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authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with, breach or violate any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

9.2 Xencor Representations and Warranties. Xencor hereby represents and warrants to Alexion, as of the Effective Date, that: (a) **Exhibit 1.32** attached hereto contains a true and complete list of the existing Xencor Patents; (b) Xencor is the sole owner of such listed Xencor Patents; (c) to Xencor's knowledge, Xencor has disclosed in writing to Alexion (in form reasonably satisfactory to Alexion) a true and complete list of Third Party Patents of which Xencor is aware that are relevant to […***…], with the understanding that the disclosure of one family member in a priority chain is sufficient to meet this representation and such disclosure shall be deemed to explicitly include the disclosure of all related patents and patent applications in the priority chain as well as all continuations, continuations-in-part, divisionals, reissues, reexaminations, inter partes reviews and oppositions, and all foreign equivalents, whether published or unpublished; (d) Xencor is not a party to any legal action, suit or proceeding relating to the Xencor Patents; (e) Xencor is not aware of any Patents or Information Controlled by Xencor, other than the Xencor Patents, that would be infringed or misappropriated as a result of the research, development, manufacture, sale or import of Xencor Fc Domains in the Territory; (f) Xencor has not received written notice that the practice of the inventions claimed by the Xencor Patents infringes the patent or other intellectual property rights of a Third Party; and (g) Xencor is not aware of any pending action, suit or proceeding claiming that the practice of the inventions claimed by the Xencor Patents infringes the patent or other intellectual property rights of a Third Party. For clarity, all representations and warranties of Xencor in this Section 9.2 are made as of the Effective Date with respect to circumstances as they exist as of the Effective Date.

9.3 Alexion Covenants. Alexion covenants to Xencor that: (a) in the performance of its obligations and exercise of its rights under this Agreement, Alexion shall comply and shall cause its and its Affiliates' employees and contractors to comply with all applicable laws, rules and regulations; and (b) Alexion is not debarred or disqualified under the United States Federal Food, Drug and Cosmetic Act or comparable applicable law, rule or regulation outside the U.S. in the Territory, and it does not, and will not during the Term, employ or use the services of any person or entity who is debarred or disqualified, in connection with activities relating to Compound or Product. In the event that Alexion becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person or entity providing services to Alexion, including Alexion itself and its Affiliates or Sublicensees, which directly or indirectly relate to activities under this Agreement, Xencor shall be promptly notified in writing and Alexion shall cease using any such person to perform any services under this Agreement.

9.4 Disclaimer of Warranties. Except as expressly set forth in this Agreement, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH

***** Confidential Treatment Requested**

PARTY HEREUNDER ARE PROVIDED "AS IS," AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A

PARTICULAR PURPOSE, NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES.

9.5 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 7, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided, however*, that this Section 9.5 shall not limit either party's indemnification obligations under Article 10. For the avoidance of doubt, payments under Article 5 shall not be considered special, incidental, consequential or punitive damages.

ARTICLE 10
INDEMNIFICATION

10.1 Indemnification by Alexion. Alexion hereby agrees to save, defend, indemnify and hold harmless Xencor, its Affiliates and their respective officers, directors, employees, consultants and agents (the "Xencor Indemnitees") from and against any and all losses, damages, liabilities, expenses and costs, including reasonable legal expense and attorneys' fees ("Losses"), to which any Xencor Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of (a) the research, development, manufacture, use, handling, storage, sale or other disposition of any Compound or Product by or on behalf of Alexion or any of its Affiliates or Sublicensees, (b) the gross negligence or willful misconduct of any Alexion Indemnitee (defined below), or (c) the breach by Alexion of any warranty, representation, covenant or agreement made by it in this Agreement; except, in each case, to the extent such Losses result from the negligence or willful misconduct of any Xencor Indemnitee or the breach by Xencor of any warranty, representation, covenant or agreement made by it in this Agreement, or from a claim by a Third Party that the research, development, manufacture, sale or import of a Licensed Product in the Territory infringes or misappropriates the Patents or Information Controlled by such Third Party due to the presence of a Xencor Fc Domain incorporated in the Licensed Product.

10.2 Indemnification by Xencor. Xencor hereby agrees to save, defend, indemnify and hold harmless Alexion, its Affiliates and Sublicensees and their respective officers, directors, employees, consultants and agents (the "Alexion Indemnitees") from and against any and all Losses to which any Alexion Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of (a) the gross negligence or willful misconduct of any Xencor Indemnitee, or (b) the breach by Xencor of any warranty, representation, covenant or agreement made by Xencor in this Agreement; in each case, except to the extent such Losses result from the negligence or willful misconduct of any Alexion Indemnitee or the breach by Alexion of any warranty, representation, covenant or agreement made by Alexion in this Agreement.

10.3 Procedure. In the event a party seeks indemnification under Section 10.1 or 10.2, it shall inform the other party (the "Indemnifying Party") of a claim as soon as reasonably practicable after such party (the "Indemnified Party") receives notice of the claim (it being understood and agreed, however, that the failure by an Indemnified Party to give notice of a claim as provided in this Section 10.3 shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that such Indemnifying Party is actually damaged as a result of such failure to give notice), shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and shall cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim. The Indemnified Party shall not agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnifying Party. The Indemnifying Party shall not agree to any settlement of such action, suit, proceeding or claim or consent to any judgment in respect thereof that does not include a complete and unconditional release of the Indemnified Party from all liability with respect thereto, that imposes any liability or obligation on the Indemnified Party or that acknowledges fault by the Indemnified Party; in each case, without the prior written consent of the Indemnified Party.

10.4 Insurance. Alexion, at its own expense, shall maintain product liability and other appropriate insurance in an amount consistent with industry standards during the Term. Alexion shall provide a certificate of insurance evidencing such coverage to Xencor upon request.

ARTICLE 11
TERM AND TERMINATION

11.1 Term. The term of this Agreement shall commence on the Effective Date and continue until (a) the end of the Research Term if Alexion has not exercised the Option with respect to any Commercial License in accordance with Section 3.2 by such date; or (b) if Alexion exercises the Option with respect to a Commercial License in accordance with Section 3.2, the expiration of the last Royalty Term, subject, in each case, to earlier termination pursuant to Section 11.2 (the "Term").

11.2 Termination. A Party may terminate this Agreement for material breach of this Agreement by the other Party upon sixty days' (or, in the case of non-payment breach, thirty days') written notice specifying the nature of the breach, unless the breaching Party cures such breach within such sixty -day (or thirty-day, as applicable) period. In addition, Xencor shall have the right to terminate this Agreement immediately upon written notice to Alexion, if Alexion, its Affiliate or Sublicensee directly, or through material assistance granted to a Third Party, commences any interference or opposition proceeding with respect to, or challenges the validity or enforceability of, any Xencor Patent; provided that Xencor may not terminate this Agreement if such action or assistance is required by law, regulation or statute. Further, Alexion shall have the right to terminate this Agreement on a Target-by-Target basis upon ninety (90) days prior written notice to Xencor.

11.3 Effects of Expiration or Termination.

11.3.1 Upon full termination of this Agreement by either Party (excluding, for the avoidance of doubt, termination of this Agreement with respect to a particular Target), all rights and obligations of the parties hereunder (including, without limitation, the license granted by Xencor to Alexion hereunder and Xencor's agreements under Section 3.6) shall terminate and be of no further force or effect. In the event of any termination of this Agreement as to a particular Target, this Agreement (including, without limitation, the license granted by Xencor to Alexion hereunder with respect to such Target and Xencor's agreements under Section 3.6 with respect to such Target) shall terminate solely with respect to such Target.

11.3.2 Upon expiration (but not earlier termination) of this Agreement, all licenses granted to Alexion hereunder that were in effect immediately prior to such expiration shall become fully-paid, royalty-free, irrevocable, and perpetual.

11.3.3 Within thirty days following the expiration or termination of this Agreement, each Party shall deliver to the other Party any and all Confidential Information of the other Party in its possession.

11.3.4 Neither expiration nor termination shall relieve either Party of any obligation accruing prior to such expiration or termination except that, in the case of expiration or termination of this Agreement during any Payment Suspension Period, all payment obligations that accrued but were not paid during such Payment Suspension Period pursuant to Section 8.3.2 shall be (i) with respect to Affected Products, automatically satisfied and discharged in full as of such expiration or termination and (ii) with respect to Licensed Products that are not Affected Products, automatically satisfied and discharged in an amount equal to fifty percent (50%) of such payment obligations as of such expiration or termination. The obligations and rights of the parties under Sections 6.5, 9.4, 9.5, 11.3, 11.4 and 11.5 and Articles 1, 7, 10 (other than Section 10.4), 12 and 13 of this Agreement shall survive expiration or termination of this Agreement.

11.4 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to hereunder.

11.5 Bankruptcy Code. All rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of Title 11 of the United States Code and other similar laws in any jurisdiction outside the U.S. (collectively, the "Bankruptcy Laws"), licenses of rights to be "intellectual property" as defined under the Bankruptcy Laws. If a case is commenced during the Term by or against a Party under Bankruptcy Laws then, unless and until this Agreement is rejected as provided in such Bankruptcy Laws, such Party (in any capacity, including debtor-in-possession) and its successors and assigns (including a trustee) shall perform all of the obligations provided in this Agreement to be performed by such Party. If a case is commenced during the Term by or against a Party under the Bankruptcy Laws, this Agreement is rejected as provided in the Bankruptcy Laws and the other Party elects to retain its rights hereunder as provided in the Bankruptcy Laws, then the Party subject to such case under the Bankruptcy Laws (in any capacity, including debtor-in-possession) and its successors and assigns (including a Title 11 trustee), shall provide to the other Party copies of all Information necessary for such other Party to prosecute, maintain and enjoy

its rights under the terms of this Agreement promptly upon such other Party's written request therefor. All rights, powers and remedies of the non-bankrupt Party as provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the Bankruptcy Laws) in the event of the commencement of a case by or against a Party under the Bankruptcy Laws.

ARTICLE 12
DISPUTE RESOLUTION

12.1 Disputes. If the Parties are unable to resolve any dispute or other matter arising out of or in connection with this Agreement, either Party may, by written notice to the other Party, have such dispute referred to the respective heads of Research and Development of the Parties, or such individuals as those heads may designate (provided such designees shall have a rank of vice president or higher and have decision-making authority), if the dispute refers to scientific matters relating to this Agreement and otherwise to the respective heads of Business Development and/or Licensing, or such individuals as those heads may designate (provided such designees shall have a rank of vice president or higher and have decision-making authority), for attempted resolution by good faith negotiations within thirty days after such notice is received (the "Initial Period"). In such event, each Party shall cause its Research and Development heads or Business Development and/or Licensing heads or designees, as applicable, to meet face-to-face and be available to attempt to resolve such issue. The Parties shall cooperate in an effort to limit the issues for consideration in such manner as narrowly as reasonably practicable in order to resolve the dispute. If the heads of Research and Development or heads of Business Development and/or Licensing, as applicable, do not resolve such dispute within the Initial Period after notice is received, the dispute will be referred to the Chief Executive Officer of Xencor and either the Chief Executive Officer or an Executive Vice President of Alexion for attempted resolution by good faith negotiations within thirty days after the end of the Initial Period. If the Chief Executive Officer of Xencor and Chief Executive Officer or Executive Vice President of Alexion are unable to resolve such dispute, then either Party may pursue all remedies available to such Party under law.

ARTICLE 13
MISCELLANEOUS

13.1 Governing Law. This Agreement and any dispute arising from the performance or breach hereof shall be (a) governed by and construed and enforced in accordance with, the laws of the State of Delaware, without reference to conflicts of laws principles, and (b) subject to the exclusive jurisdiction and venue of the Delaware state courts and the Federal courts located in Delaware, and the Parties hereby consent to the personal and exclusive jurisdiction and venue of these courts.

13.2 Force Majeure. Nonperformance of any Party (other than nonperformance of payment obligations) shall be excused to the extent that performance is rendered impossible by strike, fire, earthquake, flood, governmental acts or orders or restrictions, or any similar reason

where failure to perform is beyond the reasonable control of the nonperforming Party. In such event Alexion or Xencor, as the case may be, shall promptly notify the other Party of such inability and of the period for which such inability is anticipated to continue. Without limiting the foregoing, the Party subject to such inability shall use commercially reasonable efforts to minimize the duration of any force majeure event.

13.3 No Implied Waivers; Rights Cumulative. No failure on the part of Alexion or Xencor to exercise and no delay in exercising any right under this Agreement, or provided by statute or at law or in equity or otherwise, shall impair, prejudice or constitute a waiver of any such right, nor shall any partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

13.4 Independent Contractors. Nothing contained in this Agreement is intended implicitly, or is to be construed, to constitute Alexion or Xencor as partners in the legal sense. No Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of any other Party or to bind any other Party to any contract, agreement or undertaking with any Third Party.

13.5 Notices. All notices, requests and other communications hereunder shall be in writing and shall be personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid; facsimile transmission (receipt verified); or express courier service (signature required), in each case to the respective address specified below, or such other address or fax number as may be specified in writing to the other Parties:

If to Alexion:

Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, CT 06410
Attn: Chief Legal Officer
Fax: (203) 271-8198

If to Xencor:

Xencor, Inc.
111 West Lemon Avenue
Monrovia, CA 91016
Attn: Chief Executive Officer
Fax: (626) 305-0350

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

Cooley LLP
4401 Eastgate Mall
San Diego, CA 92121-1909
Attn: Tom Coll, Esq.
Fax: (858) 550-6420

13.6 Assignment. This Agreement shall not be assignable by either Party to any Third Party without the prior written consent of the other Party; except that each Party may assign this

Agreement, without the need to obtain the other Party's consent, (a) to an entity that acquires substantially all of the business or assets of such Party pertaining to this Agreement, in each case whether by merger, transfer of assets, purchase of all outstanding shares or otherwise; provided that, intellectual property rights (including, without limitation, any Patents or Information) of the acquiring entity in such a transaction, if other than one of the Parties to this Agreement shall not be included in the technology licensed hereunder, or (b) to an Affiliate of such Party, provided that, in the case of such an assignment to an Affiliate, the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate. Any assignment in contravention of the foregoing shall be void and of no effect. Subject to the foregoing, this Agreement will be binding upon and will inure to the benefit of the Parties and their respective successors and assigns. Any assignment of this Agreement in contravention of this Section 13.6 shall be null and void.

13.7 Modification. No amendment or modification of any provision of this Agreement shall be effective unless in writing signed by all Parties. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by all Parties.

13.8 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the Parties as nearly as may be possible. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

13.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together, shall constitute one and the same instrument.

13.10 Entire Agreement. This Agreement (including the Exhibits hereto) constitutes the entire agreement, both written and oral, with respect to the subject matter hereof, and supersedes all prior or contemporaneous understandings or agreements, whether written or oral, between Alexion and Xencor with respect to such subject matter.

13.11 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words "include" or "including" shall be construed as incorporating, also, "but not limited to" or "without limitation;" (b) the word "day" or "year" shall mean a calendar day or year unless otherwise specified; (c) the words "hereof," "herein," "hereby" and derivative or similar words refer to this Agreement (including any Exhibits); and (d) the term "shall" means "will."

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered in duplicate originals as of the Effective Date.

ALEXION PHARMACEUTICALS, INC.	**XENCOR, INC.**
By: /s/ Leonard Bell	By: /s/ Bassil Dahiyat
Name: Leonard Bell	Name: Bassil Dahiyat

Title: Chief Executive Officer

Title: President and CEO

Exhibit 1.32

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Exhibit 10.24

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and Rule 406 of the Securities Act of 1933, as amended.**

COLLABORATION AGREEMENT

This Collaboration Agreement ("Agreement") is made by and among

Xencor, Inc.
111 W. Lemon Ave.
Monrovia,
CA 91016
USA

(hereinafter called "XENCOR"),

and

Boehringer Ingelheim International GmbH
Binger Straße 173
55216 Ingelheim
Germany

(hereinafter called "BII")

(hereinafter BII an XENCOR each shall also be called "Party" and collectively "Parties" as the case may be).

EFFECTIVE DATE: February 10, 2012

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Preamble

WHEREAS, XENCOR and an Affiliated Company (as defined below) of BII, the Boehringer Ingelheim Pharma GmbH & Co. KG, Birkendorfer Str. 65, 88397 Biberach, Germany ("BI Pharma") entered into a Material Transfer and Initial Service Agreement dated as of June 28, 2011 relating to XENCOR's proprietary product, a monoclonal antibody directed against TNF-α known as "Xtend-TNF" or "XmAb6755"; and

WHEREAS, XENCOR is a company engaged in the design and development of biopharmaceutical drugs and is owner of a cell line expressing the Product (as defined below);

WHEREAS, BII has know-how and expertise to develop production processes for biopharmaceuticals towards commercial scale volumes and within international regulatory requirements;

WHEREAS, XENCOR and BII herewith agreed on a business collaboration for the mutual benefit of both Parties by having XENCOR providing the Material (as defined below) and the description of the Product and by having BII developing a fed-batch production process to have XENCOR's Product expressed from the Material in the quantity suitable for preclinical and completion of Phase 1 clinical testing; and

WHEREAS, as BII finances the Project in advance and receives a first right to negotiate to manufacture and payments at a later point in the future, XENCOR agrees, in order to make both Parties benefit from their collaboration, to use its commercially reasonable efforts to complete Phase 1 clinical testing of the Product and to find a business partner for the further development of the Product into a successful medicinal product;

NOW THEREFORE and in consideration of the mutual covenants set forth in this Agreement, BII and XENCOR hereby agree as follows:

1 Definitions

1.1 "Acceptance Criteria"

shall mean either, (as the case may be) the following criteria with respect to a Batch of Product; (i) the preliminary specifications as agreed upon by the Parties with respect to the three (3) initial manufacturing runs as described in Section 2.5, or (ii) except as provided in clause (i), the Specifications accompanied by a Confirmation of Compliance and Certificate of Analysis.

1.2 "Affiliated Companies"

shall mean any company or business entity which controls, is controlled by, or is under common control with, either XENCOR or BII. For purposes of this definition, "control" shall mean the possession, directly or indirectly of the power to direct or cause the direction of the management and policies of an entity (other than a natural person), whether through the majority ownership of voting capital stock, by contract or otherwise.

1.3 "Batch"

shall mean Product from one fermentation run using the Process.

1.4 "BII Confidential Information and Know-How"

shall mean all existing or future technical or other information relating specifically to (a) the BII Facility, (b) the Process, (c) BII Intellectual Property, and/or (d) know-how for the development and manufacture of biopharmaceuticals generally, in each case (a)-(d) whether

patented or not patented, including, without limitation, trade secrets, know-how, processes, concepts, experimental methods and results and business and scientific plans that are disclosed or supplied directly or indirectly to XENCOR or used in connection with the Project, but always excluding all confidential technical or other information of XENCOR specifically relating to XENCOR Technology.

1.5 "BII Facility"

shall mean the biotech buildings and all other buildings used by BII and/or its Affiliated Companies in performance of the Project in Fremont, CA, USA (it being understood that certain aspects of the Services may be performed in Germany, and, with respect thereto, such buildings in Germany used by BII and/or its Affiliated Companies in performance of the Project, shall also be deemed "BII Facility").

1.6 "BII Intellectual Property"

shall have the meaning set forth in Section 8.2.2 hereof.

1.7 "BII Technology"

shall mean the Technology developed or obtained by or on behalf of BII or any of its Affiliated Companies without the use of the of XENCOR Confidential Information and Know-How or the Material, including without limitation, the Process.

1.8 "Business Partner"

shall have the meaning set forth in Section 2.8.2 hereof.

1.9 "Certificate of Analysis"

shall mean, with respect to a Batch, that complete and accurate document setting forth the conformance with the Specifications set forth in the QAA.

1.10 "Claim"

shall have the meaning set forth in section 6.4.(a)a) hereof.

1.11 "CMO"

shall mean Contract Manufacturing Organization.

1.12 "Confidential Information-and Know-How"

shall mean either or both Xencor Confidential Information and Know-How (as defined herein) or BII Confidential Information and Know-How (as defined herein), as applicable.

1.13 "Confirmation of Compliance"

shall mean BII's complete and accurate certificate, executed and delivered to XENCOR in connection with each Batch of Product, confirming that such Batch of Product was manufactured according to cGMP, the Process and applicable laws at the BI Facility, and setting forth any deviations therefrom and the results of final investigations performed by BII according to the QAA.

1.14 "Controlled Technology"

shall have the meaning specified in Section 9.3 hereof.

1.15 "cGMP"

shall mean current Good Manufacturing Practice regulations as codified in:

The Rules Governing Medicinal products supplied in the European Union: Volume 4 -Medicinal products supplied for Human and Veterinary Use: Good Manufacturing Practice, as amended from time to time; the United States Code of Federal Regulations, title 21, parts

210, 211, 600 and 610, as amended from time to time; and the International Committee on Harmonisation and other comparable guidelines, directives or standards required by governmental authorities in the Major Territories or in any other country or countries agreed in writing by the Parties.

1.16 "Deliverables"

shall have the meaning specified in Section 2.4 hereof.

1.17 "Due Date"

shall have the meaning specified in Section 3.1.2 hereof.

1.18 "Effective Date"

shall mean the date of commencement of this Agreement as mentioned on the cover page above.

1.19 "FTE"

shall mean a fully allocated employee or consultant of BII and working on the Technology transfer with such time and effort to constitute the equivalent of one (1) employee on a full time basis consistent with normal business and scientific practice […***…].

1.20 "Improvements"

shall mean all discoveries and inventions, and all modifications, derivatives and improvements to Technology or new uses thereof (whether or not protectable under patent, trademark, copyright or similar laws) that are discovered, developed or reduced to practice by or on behalf of BII or any of its Affiliated Companies (alone or jointly with XENCOR) in the performance of this Agreement.

1.21 "Knowledge"

shall mean that which a Party knows or should have known following that inquiry a reasonable person would have made in light of the facts and circumstances.

1.22 "Latent Defects"

shall mean non-conformance of the Product with this Agreement other than Obvious Defects.

1.23 "Licensing Revenue"

shall have the meaning set forth in Section 3.1.2 hereof.

1.24 "Losses"

shall have the meaning set forth in Section 7.2.a hereof.

1.25 "Major Territories"

shall mean the United States, the European Union and/or Japan.

1.26 "Material"

shall mean the respective XENCOR proprietary cell line as laid down in detail in Appendix 1 and any know-how or data relating directly thereto and provided together with such cell line to BII by or on behalf of XENCOR (including any progeny or derivative thereof).

1.27 "MTA"

shall mean the Material Transfer and Initial Service Agreement entered into by XENCOR and BI Pharma on June 28, 2011 attached to this Agreement as Appendix 4.

1.28 "Obvious Defects"

shall mean any non-conformance of the Product with this Agreement, which is visible or easily detectable without any analysis in a laboratory, such as noticeable damages of the Product caused by the transport of Product.

1.29 "Other Improvements"

shall have the meaning set forth in Section 8.2.3 hereof.

1.30 "Principal Supplier"

shall mean the right to manufacture and supply commercial Product in the amount per annum of at least […***…] of the worldwide annual demand of commercial Product calculated based on XENCOR's reasonably forecasted request for commercial Product for the respective calendar year.

1.31 "Process"

shall mean all the respective steps involved in the process developed and performed by BII pursuant to this Agreement to produce the respective Product from the Material or having the Product expressed from the Material, including, without limitation, the manufacture, testing and packaging thereof.

1.32 "Process Description"

shall mean a controlled document, approved by authorized technical and quality representatives of both Parties, that documents the general outline of the respective Process. It includes all relevant Process parameters to be met and equipment and raw materials to be used.

1.33 "Product"

shall mean XENCOR's proprietary biopharmaceutical product, a monoclonal antibody directed against TNF-α known as "Xtend-INF" or "XmAb6755", as further laid down in detail in Appendix 1, expressed from the Material disclosed by XENCOR to BII and formulated either as bulk drug substance or in final dosage form as drug product, as the context requires.

1.34 "Project"

shall mean the performance of the Services, including without limitation the Process development program for the Product.

1.35 "Project Fees"

shall have the meaning specified in Section 3.1 hereof.

1.36 "Project Manager"

shall have the meaning specified in Section 2.2.1 hereof.

1.37 "Project Plan"

shall mean the plan describing the Services to be performed by BII under the Project, including the Project timeline and the Project Fees, attached to this Agreement as Appendix 2.

1.38 "Project Team"

shall have the meaning specified in Section 2.2.2 hereof and at the Effective Date shall consist of the persons listed in Appendix 3.

1.39 "QAA"

shall mean the Quality (Assurance) Agreement entered into between the Parties simultaneously with this Agreement and attached hereto as Appendix 5.

1.40 "Representatives"

shall have the meaning specified in Section 7.3 a hereof.

1.41 "Service(s)"

shall mean those certain services performed by BII under this Agreement.

1.42 "Specification(s)"

shall mean all the tests, analytical methods and/or limits, and the results thereof, as applicable, agreed by the Parties, within which the Product has to conform to be considered acceptable by XENCOR for clinical use set forth in Appendix 6. The Parties are in agreement, that in the first instance they will agree on preliminary specifications which shall then be fixed to final Specifications in accordance with Section 2.5.

1.43 "Steering Committee"

shall have the meaning specified in Section 2.2.3 hereof.

1.44 "Technology"

shall mean all cDNA, cell lines, cell banks, master cell banks, constructs, reagents, antibodies and/or other tangible materials, methods, techniques, processes, trade secrets, copyrights, know-how, data, documentation, regulatory submissions, specifications and other intellectual property of any kind (whether or not protectable under patent, trademark, copyright or similar laws).

1.45 "Technology Access Fee"

is defined in Section 5.2.3.

1.46 "Total Amount"

shall have the meaning specified in Section 3.1.2 hereof.

1.47 "XENCOR Confidential Information and Know-How"

shall mean all existing or future technical or other information relating specifically to (a) the Material, (b) the Product (and any modification, derivative or fragment thereof), and/or (c) the XENCOR Technology, in each case (a), (b) and (c) whether patented or not patented, and including, without limitation, all know-how, trade secrets, inventions, patent applications, processes, concepts, experimental methods and any other information concerning XENCOR's financial situation, business plans, and its research and product designs, that are disclosed or supplied to BII in connection with the Project, but always excluding BII Confidential Information and Know-How.

1.48 "XENCOR Intellectual Property"

shall have the meaning specified in Section 8.2.1 hereof.

1.49 "XENCOR Technology"

shall mean (i) the Material, (ii) the Product, and any modifications, derivatives, or fragments thereof, and (iii) the Technology of XENCOR developed or obtained by or on behalf of XENCOR independent of and without the use of technical or other information disclosed or supplied by BII or its Affiliated Companies to XENCOR relating specifically to the BII Facility, the Process, BII Intellectual Property and/or know-how for the development and manufacturer of biopharmaceuticals generally, and which was introduced by XENCOR to the Project.

2 Cooperation between the Parties in the Course of a Project

2.1 General

2.1.1 General

This Agreement sets forth the terms and conditions under which BII and XENCOR will perform their tasks regarding the Project. BII shall (by itself or by its Affiliated Companies) perform for XENCOR the Services as specified in this Agreement and the Project Plan and BII and XENCOR shall adhere to their obligations under this Agreement and the Project Plan.

2.1.2 Priority

In the event of a conflict or ambiguity between any term of this Agreement and an Appendix, the terms of this Agreement shall prevail. In case the Parties mutually agree that a specific Section of this Agreement shall be modified by the terms of a Project Plan (and that such term of the Project Plan shall prevail) for a specific Service, they may only do so by explicit reference to the Section of this Agreement that shall be modified.

2.2 Personnel

2.2.1 Designation of Project Manager

Upon commencement of the Project, BII and XFNCOR will each appoint a Project Manager, who will coordinate and supervise the Project including communication of all instructions and information concerning the Project to the other Party. The Project Manager will serve as the primary contact person for the other Party. Each Project Manager will be available on an agreed basis for consultation at prearranged times during the course of the Project. The Project Managers shall be copied on all correspondence by other Project Team members and all correspondence between the Parties. In the absence of the Project Manager, a substitute shall be appointed. Additional modes or methods of communication and decision making may be implemented with the mutual written consent of each Party. Each Party will use reasonable efforts to provide the other Party with […***…] prior written notice of any change in such Party's Project Manager.

2.2.2 Project Team

The Parties shall establish a Project Team consisting of representatives of each Party from the necessary disciplines and their respective Project Managers to (a) ensure the progress of the Project, (b) coordinate the performance of the Project, and (c) facilitate communication among the Parties. Each Project Team member shall have knowledge and ongoing familiarity with the Project and will possess the authority to make decisions on matters likely to be raised in the Project Team. Each Party shall have the right to substitute its members of the Project Team as needed from time to time by giving written notice to the other Party due time in advance.

The Project Team shall meet in person or by means of a video conference or teleconference on a periodic basis (a) as agreed by the Project Managers within [...***...] after written request for such meeting by either Party, or (b) as specified in the Project Plan (Appendix 2, as amended from time to time), but in any event, unless otherwise agreed in writing by the Parties, the Project Team shall meet at least one (1) time per calendar quarter (by means of a video conference or teleconference or in person, provided, however, that at least two (2) of these meetings per calendar year are held in person on an alternating basis between XENCOR's facilities and BII's facilities in Fremont, CA, USA).

The Project Team shall oversee the Project. Prior to each meeting of the Project Team the Parties will distribute to each other written copies of all materials, data and information arising out of the conduct of their activities hereunder.

Each Party shall bear its own costs associated with such meetings and communications. It is the right of each Party to call for a Project Team meeting according to the covenants of this Section 2.2 upon written request at any time.

The Parties shall alternate responsibility for preparing minutes of the meeting which shall be circulated promptly following the meeting.

The initial members of the Project Team and the Project Managers are set forth in Appendix 3 attached hereto which may be updated from time to time to reflect changes in the Project Team and/or Project Managers as provided in this Section 2.2.

2.2.3 Steering Committee

The Parties shall form a Steering Committee, to which each Party will appoint three (3) executive employees, including the Project Managers, all of whom shall be familiar with the Project. The Steering Committee shall have general oversight and review of the activities of the Project Team and shall resolve any issues referred to the Steering Committee by the Project Team. Each Party shall have the right to substitute its members of the Steering Committee as needed from time to time by giving written notice to the other Party due time in advance.

The Steering Committee shall meet within [...***...] after receipt of a written request by one Party to the other Party. The request shall describe the matter in dispute and the solution which the requesting Party proposes to be decided. Each Party shall bear its own costs associated with meetings and communications of the Steering Committee.

The Steering Committee will take action by unanimous consent of the Parties, with the representatives of BII collectively having a single vote and the representatives of XENCOR collectively having a single vote, or by a written resolution signed by all of the representatives. If the Steering Committee is unable to reach unanimous consent on a particular matter, then the matter will be referred to the chief executive officers of the Parties, who will use good faith efforts to resolve such matter, and the decision reached by mutual agreement of the chief executive officers of the Parties shall be final and binding on the Parties. If, (i) after good faith efforts, the chief executive officers of the Parties are unable to resolve such matter by mutual agreement, and (ii) such matter concerns the Product or the Process, but does not concern the BI Facility or the management of manufacturing slots, then the chief executive officer of XENCOR shall make the final decision about how to resolve such dispute, after good faith consideration of BII's position, which decision shall be final and binding on the Parties; *provided, however*, that, in resolving such matter, XENCOR's chief executive officer shall not have any authority to require BII or its Affiliated Companies to incur additional expenses or obligations not contemplated by this Agreement. In no event will the Steering Committee, or the executive officers of the Parties in resolving any Steering Committee matter, have any authority to amend or modify this Agreement; any such amendment or modification of this Agreement must be in accordance with Section 11.8. For the avoidance of doubt, nothing in this Section shall prevent any Party from seeking arbitration proceedings pursuant to Section 11.6 hereof with regard to any matters other than matters resolved by mutual agreement of the chief executive officers in accordance with this Section 2.2.3.

The members of the Steering Committee are set forth in Appendix 3 attached hereto, which may be updated from time to time to reflect changes in the Steering Committee as provided in this Section 2.2.3.

2.3 Conduct of the Project and BII's Work and Tasks

The Parties shall engage in the Project upon the terms and conditions set forth in this Agreement. In the course of this Agreement the Parties shall perform the Project as laid down and detailed in the Project Plan.

Each Party shall fully and reasonably cooperate with the other Party to provide appropriate information and assistance to the other Party in connection with the Project, responding in a

reasonable and timely manner with respect to all reasonable requests for information and approval. Neither Party shall be liable for any delays in its performance of the Project to the extent caused solely by the other Party's failure to provide in a reasonably timely manner any information or approval reasonably requested by the other Party.

The Parties shall assign a sufficient number of professionally qualified personnel to perform the Project and shall perform its tasks under this Agreement according to the generally acceptable professional and then current industry standards and subject to terms and conditions as set forth herein, at all times in compliance in all material respects with all requirements of applicable laws and regulations. The Parties will use commercially reasonable efforts to achieve the estimated timelines as laid down in the Project Plan.

Changes to the Project Plan, if any, shall require the written consent of both Parties.

2.4 Deliverables

BII will deliver such deliverables expressly laid down in detail in the Project Plan, including but not limited to the Product (the "Deliverables") within the timelines laid down in the Project Plan to XENCOR. Following the completion of the activities required under the Project, BII will provide to XENCOR then available Product (if any), Batch records and a summary containing manufacturing and analytical testing, including without limitation, the information and the results of the development phase according to the workscope as further described in the Project Plan.

2.5 Nature of the Project

As the Product has never been produced by BII or on behalf of BII by its Affiliated Companies at the BI Facility, XENCOR acknowledges that the Project is experimental in nature and that no favorable or useful results can be assured by BII. However, after […***…], the Parties shall in good faith agree on a revision (if necessary) to the preliminary specifications for the Product (that have been mutually agreed upon by the Parties) that shall then be the Specifications for subsequent runs in subsequent campaigns that shall form a basis for rejection or acceptance of the respective Product produced in any additional runs at such scale under the provisions of Section 4.1, and, provided that the Process has not been materially changed (i.e. a change that is subject to the Change Control procedures of the QAA), the Project shall no longer be considered experimental in nature and the obligation to meet the respective Specification shall apply to all future runs at such scale.

2.6 Additional Work

In case the Parties mutually agree on additional work for the benefit of the Project by changing the Project Plan by written agreement of the Parties, BII shall perform such additional work to sustain the progress of the Project on conditions in terms of money, time and scope to be subject to agreement of the Parties hereto as set forth in the then amended Project plan.

2.7 XENCOR Confidential Information and Know-How and Material

To the extent not already transferred by XENCOR, XENCOR shall transfer the Material for the Project to BII to the BII Facility subject to the terms of this Section 2.7, and BII shall use or have used by its Affiliated Companies such Material solely to conduct the Project in accordance with the Project Plan, this Agreement, or as otherwise may be agreed to by the Parties in writing. The Material will not be used in connection with any animal studies or diagnosis, treatment or any activity in humans or for any use not directly related to the Project. BII's use of the Material will be in compliance with all applicable laws in the state or country where the Services are performed. BII accepts the Material with the knowledge that it is experimental. The Material may not be transferred or otherwise made available, in whole or in part, by BII to any other individual, entity or institution other than any Affiliated Companies

of BII without the prior written consent of XENCOR, which may be withheld by XENCOR for any reason. Such consent is hereby given for BII or its Affiliated Companies to transfer the Material for quality control testing performed by a third party on a blinded basis. For the avoidance of doubt, in the event of a transfer of Material to an Affiliated Company of BII or to any third party with the consent of XENCOR, BII shall ensure that the respective Affiliated Company or third party shall use such Material solely to conduct the Project in accordance with the Project Plan, this Agreement, or as otherwise may be agreed to by the Parties in writing and shall not transfer or otherwise make available, in whole or in part, the Material to any other individual, entity or institution.

The Material is the property of XENCOR. It is agreed that the transfer of the Material hereunder shall not constitute a sale of Material or a grant, option or license of any patent or other rights except to allow BII to perform the Project. XENCOR shall retain and have all right, title and interest in and to the Material.

XENCOR will inform BII in a timely manner about any safety issues of which XENCOR becomes aware relating to the handling of the Material and the Product after the date of the execution of this Agreement.

BII shall at all times take reasonable measures to protect the Material from loss or damage and in no event measures less than employed by BII in the protection of its own proprietary materials, and shall promptly notify XENCOR, if at any time it believes the Material has been damaged, lost or stolen.

XENCOR and BII hereby acknowledge and agree that XENCOR is providing XENCOR Confidential Information and Know-How to BII for its use by BII for the purposes of this Agreement, and BII will make use thereof solely for such purposes and XENCOR hereby consents to such use.

2.8 Further Obligations of XENCOR

2.8.1 General

The Parties acknowledge and agree, that. subject to the terms and conditions of this Agreement, BII substantially finances the Project at the costs and fees outlined in Appendix 2 in advance and receives payments at a later point in the future. Accordingly, XENCOR agrees, in order to make both Parties benefit from their collaboration, that the success of the collaboration between the Parties depends strongly on the fact whether or not XENCOR is able to find a suitable business partner for the further development of the Product into a successful medicinal product with one or more marketing authorisations worldwide.

2.8.2 Obligations of XENCOR

Therefore, XENCOR shall use commercially reasonable efforts to conduct and complete at its own cost and risk a Phase 1 clinical trial with the Product as described in Section 2.8.3 within the timelines set forth herein (subject to Section 2.8.3); and find one or more suitable third party/parties as business partner(s) for the further development of the Product into a medicinal product ("Business Partner").

For the avoidance of doubt, XENCOR bears the sole responsibility for the conduct and completion of the clinical trials of the Product and the search for the Business Partner and shall bear all costs and expenses in connection therewith. In no event will it be a breach of this Agreement by XENCOR if the Phase 1 clinical trial or other clinical trials of the Product are not completed or an agreement is not entered into with a Business Partner so long as XENCOR uses commercially reasonable efforts to do so.

2.8.3 Timelines and Information

XENCOR shall use commercially reasonable efforts to conduct and complete a Phase 1 clinical trial of the Product in a timely fashion and to search for the Business Partner. A summary of the preliminary plan for the Phase 1 clinical trial of the Product to be conducted by XENCOR is attached as Appendix 7, it being understood that timing of such clinical trial

may be delayed to the extent (i) caused primarily by BII's failure to provide Product conforming to the Specifications; or (ii) by safety issues relating to the Product; or (iii) by regulatory delays; or (iv) other causes outside the control of XENCOR.

XENCOR shall promptly provide BII notice of the completion and a summary overview of the outcome/observations of the Phase 1 clinical trial regarding the Product and a summary overview of any negotiations with a possible Business Partner regarding the further development of the Product. Moreover, XENCOR shall inform BII on an annual basis or, if there is good cause, upon request of BII (whichever is the case) about the actual status of such Phase 1 clinical trial or such negotiations, such request not to be more often than twice per year.

3 Payments

3.1 Project Fee

3.1.1 Consideration for Services

As consideration for the performance of BII's Services, XENCOR shall pay BII all fees to be paid to BII as set forth in the Project Plan (the "Project Fees") according to the terms and conditions set forth in the following subsections of this Section 3.1.

The Project Fees as set forth in the Project Plan include BII's internal and out-of-pocket cost and expenses for its performance of the Project, including without limitation, ordinary and standard raw materials, components and consumables, and XENCOR shall not be obligated to make any payments with respect to any Services except the Project Fees or payments for additional work agreed upon according to Section 2.6 (which shall then be considered "Project Fees").

3.1.2 Payment of the Project Fees

The Project Fees referred to in Section 3.1.1 above, together with interest at a […***…] percent ([...***...]%) annual interest rate on any unpaid Project Fees accruing from the earlier of (i) the date of completion of the clinical summary report for the Phase 1 clinical trials of the Product as planned according to Appendix 7 unless delayed as described in Section 2.8.3 or (ii) the date that is[...***...] after the Effective Date (each of the alternatives above, the "Due Date") until paid in full (the Project Fees together with any such interest, referred to as the "Total Amount"), shall become duly payable in accordance with the following schedule:

a. In case [...***...], then, beginning from the later of [...***...] in [...***...] installments of [...***...] of the [...***...] (defined below) that [...***...]; provided, however, that in no event will [...***...] of the annual Licensing Revenue [...***...]; provided that, for the avoidance of doubt, [...***...] shall be excluded from [...***...].

*****Confidential Treatment Requested**

b. In case […***…] in one or more lump sum payments within [...***...] from the Due Date.

c. [...***...] either [...***...], then [...***...]. For the avoidance of doubt, such obligations will become due as described in this Section 3.1.2, at any time [...***...], as provided in Section 10.3.

3.1.3 Invoicing

XENCOR shall notify BII in writing of any of the circumstances listed in Section 3.1.2.a to 3.1.2.c. BII shall issue an invoice for the payments of the Total Amount agreed upon with XENCOR according to the payment schedule in Section 3.1.2 and payment of the Technology Access Fee, as applicable. The amount of the Project Fees and the interest (if any) will be shown separately in the invoice.

XENCOR shall make payments of all invoiced amounts for the payments of the Total Amount and of the Technology Access Fee due and payable in accordance with Section 5.2.3 and 5.2.4, as applicable [...***...] from the date of receipt of BII's invoice. If XENCOR fails to make timely payment of the invoiced amount, interest shall accrue on the amount of the Project Fees shown in the invoice at a fixed annual rate equal to the highest rate of interest quoted as the "prime rate" in The Wall Street Journal on the day that payment was due. All payments due under this Agreement shall be paid in US dollars by wire transfer or by such other means agreed to in writing by the Parties. XENCOR will provide at least twenty-four (24) hours advance notice to BII of each wire transfer to the bank account identified below or such other bank accounts as BII shall designate in writing.

Account Name:	[...***...]
Account Number:	[...***...]
Bank:	[...***...]
BIC (SWIFT-CODE):	[...***...]
IBAN:	[...***...]

3.2 Technology Access Fee

The Technology Access Fee (if any) is due according to Section 5.2.3 and 5.2.4 below. Section 3.1.3 shall apply accordingly.

3.3 VAT

All payments under this Agreement (including the Technology Access Fee) shall be understood as net payments without value added tax ("VAT"). VAT, if applicable, shall be added to the respective payment. The Parties will reasonably cooperate in completing and filing documents required under applicable law in connection with any refund of or credit for any such payment of VAT.

4 Delivery Terms of Product

4.1 Delivery Terms

BII shall (a) deliver to XENCOR or, (b) at the request of XENCOR, store, the agreed amounts of the Product produced according to the Project Plan in accordance with agreed upon schedule, at the price set forth in the Project Plan. Delivery of Product by BII shall be made [...***...] BII Facility (Incoterms 2010).

BII shall package and arrange for shipment of Product to the delivery address specified by XENCOR, all in accordance with the instructions of XENCOR provided that BII shall not be responsible for any damages with respect to Product or third party claims arising out of such arrangements for shipment of Product after delivery of such Product to the shipper in accordance with such instructions in accordance with XENCOR's instructions. Each shipment of cGMP Product will include a Certificate of Analysis, a Confirmation of Compliance and such other documentation as reasonably required to meet all applicable statutory and regulatory requirements. Delivery of the Product shall be subject to quality and other provisions set forth in the QAA. The Parties shall cooperate reasonably to obtain all customs licenses or permits necessary to ship the Product (the evaluation of which customs licenses or permits required shall be performed by XENCOR), and no shipment shall be made until such licenses or permits, if any, have been obtained.

XENCOR shall diligently examine all Product delivered under this Agreement as soon as practicable after receipt. Notice of all claims arising out of or relating to Obvious Defects shall be given in writing to BII within [...***...] after the date of XENCOR's receipt of Product, otherwise, such Product shall be considered free of any Obvious Defects as between BII and XENCOR. XENCOR shall make a damaged Product available for inspection and shall comply with the requirements of any insurance policy covering the Product, and BII shall offer XENCOR all reasonable assistance, at the cost and expense of XENCOR, in pursuing any claims arising out of the transportation of the Product.

Except as otherwise provided herein and as set forth in Section 2.5, XENCOR shall have [...***...] after the date of XENCOR's receipt of Product, for all claims arising out of or relating to any Latent Defects and to reject such delivered Product for Latent Defects; provided, however that XENCOR shall only be permitted to reject the Product if the Acceptance Criteria are not met.

If XENCOR determines after reviewing the relevant documentation and performing reasonable testing that any Batch does not meet the Acceptance Criteria, or if Product is determined by BII to be unsuitable for release, then the Parties will mutually agree, as promptly as reasonably possible, whether (a) to produce a new Batch at BII's cost and expense, including the costs of materials used in the manufacture of such Batch, or (b) to rework or reprocess the Batch, at BII's cost and expense, so that the Batch can be deemed to have been manufactured in compliance with cGMP and the agreed Process Description, and to conform to the Acceptance Criteria (provided that the Parties have mutually agreed in writing on any procedures for reworking or reprocessing a Batch). If the remedy set forth in either (a) or (b) is agreed to be performed by BII, then BII shall start the applicable work as soon as reasonably practicable, such that the next reasonably available (taking into consideration BII's entire contract manufacturing business) manufacturing slot shall be used by BII to produce Product, and BII will use commercially reasonable efforts to resupply within [...***...] but in any event no later than [...***...] from time of rejection by XENCOR. For the avoidance of doubt, if Product is not accepted by XENCOR as provided above, then BII's obligations set forth above shall apply both to the drug product and the bulk drug substance contained therein.

In the event XENCOR rejects the Product for Obvious Defects or Latent Defects as provided above, BII shall have the right to sample and retest the Product, which shall be done as soon as

practicable, provided that, if BII does not notify XENCOR in writing of its election to retest the Product within [...***...] after notice of rejection from XENCOR, BII shall be deemed to agree with XENCOR's rejection of the Product. In the event of a discrepancy between XENCOR's and BII' s test results such that one Party's results fall within the Acceptance Criteria and the other Party's test results fall outside the Acceptance Criteria, or there exists a dispute over whether such failure is due (in whole or in part) to acts or omissions of XENCOR or any third party after delivery, the Parties shall cause a testing laboratory agreeable to both Parties to perform comparative tests and/or analyses on samples of the alleged defective Product. The testing laboratory's results shall be in writing and shall be final and binding save for manifest error on the face of its report. Unless otherwise agreed to by the Parties in writing, the costs associated with such testing and review shall be borne by the Party against whom the testing laboratory result finally rules.

The testing laboratory shall be required to enter into written undertakings of confidentiality no less burdensome than set forth or referred to by this Agreement.

4.2 Cancellation of Order

If XENCOR at any time cancels or postpones any campaign set forth in the Project Plan for the manufacture of Product for non-technical reasons later than [...***...] prior to the date on which inoculation of the respective production fermenter is to take place, XENCOR shall nevertheless be obliged to pay [...***...] percent ([...***...]%) of the Project Fees for such campaign to the extent that BII is not able to adequately use the respective capacity for such campaign alternatively (e.g. for production of any other material for any third party or itself) provided always that BII shall use its commercially reasonable efforts to use such capacity and mitigate any losses that may incur arising from such cancellation or postponement, including, for the avoidance of doubt, the reapplication of raw materials, if possible.

5 Ownership and Use of Project Data

5.1 Project Data

In consideration of the Project Fees:

a. BII shall carry out the Project by itself or by its Affiliated Companies) and provide XENCOR with a summary of the results from the Project, including manufacturing and analytical release and also shall provide XENCOR with a summary report about the results on the various stages of Process development;

b. BII shall supply XENCOR with data, results and information required to comply with any mandatory request of any applicable regulatory body in the Major Territories to comply with such regulatory body's requirements. BII shall provide complete Batch records for all cGMP runs and will provide to XENCOR all data reasonably necessary from all process development and manufacturing activities to enable XENCOR's preparation of any regulatory filings; and shall not unreasonably reject supplying data results and information required to comply with any requirement of any applicable regulatory body outside the Major Territories or cooperating with XENCOR's preparation of the chemistry, manufacturing and controls section of any regulatory filing supporting the clinical development of the Product in and outside the Major Territories.

BII shall bear the cost of such supply and cooperation by BII, provided that, if there are specific requirements of a given country that are significant and in addition to requirements of the Major Territories, the Parties will enter into good faith discussions whether additional resources and costs are required, with the intent of minimizing any additional cost to XENCOR.

c. Certain trade secret information may be provided by BII via DMF or similar filing (e.g. to a notified body) directly to the respective authorities.

d. For the avoidance of doubt, all summaries and/or reports generated as a result of the BII's performance under this Agreement and delivered to XENCOR by BII will be part of the Process and the sole and exclusive property of BII. Subject to XENCOR's confidentiality and non-use obligations hereunder and without affecting the ownership of Improvements as set forth in Section 8, BII hereby grants to XENCOR a non-exclusive, worldwide license to use and reproduce all such summaries and/or reports for all uses in connection with development activities relating to Product that do not involve manufacturing of Product (e.g., formulation work, toxicology studies or the development of a manufacturing process), regulatory activities relating to the Product and, to the extent necessary, any commercial activities relating to the Product, which XENCOR may sublicense in connection with any license of rights to the Product.

5.2 Use of the Process; Right of Negotiation

5.2.1 Use of the Process outside this Agreement

Except as set forth in this Agreement, the Process shall not be used by XENCOR or any third party outside the scope of this Agreement without the prior written consent of BII.

5.2.2 Right of First Negotiation to Manufacture

a. XENCOR hereby grants and will make an eventual Business Partner do so, BII a first right to negotiate to manufacture and supply Product for use in Phase 2 and 3 clinical trials. XENCOR shall provide BII written notice (i) of the completion of the Phase 1 clinical trials of the Product, which notice shall include reasonable documentation of the results of such Phase 1 clinical trials of the Product or (ii) that XENCOR has entered into an agreement with at least one Business Partner, whichever of (i) and (ii) occurs earlier. If BII provides XENCOR written notice of its exercise of the first right to negotiate within [...***...] after receipt of such written notice from XENCOR, then for a period of [...***...] following such written notice from BII or such longer period as agreed in writing by BII and XENCOR (or its Business Partner) (the "Clinical Negotiation Period"), XENCOR (or its Business Partner) and BII will negotiate in good faith an agreement for the manufacture and supply of Product for use in Phase 2 and 3 clinical trials, at market rate terms and conditions common for the contract manufacture of monoclonal antibodies within the contract manufacturing industry, to be mutually agreed in writing by the Parties. If BII does not provide written notice of its exercise of the first right to negotiate within such [...***...] period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply of Product for use in Phase 2 and 3 clinical trials. If BII provides written notice of its exercise of the first right to negotiate within such [...***...] period but BII and XENCOR (or its Business Partner) do not enter into such a contract manufacturing agreement within the Clinical Negotiation Period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply of Product for use in Phase 2 and 3 clinical trials (which may include an agreement for any Business Partner or its affiliate to manufacture and supply Product for clinical trials), provided that the supply price for Product is no more than [...***...] percent ([...***...]%) of the clinical supply price of Product last proposed by BII during the negotiations between the Parties (or BII and the Business Partner). If the supply price for Product proposed by a third party (which may include a Business Partner or its affiliate) is more than [...***...] percent ([...***...]%) of the clinical supply price of Product last proposed by BII during the

negotiations between the Parties (or BII and the Business Partner) , XENCOR (or its Business Partner) shall provide written notice to BII that XENCOR (and its Business Partner) will accept the clinical supply price last proposed by BII, and BII and XENCOR (or its Business Partner) will enter into a contract manufacturing agreement reflecting such clinical supply price; provided that, if BII does not agree to enter into such contract

manufacturing agreement within [...***...] after such written notice, XENCOR (or its Business Partner) shall be free to enter into an agreement with a third party (or an agreement for the Business Partner or its affiliate to manufacture and supply Product).

b. In addition, if BI has exercised its first right of negotiation in Section 5.2.2.a, XENCOR hereby grants and will make an eventual Business Partner do so, BII a first right to negotiate to manufacture and supply commercial Product as Principal Supplier for a period up to the [...***...], starting with the first commercial launch of the Product. XENCOR shall provide BII written notice (i) of the decision to have the Product manufactured at a commercial scale and to launch the Product commercially or (ii) that XENCOR has entered into an agreement with at least one Business Partner, whichever of (i) and (ii) occurs earlier. If BII provides XENCOR written notice of its exercise of the first right to negotiate within [...***...] after receipt of such written notice from XENCOR, then for a period of [...***...] following such written notice, or such longer period as agreed in writing by BII and XENCOR (or its Business Partner) (the "Commercial Negotiation Period"), XENCOR (or its Business Partner) and BII will negotiate in good faith an agreement for the manufacture and supply of commercial Product as Principal Supplier, at market rate terms and conditions common for the contract manufacture of monoclonal antibodies within the contract manufacturing industry to be mutually agreed in writing by the Parties. If BII does not provide written notice of its exercise of the first right to negotiate within such [...***...] period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply of commercial Product (which may include an agreement for any Business Partner or its affiliate to manufacture and supply commercial Product). If BII provides written notice of its exercise of the first right to negotiate within such [...***...] period but BII and XENCOR (or its Business Partner) do not enter into such a contract manufacturing agreement within the Commercial Negotiation Period, XENCOR and any Business Partner shall be free to enter into one or more agreements with third parties for the manufacture and supply, of commercial Product (which may include an agreement for any Business Partner or its affiliate to manufacture and supply commercial Product); provided that the supply price for Product is no more than [...***...] percent ([...***...]%) of the commercial supply price of Product last proposed by BII during the negotiations between the Parties (or BII and the Business Partner). If the supply price for Product proposed by a third party (which may include a Business Partner or its affiliate) is more than [...***...] percent ([...***...]%) of the commercial supply price of Product last proposed by BII during the negotiations between the Parties (or BII and the Business Partner), XENCOR (or its Business Partner) shall provide written notice to BII that XENCOR (and its Business Partner) will accept the commercial supply price last proposed by BII, and BII and XENCOR (or its Business Partner) will enter into a contract manufacturing agreement reflecting such commercial supply price; provided that, if BII does not agree to enter into such contract manufacturing agreement within [...***...] after such written notice, XENCOR (or its Business Partner) shall be free to enter into an agreement with a third party (which may include an agreement for any Business Partner or its affiliate to manufacture and supply Product).

c. The right set forth in Section 5.2.2.b shall automatically terminate if BII does not exercise the first right of negotiation set forth in Section 5.2.2.a. The rights set forth in Section 5.2.2.a and b shall automatically terminate if BII does not produce a viable Process for manufacture of Product as evidenced by failure to produce cGMP Product within a timeframe reasonably and customary in the biopharmaceutical industry for companies of comparable size and the respective activities.

d. In both cases set forth above, in Section 5.2.2.a. and b., if BII exercises its first right of negotiation, BII and XENCOR (and/or its Business Partner, as applicable) will negotiate in good faith a respective contract manufacturing agreement based on the market rate

terms and conditions common for the contract manufacture of monoclonal antibodies within the contract manufacturing industry, it being understood that any such contract manufacturing agreement would provide for Technology transfer, payment of the Technology Access Fee (if applicable), and other terms set forth in Sections 5.2.3, 5.2.4 and 5.2.5 below.

e. Any use of the Process by XENCOR or any third party outside the terms and conditions set forth in such contract manufacturing agreement is always subject to the provisions set forth in Section 5.2.3 below.

f. In the event that BII elects not to exercise its first right of negotiation described in Section 5.2.2.a or 5.2.2.b, or, despite their commercially reasonably efforts and good faith negotiations the Parties (or BII and the Business Partner) are unable to agree upon a manufacturing agreement within the Clinical Negotiation Period or, Commercial Negotiation Period, as applicable; and/or XENCOR (and/or XENCOR's Business Partner) wishes to use the Process outside the terms and conditions set forth in a contract manufacturing agreement with BII, BII shall transfer the Process in accordance with Section 5.2.3 below.

g. All of BII's rights of negotiation set forth in this Secti6n 5.2.2 shall terminate upon payment of the Technology Access Fee by XENCOR.

5.2.3 Technology Access Fee and Technology Transfer

In the event that XENCOR wishes to use or have used (e.g. by a Business Partner) the Process outside this Agreement or the terms and conditions set forth in a contract manufacturing agreement with BII, except as provided below, XENCOR shall pay BII a technology access fee of [...***...] US dollars (the "Technology Access Fee").

In the event that XENCOR pays the Technology Access Fee set forth above, XENCOR shall have the right to use or have used (e.g. by a Business Partner) the Process worldwide for the manufacture of Product in accordance with the terms and conditions of this Agreement, without entering into a contract manufacturing agreement with BII.

Notwithstanding the foregoing, no Technology Access Fee shall be due or payable if BII does not produce a viable Process for manufacture of Product as evidenced by failure to produce cGMP Product within the timeframe agreed in the Project Plan or, if factors outside of the reasonable control of BII (such as e.g. a cell-line not suitable for production, delay in the growth of the cell line; shortage of raw materials and supplies, delay or non-performance of BII's suppliers, requests or orders of governments or regulatory authorities, etc.) require the timeframe in the Project Plan to be extended, the extended timeframe agreed upon in writing between BII and XENCOR that is reasonable and customary for paying customers in the biopharmaceutical industry for companies of comparable size and the respective activities. In addition, no Technology Access Fee shall be due or payable in connection with XENCOR's election to use or have used (e.g. by a Business Partner) the Process if (i) BII does not exercise its first right to negotiate under either Section 5.2.2.a or 5.2.2.b, (ii) BII exercises its first right to negotiate but demands a supply price for clinical/commercial supply of Product that exceeds the bid price for the clinical/ commercial supply of Product of a comparable quantity and quality by a third party biopharmaceutical CMO of comparable size and respective activities to BII and with registered headquarters in the Major Territories, or (iii) XENCOR (or its Business Partner) has entered into a contract manufacturing agreement with BII, but BII is not able to supply XENCOR and its Business Partners [...***...] of the Product required. For the avoidance of doubt, nothing in this Section 5.2.3 (ii) shall affect such contract manufacturing agreement or BII's position as Principal Supplier, but XENCOR may solely request the Technology Transfer pursuant to the following sentences of this Section without paying the Technology Access Fee in order to have manufactured the amount of Product missing to satisfy XENCOR's and its Business Partners' demand.

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For the avoidance of doubt, the Technology Access Fee is only due one time, and if XENCOR pays the Technology Access Fee, except for the Project Fees, no additional amount will be payable for use or having used the Process worldwide.

The Technology Access Fee includes Technology transfer support of [...***...] FTEs of BII for a period of [...***...] for each of the [...***...] FTEs in a time frame of [...***...] beginning with XENCOR's written request to use or have used (e.g. by a Business Partner) the Process outside the terms and conditions set forth in a contract manufacturing agreement with BII. Further support of BII requested by XENCOR shall be reimbursed at an hourly rate of [...***...] US dollars. The Parties will agree upon the times when to render such Technology transfer support in good faith.

Promptly following XENCOR's election to use the Process, BII shall start to transfer the Process and all reasonably necessary related BII Confidential Information and Know-How) to XENCOR or such designee experienced in the biopharmaceutical production and shall use commercially reasonable efforts, taking into consideration BII's entire contract manufacturing business and other contract manufacturing contracts, to transfer the Process as quickly as possible (and in any event within [...***...] from receipt of XENCOR's written election notice). Both Parties agree and XENCOR will make its Business Partner agree that BII may, however, select the way how to render such support of any Technology transfer at its own discretion, in particular but not only any support of such Technology transfer to a company whose primary business is providing biopharmaceutical CMO services (including e.g. a Technology transfer outside the BI Facility), provided, however, that BII's exercise of such discretion is not unreasonable.

XENCOR and/or any third party may not use the Process outside the terms and conditions set forth in a contract manufacturing agreement with BII except as set forth in Section 5.2.2 and this Section 5.2.3 and provided that XENCOR or it Business Partner strictly adhere to the license conditions set forth in Sect ion 5.2.5 herein.

5.2.4 Payment Terms

The Technology Access Fee, as applicable, shall be paid to BII upon completion of the Technology transfer described in Section 5.2.3 and shall be payable in accordance with the provisions set forth under Sections 3.2 and 3.3 above. Parties agree that the Technology transfer shall be completed upon the transfer of Process and all reasonably necessary related BII Confidential Information and Know-How.

5.2.5 License

Subject to XENCOR's adherence to the obligations under this Agreement, BII hereby grants XENCOR a worldwide, irrevocable, exclusive, sublicensable and royalty free license to use the Process and all reasonably necessary related BII Confidential Information and Know-How, BII Technology and BII Intellectual Property for the sole purpose of making and having made the Product; provided that such license shall become effective only upon complete payment of the Technology Access Fee, as applicable.

5.3 Acknowledgement

The Parties acknowledge that nothing in this Agreement shall limit or restrict XENCOR, itself or with or through any third party, from developing and using any process (except for the Process) for the manufacture of any of its products, including the Product, provided that no BII Confidential Information and Know-How is used and XENCOR adheres to its confidentiality and non-use obligations hereunder and complies with the ownership of intellectual property and Improvements as set forth in Section 8 below.

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6 Representations, Warranties and Indemnification

6.1 Mutual Representations, Warranties and Covenants

Each Party hereby represents, warrants and covenants to the other Party as follows as of the Effective Date:

a. it is a corporation duly organized and validly existing under the laws of the state or other jurisdiction of incorporation or formation; and

b. the execution, delivery and performance of this Agreement by such Party has been duly authorized by all requisite corporate action; and

c. it has full corporate authority to execute and deliver this Agreement and to perform its obligations hereunder, and the Agreement is binding upon it in accordance with it terms; and

d. it has the right, without restriction, to grant the licenses granted under this Agreement.

6.2 XENCOR Warranties

XENCOR hereby warrants that:

a. XENCOR has the right to provide the Material, the XENCOR Technology, the XENCOR Intellectual Property and all XENCOR Confidential. Information and Know-How under this Agreement and to the best of its Knowledge at the Effective Date that there are no third party rights that will limit or restrict use thereof by BII in accordance with this Agreement; and

b. to the best of its Knowledge at the Effective Date XENCOR is not aware of any special or unusual hazards involved in handling the Materials and/or Product of which it has failed to inform BII; and that it will inform BII immediately of any changes related thereto after the date of execution of this Agreement; and

c. at the Effective Date, no third party has asserted any claim or lawsuit against XENCOR claiming that use of the Material, XENCOR Technology, the XENCOR Intellectual Property and the XENCOR Confidential Information and Know-How infringes any intellectual property owned by a third party, and it will promptly notify BII in writing should it become aware of any claims by a third party asserting that use of such infringes any third part intellectual property rights owned by such third party.

d. it will use commercially reasonable efforts to conduct and complete a clinical trial phase 1 regarding the Product; and

e. it will use commercially reasonable efforts to find and enter into an agreement with a suitable Business Partner.

For avoidance of doubt, all XENCOR liability or indemnification obligations that might result from representations and the warranties under this Section 6 are always subject to the limitations set forth in Section 7.4 of this Agreement.

6.3 BII Warranties

BII hereby warrants that:

a. BI is entitled to use the BI Facility and BII Confidential Information and Know-How, for the purposes set forth in this Agreement; and

b. BII at the Effective Date, it is not aware of any special or unusual hazards that would arise as a result of its carrying out of the Projects as planned; and

c. at the Effective Date, it has not been debarred, nor is it subject to a pending debarment, and that it will not, to the best of its Knowledge, use in any capacity in connection with

the Services under this Agreement any person, who has been debarred pursuant to section 306 of the FDCA, 21 U.S.C. § 335a, or who is the subject of a conviction described in such section. BII agrees to notify XENCOR in writing immediately if it has Knowledge that BII or any person who is performing Services is debarred or is the subject of a conviction described in section 306, or if any action, suit, claim, investigation, or proceeding is pending, or to BII's Knowledge, is threatened, relating to the debarment or conviction of BII or any person performing Services under this Agreement; and

d. to the best of its Knowledge at the Effective Date its performance under this Agreement including, but not limited to, the BII Technology and its use in the Process, by BII, XENCOR or a third party manufacturer of XENCOR does not infringe the intellectual property rights of any third party and it will promptly notify XENCOR in writing should it become aware of any claims asserting such infringement or of any third party intellectual property rights, that would be infringed by the BII Technology and its use in the Process. For the avoidance of doubt, the currently pending Cabilly dispute is excluded and will be addressed/ compensated by XENCOR once applicable: and

e. as of the Effective Date no third party has asserted any claim or lawsuit against BII claiming infringement of any intellectual property owned by a third party with relation to BII Technology and/or the Process, or any part or component thereof.

For avoidance of doubt, all BII liability or indemnification obligation that might result from representations and the warranties under this Section 6 are always subject to the limitations set forth in Section 7.4 of this Agreement.

6.4 Process for Defense of Infringement of Third Party Intellectual Property

Subject to each Party's indemnification obligations, in the event that there occurs a Claim (as defined below), the Parties shall follow the following procedures with respect to the defense of the Claim:

a. BII agrees that if a third party threatens or asserts any claim or files any lawsuit, claiming that BII Intellectual Property utilized under this Agreement and necessary for manufacture and production of the Product in accordance with this Agreement, including, without limitation, the BII Technology or the Process, or the use thereof, constitutes infringement of any intellectual property owned by a third party (each, a "Claim"), BII will promptly and timely inform XENCOR of such Claim, and BII shall have the first right to negotiate, litigate and/or settle any such Claim, and shall defend any such Claim unless it would not be commercially reasonable for BII to bear the reasonably anticipated losses, damages, costs

and expenses arising from any settlement or judgment resulting from such Claim. For the avoidance of doubt, the term "commercially reasonable", as used in this paragraph a. shall be determined (i) in the context of BII's entire business related to the intellectual property that is the subject to the Claim, where the Claim asserts infringement that impacts aspects of BII's business beyond the XENCOR relationship, and (ii) if the Claim asserts infringement that is limited only to activities performed for XENCOR, in the context of the entire relationship between XENCOR and BII.

b. BII will keep XENCOR reasonably informed about such negotiation or litigation at all times, including all material events related thereto, and in the event that the amounts paid or to be paid by BII in settlement of any such Claim or group of related or unrelated Claims appear reasonably likely to exceed, individually or in the aggregate, BII's indemnification obligations, or any contemplated settlement would place any obligations or restrictions upon XENCOR or the Product, then BII shall immediately inform XENCOR.

c. XENCOR shall not be responsible to pay for any costs of any settlement by BII of any Claim(s) (including, without limitation, any payments resulting of such settlement) that

exceed BII's indemnification obligations or be bound by any obligations or restrictions agreed to by BII in any such settlement, in case such settlement is made without the prior written consent of XENCOR, which may be granted or withheld in its sole discretion.

d. In the case that BII decides not to negotiate, litigate or settle any Claim, XENCOR shall have the right to negotiate, litigate and settle any such Claim, and, provided that XENCOR decides to pursue such negotiation, litigation or settlement, BII will provide all commercially reasonable cooperation to XENCOR such that XENCOR may appropriately defend such Claims.

6.5 Disclaimer of Warranties

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO ANY INTELLECTUAL PROPERTY, TECHNOLOGY, RIGHTS, RESULTS OF THE PROJECTS, MATERIAL, THE DELIVERABLES OR OTHER SUBJECT MATTER OF THIS AGREEMENT OR THAT THE PROJECTS WILL RESULT IN A COMMERCIALLY-VIABLE PROCESS, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABIIITY AND FITNESS FOR A PARTICULAR PURPOSE.

7 Liability, Indemnification, Limitations and Insurance

7.1 General

BII has no control over the manner in which XENCOR intends to use the results of the Project, the Product or the Deliverables, if any, obtained in the Project and in particular does not know or control how XENCOR intends to use such Product or results in clinical studies.

7.2 Liability

a. Of BII

Always subject Section 7.4, in consideration of the aspects set forth in Section 7.1, BII shall only be liable for any losses, damages, costs or expenses including, without limitation, reasonable attorneys' fees of any nature ("Losses") incurred or suffered by XENCOR or its Affiliated Companies or any third party (including but not limited to Business Partners) to the extent such Losses are arising from either (i) BII's non-compliance with the warranties given under Sections 6.1 and 6.3 of this Agreement, or (ii) gross negligence or willful acts or omissions of BII or its Affiliated Companies in performing its obligations under this Agreement.

BII shall not be liable to XENCOR or be obligated to indemnify XENCOR or its Representatives under Section 7.3 for any Losses incurred or suffered by XENCOR, its Affiliated Companies or by any third party, arising out of any dispute or other claims or proceedings made by or brought against XENCOR and/or its Affiliated Companies with respect to XENCOR's use of any results of the Project, the Deliverables (including but not limited to the Product, if any), the Process, the BII Technology and/or the BII Confidential Information and Know-How, obtained (including but not limited to the use under a license that may be granted under this Agreement) under this Agreement including, without limitation, product liability claims, except to the extent such Losses are caused by the gross negligence or wilful acts or omissions of BII or its Affiliated Companies in performing its obligations under this Agreement, nor shall BII be responsible in any way for dealing with any such disputes, claims or proceedings.

b. Of XENCOR

Always subject to Section 7.4, XENCOR shall be liable for any Losses incurred or suffered by BII, its Affiliated Companies or by any third party arising from either (i) XENCOR's non-compliance with the warranties given under Sections 6.1 and/or 6.2 of this Agreement, or (ii) BII's or XENCOR's use of XENCOR Confidential Information and Know-How, the Material, the XENCOR Intellectual Property and/or the XENCOR Technology in accordance with this Agreement, or (iii) XENCOR's use of the Deliverables (including but not limited to the Product, if any), or (iv) XENCOR' s use of the Process, the BII Technology, the BII Confidential Information and Know-How, and/or any other results of the Project or this Agreement, not in accordance with this Agreement.

XENCOR shall not be liable to BII or its Affiliated Companies or be ob1igated to indemnify BII or its Representatives under Section 7.3 for any Losses incurred or suffered by BII or its Affiliated Companies or any third party arising out of any dispute or other claims or proceedings made by or brought against BII or its Affiliated Companies with respect to BII's use of the BII Confidential Information and Know-How, the Material, the XENCOR Intellectual Property, and/or the XENCOR Technology or BII's use of the license granted to BII under Section 8.2.5.a outside the scope of this Agreement, in each case except to the extent such liability is caused by the gross negligence or wilful acts or omissions of XENCOR, or its Affiliated Companies in performing its obligations under this Agreement, nor shall XENCOR be responsible in any way for dealing with any such disputes, claims or proceedings.

7.3 Indemnification

a. BII's Indemnification Obligations

Always subject to Section 7.4, BII shall indemnify, defend and hold XENCOR, its Affiliated Companies and their respective officers, employees and agents (the "Representatives") harmless from and against all Losses incurred by them as a result of third party claims based on or resulting from (i) BII's non-compliance with the warranties given under Sections 6.1 and 6.3 of this Agreement, or (ii) any gross negligence or wilful acts or omissions of BII or any of its Affiliated Companies in performing its obligations under this Agreement.

b. XENCOR's Indemnification Obligations

Always subject to Section 7.4, XENCOR shall indemnify, defend and hold BII and its Representatives harmless from and against all Losses incurred by them as a result of third party claims based on or resulting from (i) BII's use of the XENCOR Confidential Information and Know-How, the Material, the XENCOR Intellectual Property and/or the XENCOR Technology in accordance with this Agreement; or (ii) XENCOR's non-compliance with the warranties given under Sections 6.1 and 6.2 of this Agreement, or (iii) XENCOR's use of the Deliverables (including but not limited to the Product, if any), or (iv) XENCOR' s use of the Process, the BII Technology, the BII Confidential Information and Know-How, and/or any other results of the Project or this Agreement, not in accordance with this Agreement.

7.4 Limitation of Liability and Indemnification Obligations

With the exception of wilful misconduct by a Party, and such cases where a limitation of liability and/or indemnification is not possible under applicable law, for which cases there shall be no limitation, any and all liability and/or indemnification obligations of each of BII and XENCOR under this Agreement shall be:

a. excluded for incidental, indirect, consequential, punitive or special damages (provided that the foregoing shall not exclude a Party's right to consequential or incidental

damages for any negligent or intentional breach of confidentiality and non-use obligations under Section 9); and

b. each Party's aggregate liability and/or indemnification obligations towards the other Party under this Agreement shall not exceed an amount equal to the average annual aggregate amount paid or to be paid by XENCOR to BII hereunder; *provided*, *however*, that in the case of a Party's negligent or intentional breach of confidentiality and non-use obligations pursuant to Section 9, this limitation of liability shall be increased to twice the average annual aggregate amount paid or to be paid by XENCOR to BII hereunder;

provided however that the foregoing Subsections a. and b. of this Section 7.4 shall not limit XENCOR' s liability and indemnification obligation towards BII with respect to any third party claims according to clause (iii) and (iv) of Section 7.3 b. regarding any use of the Deliverables (in particular the Product) in humans and/or with respect to any third party claim that BII's use of the Material to manufacture the Product infringes any issued patent owed by such third party (excluding any such claim based specifically on use of the Process but not on the use of the Material).

7.5 Insurance

XENCOR and BII shall obtain and/or maintain during the term of this Agreement and for a period of [...***...] thereafter, liability insurance in amounts which are reasonable and customary in the biopharmaceutical industry for companies of comparable size and the respective activities (i.e. BII as CMO and XENCOR as sponsor/pharmaceutical company) at the respective place of business and such liability insurance shall insure against all mandatory liability, including liability for personal injury, physical injury and property damage. BII shall have the right to reasonably self insure.

8 Intellectual Property

8.1 Existing Intellectual Property Rights

BII hereby acknowledges that XENCOR is the owner of XENCOR Confidential Information and Know-How and the XENCOR Technology and BII shall acquire no rights, title or interest whatsoever in or to any of XENCOR Confidential Information and Know-How and/or XENCOR Technology, except as specifically provided for in this Agreement.

XENCOR hereby acknowledges that BII is the owner of BII Confidential Information and Know-How and the BII Technology and XENCOR shall acquire no rights, title or interest whatsoever in or to any of BII Confidential Information and Know-How and/or the BII Technology, except as specifically provided for in this Agreement.

8.2 New Intellectual Property, Project Results and Licenses

8.2.1 XENCOR

Improvements that (i) relate specifically to XENCOR Confidential Information and Know-How and/or the Product (or any modification, derivative or fragment thereof), and (ii) do not relate to BII Confidential Information and Know-How (collectively, "XENCOR Intellectual Property"), will be exclusively owned by XENCOR and XENCOR shall control patent prosecution and maintenance thereof. BII (on behalf of itself and its Affiliated Companies) agrees to assign and hereby assigns to XENCOR all right title and interest it may have in any XENCOR Intellectual Property. BII shall provide reasonable assistance to XENCOR for any action which may be necessary to assign or otherwise transfer any rights to XENCOR Intellectual Property contemplated by this Section 8.2.1. BII shall notify XENCOR within [...***...] of becoming aware of such XENCOR Intellectual Property.

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8.2.2 BII

Improvements that (i) relate specifically to BII Confidential Information and Know-How, and (ii) do not relate to XENCOR Confidential Information and Know-How (collectively, "BII Intellectual Property") will be exclusively owned by BII, and BII shall control patent prosecution and maintenance thereof. XENCOR agrees to assign and hereby assigns to BII all right title and interest it may have in any BII Intellectual Property. XENCOR shall provide reasonable assistance to BII for any action which may be necessary to assign or otherwise transfer such rights to BII Intellectual Property contemplated by this Section 8.2.2.

8.2.3 Other Improvements

Any Improvements that are neither XENCOR Intellectual Property nor BII Intellectual Property shall be defined as "Other Improvements" and shall be jointly owned by BII and XENCOR, with the Parties entitled to practice the same as joint owners, without duty of accounting to the other Party and with the right to license to others without consent of the other Party. BII shall notify XENCOR within [...***...] days of becoming aware of such Other Improvements. Each Party agrees to assign and hereby assigns to the other Party such right title and interest it may have in any Other Improvements as necessary to effect joint ownership of the Other Improvements by BII and XENCOR. Each Party shall provide reasonable assistance for any action which may be necessary to assign or otherwise transfer such rights to Other Improvements to Parties as joint owners. BII shall have the first right to prosecute and maintain patent rights within the Other Improvements, at its expense, provided that if BII elects not to prosecute or maintain an Other Improvement it shall provide written notice to XENCOR, and XENCOR may elect to take over responsibility for prosecution and maintenance of such Other Improvement, at its own expense, by providing written notice to BII, in which case all rights to such Other Improvement shall be assigned to XENCOR. For the avoidance of doubt, except as expressly stated otherwise in Section 10.3, Parties agree that XENCOR's use of the Process is always subject to Section 5.2.3, 5.2.4 and 5.2.5.

For the avoidance of doubt, (i) know-how pertaining to manufacturing of biopharmaceuticals generally and gained during the course of performing this Agreement may be freely used by BII in its biopharmaceutical business without any restrictions, provided, that, notwithstanding the foregoing, BII may not use any Other Improvement that relates specifically to the Product.

a. Each Party shall ensure that all of such Party's (or its Affiliated Company's) employees or contractors acting on its behalf pursuant to this Agreement are and will be obligated under a binding written agreement or by law to assign to such Party all inventions and rights on the inventions made under this Agreement so that such Party can comply with the terms of this Agreement.

b. Subject to the terms and conditions contained in this Agreement, BII shall be responsible for filing, prosecution and maintenance of patent applications and patents granted or generated under this Agreement and owned by BR. XENCOR shall be responsible for filing, prosecution and maintenance of patent applications and patents granted or generated under this Agreement and owned by XENCOR.

c. BII shall keep XENCOR and XENCOR shall keep BII reasonably informed about prosecution of any patent applications and maintenance of any patents generated under this Agreement.

8.2.4 Licenses to Xencor

BII grants to XENCOR the license set forth in Section 5.2.5 as provided therein.

8.2.5 Licenses to BII

a. Freedom to operate XENCOR hereby grants to BII and BII herewith accepts a non exclusive, worldwide, irrevocable, sublicensable (in several cascades), perpetual, royalty-free/fully paid up license under the XENCOR Intellectual Property to the extent it is generally applicable to the manufacturing of biopharmaceutical products, handling

of cell lines and/or development of manufacturing processes, to use such XENCOR Intellectual Property in for the manufacture of biopharmaceutical products, handling of cell lines and/or development of manufacturing processes, but excluding any use with respect to the Product (or any modification, derivative or fragment thereof). BII expressly agrees not to practice any XENCOR Intellectual Property specific to the Product or for any purpose other than as expressly provided in this Section 8.2.5.

b. Performance of Project: During the term of this Agreement, XENCOR hereby grants to BII and BII hereby accepts for the purpose of pursuing the Project a non-exclusive, non-sub-licensable (except to Affiliated Companies), royalty-free, license to use the XENCOR Confidential Information and Know-How, the Material, the XENCOR Intellectual Property and/or any part of the Other Improvements for the sole purpose to develop the Process, and for the manufacturing of the Product for clinical purposes in accordance with this Agreement. BII expressly agrees not to use or practice any XENCOR Confidential Information and Know-How, the Material, and/or the XENCOR Intellectual Property for any purpose other than performance or the Services in accordance with this Agreement, except if otherwise expressly permitted in this Agreement.

9 Confidentiality

9.1 General

The Parties agree, for the duration of this Agreement and a term of [...***...] after the Effective Date: (a) to hold in strict confidence all Confidential Information and Know-How of a Party ("Disclosing Party") or its Affiliated Companies which has been or will be made available to the other Party ("Receiving Party") or its Affiliated Companies, and not to disclose such Confidential Information and Know-How of the Disclosing Party to any third party whatsoever, (b) not to use such Confidential Information and Know-How of the Disclosing Party for any purpose other than those set forth herein. For clarification, all XENCOR Confidential Information and Know-How, XENCOR Technology and XENCOR Intellectual Property shall be Confidential Information and Know-How of XENCOR and XENCOR shall be the Disclosing Party and BII shall be the Receiving Party with respect thereto, and all BII Confidential Information and Know-How, BII Technology and BII Intellectual Property shall be Confidential Information and Know-How of BII and BII shall be the Disclosing Party and XENCOR shall be the Receiving Party with respect thereto.

The Receiving Party undertakes to protect the Disclosing Party's Confidential Information and Know -How against unauthorized access by third parties using all commercially reasonable efforts.

If Confidential Information and Know-How is disclosed by Disclosing Party or its Affiliated Companies other than in written or electronic form, then Receiving Parties' obligations of confidentiality and non-use shall only apply if the Confidential Information and Know-How is indicated upon disclosure as being confidential and is then summarised electronically or in writing and provided to Receiving Party within [...***...] after initial disclosure. Notwithstanding the foregoing, in no event shall a failure to provide such an electronic or written summary preclude either Party from asserting that such information is Confidential Information and Know-How.

The obligations to keep secret, not to disclose and not to use the Disclosing Party's Confidential Information and Know-How or parts thereof shall not apply in the event that the respective Confidential Information or and Know-How such parts thereof:

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a. can be shown by written documentation to have been known to Receiving Party or its Affiliated Companies prior to disclosure by the Disclosing Party or its Affiliated Companies hereunder or under the MTA (in no event will Confidential Information and Know-How of the Disclosing Party that is generated by the Receiving Party or its Affiliated Companies (e.g., Improvements that are XENCOR Intellectual Property) be considered to be known by the Receiving Party or its Affiliated Companies prior to disclosure by the Disclosing Party or its Affiliated Companies),

b. is or comes into the public domain by publication or otherwise through no breach of this Agreement or the MTA, or

c. can be shown by written documentation to have been made known to Receiving Party or its Affiliated Companies from another source free from any obligation of confidentiality and was not obtained either directly or indirectly from Disclosing Party or its Affiliated Companies, or

d. can be shown by written documentation to have been independently developed or created by Receiving Party or its Affiliated Companies without access to the other Party's Confidential Information and Know-How (in no event will Confidential Information and Know-How of the Disclosing Party that is generated by the Receiving Party or its Affiliated Companies (e.g., Improvements that are XENCOR Intellectual Property) be considered to be independently developed by the Receiving Party or its Affiliated Companies).

Confidential Information and Know-How not be deemed to be in the public domain merely because they may be derived from one or more items which are publicly known.

Receiving Party shall not disclose Disclosing Party Confidential Information and Know-How to any third party without the prior written consent of Disclosing Party, except to such of the Receiving Party's or its Affiliated Companies' responsible employees and/or advisors to whom it is necessary to disclose such Confidential Information and Know-How for purpose set forth herein. Before such Confidential Information and Know-How is disclosed to such employees and/or advisors, Receiving Party shall first impose on such employees and/or advisors confidentiality and non-use obligations not less stringent than those set forth herein, however, the imposition of such obligations shall not relieve Receiving Party of its obligations hereunder.

In the event that Receiving Party or its Affiliated Companies are required by law, regulation, rule, act or order of any governmental authority or agency to disclose the Disclosing Party's Confidential Information and Know-How, the Receiving Party or its Affiliated Companies shall be entitled to do so provided that Receiving Party shall first notify Disclosing Party forthwith of any such required disclosure and limit such disclosure as far as is possible under applicable law. Such disclosure shall, however, not relieve Receiving Party of its other obligations contained herein.

Furthermore, a Receiving Party may make such disclosures of the Disclosing Party's Confidential Information and Know-How to governmental entities to the extent reasonably necessary in connection with pursuit of intellectual property protection, development and commercialization activities related to the Product as contemplated by this Agreement, and approvals to use and sell the Product. Moreover, XENCOR may disclose BII Confidential Information and Know-How to entities (i) with whom XENCOR has (or may have) a marketing and/or development collaboration for the Product (including an actual or potential Business Partner) or (ii) that are actual or potential investors in or acquirers of XENCOR, to the extent reasonably necessary for the pursuit of such actual/ potential collaboration or relationship pursuant to (i) or (ii), and, in both cases, who have a specific need to know such information and who are bound by obligations of confidentiality and restrictions on use similar to those set forth in this Agreement, provided always that XENCOR may not disclose any BII

Confidential Information and Know-How to any company whose primary business is providing biopharmaceutical CMO services except with BII's prior written consent.

9.2 MTA Superseded

The confidentiality and non-use obligations under the MTA shall be superseded hereby and all information disclosed pursuant to the MTA shall be Confidential Information and Know-How subject to this Agreement.

9.3 Controlled Technology

XENCOR hereby agrees and covenants that if it or its Affiliated Companies intend to provide Confidential Information and Know-How to BII or its Affiliated Companies that XENCOR has Knowledge may be listed on the Commerce Control List or the Chemical Weapons Convention Schedules of Chemicals, both contained within the U.S. Export Administration Regulations (hereinafter "Controlled Technology"), then XENCOR shall notify promptly BII of such Knowledge as soon as possible prior to such intended disclosure. In order for BII to take any appropriate precautionary actions before receipt of such Controlled Technology and to ensure compliance with U.S. export laws, XENCOR shall, before providing the Controlled Technology:

a. identify all Confidential Information and Know-How of XENCOR that may be Controlled Technology; and

b. inform BII, to the extent known to XENCOR, where the Controlled Technology is listed on the Commerce Control List or the Chemical Weapons Convention Schedules of Chemicals and what restrictions apply to the export or disclosure of the Controlled Technology under U.S. law.

XENCOR further agrees to cooperate with BII by providing upon request information and other assistance necessary for the export classification, export documentation and export licensing, if required, for the Controlled Technology under U.S. export laws.

In any event, XENCOR hereby agrees that it will not disclose Controlled Technology to BII or its Affiliated Companies without the express prior consent of BII.

10 Term and Termination

10.1 Term

This Agreement shall take effect as of the Effective Date and shall expire upon completion of the Project as set forth in the Project Plan and after payment of all payments due and payable according to this Agreement, unless terminated earlier in accordance with this Agreement.

10.2 Termination of this Agreement

10.2.1 If it is apparent to either Party at any stage of the Project that it will not be possible to carry out the Project for scientific, technical or business reasons, such Party may terminate this Agreement upon one hundred eighty (180) days prior written notice to the other Party.

10.2.2 Termination for Material Breach: This Agreement may be terminated at once by written notice by either Party, if the other Party breaches this Agreement in any material manner and shall have failed to remedy such default within thirty (30) days after written notice thereof from the terminating Party.

10.3 Effects of Termination of this Agreement

10.3.1 Effect of Termination prior to completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3.

a. In the event of termination by XENCOR according to Section 10.2.1 prior to completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3 for technical and/or scientific reasons, XENCOR shall have no obligation to pay BII any or all of the Total Amount. For the avoidance of doubt, in such case, XENCOR may not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII.

b. In the event of termination by XENCOR according to Section 10.2.1 prior to completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3. for any other reason than the reasons set forth under Section 10.3.1.a the Total Amount shall be limited to all non-cancellable expenses reasonably incurred by BII in accordance with the Project Plan prior to such termination in respect of the purchase of supplies or raw materials, and reasonable wind-down costs not to exceed sixty (60) days. BII shall mitigate all wind-down costs and non-cancellable expenses to the extent possible. Campaigns cancelled shall be paid as provided for in Section 4.2 above. For the avoidance of doubt, in such case, XENCOR many not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII.

c. In the event of termination by BII according to Section 10.2.1 prior to completion of the Phase 1 clinical trial with the Product, XENCOR shall have no obligation to pay BII any or all of the Total Amount. The use of the Process is subject to Section 5.2.3, 5.2.4 and 5.2.5.

d. In all of the foregoing cases a.-c., at the request of XENCOR and to the extent available at BII, BII shall destroy the Material or deliver the Material to XENCOR at XENCOR's cost and shall promptly return all XENCOR Confidential Information and Know-How to XENCOR; except for a copy and/or sample of each material for documentation purposes only, which shall remain to the confidentiality and non-use provisions in Section 9, and shall refrain from using the Material. Except for the foregoing, BII's responsibility to keep and store the Material and any other materials shall terminate one hundred eighty (180) days after expiration or termination of the respective Project or this Agreement.

In the foregoing cases a.-c., XENCOR shall promptly return all BII Confidential Information and Know-How to BII, except for a single copy and/or sample for documentation purposes only, which shall remain to the confidentiality and non-use provisions in Section 9, and shall refrain from using the Process, except as contemplated in Section 10.3.1.c or 10.3.1.d.

For the a voidance of doubt, in the event of a termination by XENCOR as contemplated in clause b of this Section 10.3.1, Section 3.1.2.c shall continue in effect, but Section 3.1.2 shall not survive in the event of any termination described in clause a. and c.

10.3.2 Effect of Termination after completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3.

a. In the event of termination by XENCOR according to Section 10.2.1 after completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3 for technical and/or scientific reasons, XENCOR shall have no obligation to pay BII any or all of the Total Amount. For the avoidance of doubt, in such case, XENCOR may not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII. For the avoidance of doubt, in the event of a termination as contemplated in this Section 10.3.2a, Section 3.1.2 c shall survive.

b. In the event of termination by XENCOR according to Section 10.2.1 after completion of the Phase 1 clinical trial with the Product as described in Section 2.8.3 for a reason not listed in Section 10.3.2.a, the Total Amount shall be limited to all non-cancellable expenses reasonably incurred by BII in accordance with the Project Plan prior to such

termination in respect of the purchase of supplies or raw materials, and reasonable wind-down costs not to exceed sixty (60) days. BII shall mitigate all wind-down costs and non-cancellable expenses to the extent possible. Campaigns cancelled shall be paid as provided for in Section 4.2 above. For the avoidance of doubt, in the event of a termination as contemplated in this Section 10.3.2b, Section 3.1.2.c shall continue in effect. The use of the Process is subject to Sections 5.2.3, 5.2.4 and 5.2.5.

c. In the event of termination by BII according to Section 10.2.1 after completion of the Phase 1 clinical trial with the Product, XENCOR shall have no obligation to pay BII any or all of the Total Amount. The use of the Process is subject to Sections 5.2.3, 5.2.4 and 5.2.5. For the avoidance of doubt, in the event of a termination as contemplated in this Section 10.3.2c, Section 3.1.2 shall not survive.

10.3.3 Effect of Termination due to Material Breach

a. In case of a termination by BII according to Section 10.2.2, the Total Amount shall become immediately due and BII shall be free to claim for damages according to the applicable law and, subject to Section 7.4 above. All licenses granted by either Party to the other Party hereunder shall be null and void. For the avoidance of doubt, XENCOR may not use the Process outside BII, except as otherwise agreed in writing by XENCOR and BII; except that, if XENCOR has already exercised its rights under Sections 5.2.3, 5.2.4 and 5.2.5, all such rights granted prior to termination shall remain in effect.

b. In case of a termination by XENCOR according to Section 10.2.2, XENCOR shall have no obligation to pay BII any or all of the Total Amount, and subject to Section 7.4 above, XENCOR shall be free to claim for damages according to the applicable law. All licenses granted by XENCOR to BII hereunder shall be null and void. For the avoidance of doubt, Section 3.1.2 shall not survive in the event of termination as described in this Section 10.3.3.b. The use of the Process is subject to Sections 5.2.3, 5.2.4 and 5.2.5.

10.4 Surviving Provisions

Upon any expiration or termination of this Agreement by either Party pursuant to Section 10.2, all rights and obligations of the Parties under this Agreement shall terminate and be of no further force or effect, except as otherwise expressly set forth below in this Section 10.4 and in Section 10.3. The expiration or termination of this Agreement for any reason shall not release either Party from any liability that, at the time of such expiration or termination, has already accrued to the other Party or that is attributable to a period prior to such expiration or termination. The following provisions of this Agreement shall survive expiration or termination of this Agreement for any reason: Section 1 (Definitions), Section 3 (Payments) except as expressly set forth in Section 10.3; Section 5 (Ownership and Use of Project Data), Section 6.4 (Process for Defense of Infringement of Third Party Intellectual Property); Section 6.5 (Disclaimer of Warranties); Section 7 (Liability, Indemnification, Limitations and Insurance); Section 8 (Intellectual Property), but excluding the last sentence of the first paragraph of Section 8.2.3 (Other Improvements) referring to Sections 5.2.3, 5.2.4 and 5.2.4 except to the extent that those sections are expressly stated to survive termination as set forth in Section 10.3, and excluding Section 8.2.5b; Section 9 (Confidentiality); Section 10.3 (Effects of Termination of this Agreement), including the provisions referenced in Section 10.3 as continuing after termination, as applicable; Section 10.4 (Surviving Provisions); and Section 11 (Miscellaneous).

11 Miscellaneous

11.1 Force Majeure

Neither Party shall be in breach of this Agreement if there is any failure of performance under this Agreement (except for payment of any amounts due hereunder) occasioned by any reason

beyond the control of either Party, including, without limitation, any act of God, fire, act of government or state, war, civil commotion, insurrection, embargo, prevention from or hindrance in obtaining energy or other utilities, or labour disputes of whatever nature.

11.2 Conflict with Improvements under the MTA

The Parties agree that with respect to the ownership of intellectual property rights and/or ownership of Improvements, this Agreement shall prevail over the terms and conditions of the MTA and shall also cover the term of the MTA.

11.3 Secrecy Agreement between the Parties

The Parties agree that all information exchanged pursuant to the Secrecy Agreement between the Parties with effectiveness as of June 28, 2011 shall be Confidential Information and Know-How protected in accordance with this Agreement, and such Secrecy Agreement shall be superseded by the terms of this Agreement and shall have no further force or effect.

11.4 Publicity

XENCOR or BII may issue the mutually agreed press release attached as Appendix 8 announcing the execution of this Agreement. Except as provided in the preceding sentence, no press release or other form of publicity regarding a Project or this Agreement shall be permitted by either Party to be published unless both Parties have indicated their consent to the form of the release in writing. The same applies, to any changes in the press release attached as Appendix 8. Nothing in this Section shall prevent the Parties from disclosing this Agreement, if and as far as required by applicable laws, rules or regulations. However, the disclosing Party shall inform the other Party well in advance whenever reasonably possible and shall provide the opportunity to comment on such required disclosure (e.g. under SEC rules). In addition, subject to XENCOR's compliance with Section 9.1, nothing in this Section shall prevent XENCOR from disclosing the status of development, regulatory approval or commercialization of the Product.

11.5 Notices

Any notice required or permitted to be given hereunder by either Party shall be in writing and shall be (i) delivered personally, (ii) sent by registered mail, return receipt requested, postage prepaid or (iii) delivered by facsimile with immediate confirmation of receipt, to the addresses or facsimile numbers set forth below:

If to BII:

Boehringer Ingelheim International GmbH
Binger Straße 17355216 Ingelheim
Federal Republic of Germany
Attention: Mr. Alois Konrad (Global Dept. Biopharma Contract Manufacturing Business)
Fax: 0049- 7351/54 - 4845
Phone: 0049- 7351/54 - 96145

If to XENCOR:

111 West Lemon Avenue
Monrovia, CA 91016
Attention: Chief Executive Officer
Phone: (626) 305-5900
Fax: (626) 305-0350

11.6 Applicable Law and Arbitration

This Agreement shall be exclusively governed by and construed in accordance with the laws of the State of New York, USA without regard to its conflict of laws provisions.

The application of the UN Convention on Contracts for the International Sale of Goods is excluded.

The Parties agree that all disputes, claims or controversies arising out of, relating to, or in connection with this Agreement, including any question regarding its formation, existence, validity, enforceability, performance, interpretation, breach or termination, shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce ("ICC") by one arbitrator appointed in accordance with said rules.

The exclusive place of arbitration shall be New York State of New York, USA and the proceedings shall be conducted in English language.

The award for arbitration shall be final and binding and may be enforced in any court of competent jurisdiction against BII or XENCOR. Nothing in this Section shall prevent any Party, before an arbitration has commenced hereunder or any time thereafter during such arbitration proceedings, from seeking conservatory and interim measures, including, but not limited to temporary restraining orders or preliminary injunctions, or their equivalent, from any court of competent jurisdiction.

The Parties further agree that

a. except as may be otherwise required by applicable laws, rules or regulations, neither Party, its witnesses, or the arbitrator may disclose the existence, content, results of the arbitration hereunder without prior written consent of both Parties; and

b. neither Party shall be required to give general discovery of documents, but may be required only to produce specific, identified documents, or narrow and specific categories of documents, which are relevant to the case and material to its outcome and reasonably believed to be in the custody, possession or control of the other Party; and

c. decisions *ex aequo et bono* or in equity are not permissible.

11.7 Entire Agreement

This Agreement (including the Exhibits and Schedules attached hereto) constitutes the entire agreement between the Parties relating to its subject matter and supersedes all prior or contemporaneous agreements, understandings or representations, either written or oral, between XENCOR and BII with respect to such subject matter (including the Secrecy Agreement effective as of June 28, 2011).

11.8 Waiver; Amendment

No waiver of any term, provision or condition of this Agreement whether by conduct or otherwise in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such term, provision or condition or of any other term, provision or

condition of this Agreement. No amendment or modification of any provision of this Agreement shall be effective unless in writing signed by a duly authorized representative of each Party. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by a duly authorized representative of each Party.

11.9 Severability

If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction all other provisions shall continue in full force and effect. The Parties hereby agree to attempt to substitute for any invalid or unenforceable provision a valid and enforceable provision which achieves to the greatest extent possible the economic legal and commercial objectives of the invalid or unenforceable provision.

11.10 Dispute Resolution

Any dispute relating to the Project shall first be submitted for resolution to the Steering Committee.

11.11 Assignment

This Agreement shall be binding upon the successors and assigns of the Parties and the name of a Party appearing herein shall be deemed to include, the names of its successors and assigns. This Agreement shall not be assignable by either Party, except with the written consent of the other Party hereto; provided, however, that either Party may assign this Agreement without the other Party's consent to an acquiring party in connection with the transfer or sale of all or substantially all of the business of such Party to which this Agreement relates to such acquiring party, whether by merger, sale of stock, sale of assets or otherwise, provided that in the event of such a sale or transfer (whether this Agreement is actually assigned or is assumed by the acquiring party by operation of law (*e.g,.* in the context of a reverse triangular merger)).

11.12 Independent Contractors

Nothing in this Agreement is intended, or shall be deemed, to establish a joint venture or partnership (or any fiduciary duty) between XENCOR and BII. Neither Party to this Agreement shall have any express or implied right or authority to assume or create any obligations on behalf of, or in the name of, the other Party, or to bind the other Party to any contract, agreement or undertaking with any third party.

11.13 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the Effective Date.

Monrovia, February 16 2012	Biberach, February 13, 2012
XENCOR, Inc.	**Boehringer Ingelheim International GmbH**
	ppa. ppa.
/s/ Bassil Dahiyat	/s/ Alois Konrad /s/ Dr. Andreas Felder
Bassil Dahiyat President and CEO	Alois Konrad Dr. Andreas Felder

List of Appendices:

Appendix 1: Material and Product

Appendix 2: Project Plan

Appendix 3: Members of the Project Team, Steering Committee and Chief Executive Officers

Appendix 4: MTA

Appendix 5: Quality Agreement

Appendix 6: Specifications, incl. shipping and packing instructions agreed by the Parties (to be attached upon agreement of the Parties)

Appendix 7: Summary Plan for Phase 1 Clinical Trials

Appendix 8: Press Release

Appendix 1:

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Boehringer Ingelheim

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Exhibit 10.25

OFFICE BUILDING LEASE BETWEEN

BF MONROVIA, LLC (LESSOR)

&

XENCOR, INC. (LESSEE)

111 West Lemon Ave., Monrovia, California

[Execution Copy]

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STANDARD OFFICE LEASE

This STANDARD OFFICE LEASE ("Lease"), dated, for reference purposes only, April , 2000 is made by and between BF MONROVIA, LLC ("Lessor") and XENCOR, INC. ("Lessee").

1. Basic Lease Terms: For purposes of this Lease, the following terms have the following definitions and meanings:

1.1 Parties:

Lessor: BF Monrovia, LLC, a California limited liability company

Lessor's Address for Notices:
1230 E. Huntington Drive, Suite 3, Duarte, CA 91010*

with a copy to: Martin H. Blank, Jr., Esq.
11755 Wilshire Boulevard
Suite 1400
Los Angeles, California 90025

*or such other place as Lessor may from time to time designate by notice to Lessee.

Lessee: Xencor, Inc., a California corporation

Lessee's Address for Notices:
111 West Lemon Ave.
Suite 300
Monrovia, California 91016
Attention: Rudy J. Emmelot

with a copy to: LeBoeuf, Lamb, Greene & MacRae, L.L.P.
725 South Figueroa Street
Suite 3600
Los Angeles, California 90017
Attention: Robert M. Johnson, Esq.

or such other or additional addresses as Lessee may designate from time to time by notice to Lessor.

1.2 Premises: Suite Number 300, on the third floor of the Building, consisting of 24,000 rentable square feet ("RSF") and Suite 201, on the second floor of the Building ("Suite 201"), consisting of 5,370 RSF (for an aggregate RSF in the Premises of 29,370), subject to Section 2.1(a) of this Lease, as hatched on Exhibit "A" attached hereto and made a part hereof.

1.3 Building: Commonly described as 111 W. Lemon Ave., in the City of Monrovia, County of Los Angeles, State of California, subject to Section 2 of this Lease.

1.4 Use: General office, administrative use, laboratory, manufacturing and/or related uses, including but not limited to medical and biotechnological research and development, subject to Section 6 of this Lease. Lessor acknowledges and agrees that in connection with the permitted Use of the Premises, Lessee will be utilizing, storing and disposing of substances which are classified or regulated as "hazardous materials" or "toxic" or "hazardous substances" under applicable California and United States federal law (collectively referred to herein as "Hazardous Substances"). In addition to Lessee's obligations under this Lease, Lessee covenants that all Hazardous Substances shall be handled and disposed of by Lessee in accordance with Applicable Law. ·

1.5 Term: The period commencing on the Commencement Date (as defined in the Work Letter) and expiring on the last day of the month immediately following the month in which the fifth (5th) anniversary of the Commencement Date occurred (the "Expiration Date").

1.6 [INTENTIONALLY OMITTED]

1.7 Base Rent: Lessee shall pay Base Rent in accordance with the following schedule:

Months 2 - 20	$44,592 per month
Months 21 - 40	$46,992 per month
Months 41 - 61	$49,392 per month

1.8 Rent Paid Upon Execution: $44,592, as Base Rent for the second month of the Lease Term. The first month's Base Rent shall be abated.

1.9 Security Deposit: $100,000.00, subject to the provisions of Section 5 of this Lease, paid as set forth herein.

1.10 Lessee's Share: 61.19%, as defined in Section 4.2 of this Lease.

2. Premises, Parking and Common Areas:

2.1 Premises. Lease of Premises.

(a) The Premises are a portion of the "Building" identified in Section 1.3 of the Basic Lease Provisions. The Premises, the Building, the Common Areas (as defined in Section 2.2 below), the land upon which the same are located (the "Site"), along with all improvements thereon or thereunder, are herein collectively referred to as the "Project." Lessor hereby leases to Lessee and Lessee leases from Lessor for the Term, at the rental, and upon all of the conditions set forth herein, the "Premises" including rights to the Common Areas and the Parking Privileges as

hereinafter specified. Lessee shall have the non-exclusive right to utilize the Common Areas and the exclusive right to utilize the Parking Privileges.

(b) Subject to the provisions of the Rules and Regulations with respect to access, Lessee shall have access to the Building, the Premises, the Site, and Lessee's Parking Privileges twenty-four hours a day, seven days a week, every day of the year.

(c) Lessor agrees that no person (including but not limited to Lessor's employees, agents, licensees or other tenants) shall enter the Premises for purposes of accessing the Building's roof, except in the case of an emergency (and then subject to Lessee's good faith health and safety requirements).

(d) Lessor agrees that (A) Lessor shall at its cost and expense relocate the phone board currently located in the Premises to a Common Area on the second floor of the Building within ninety (90) days following the execution of this Lease and (B) Lessee shall have the right to utilize its Lessee's Share of unused space in all vertical risers existing in the Building as of the date hereof. In no event shall Lessor permit the telecommunications or security systems servicing the Building generally or any other tenant in particular to be operated out of any closet in the Premises, it being agreed by Lessor and Lessee that each such closet in the Premises shall only service the Premises.

2.2 Common Areas - Definition. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Site that are provided and designated by Lessor from time to time for the general non-exclusive use of lessees of the Project and their respective employees, suppliers, shippers, customers and invitees, including but not limited to common entrances, lobbies, corridors, stairways and stairwells, public restrooms, passenger elevators, freight elevator, freight loading room, parking areas to the extent not otherwise prohibited by this Lease, loading and unloading areas, trash areas, sidewalks, walkways, parkways, driveways, landscaped areas and decorative walls.

2.3 Common Areas - Rules and Regulations. Lessee agrees to abide by and conform to the rules and regulations attached hereto as Exhibit "B" with respect to the Project and Common Areas (the "Rules and Regulations"), and to use commercially reasonable efforts to cause its employees, suppliers, shippers, customers, and invitees to so abide. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to modify, amend and enforce said rules and regulations. Lessor agrees that the Rules and Regulations shall not be changed or revised or enforced in any unreasonable way by Lessor, nor enforced or changed by Lessor in such a way as to interfere with the purposes permitted under Lease Section 1.4, and that nothing in the use restrictions or in the Rules and Regulations shall be used to prohibit the conduct of any business from the Premises which Lessee is permitted to conduct pursuant this Lease. In the event any other tenant or occupant of the Building fails to comply with the Rules and Regulations, and such non-compliance unreasonably interferes

with Lessee's use of the Premises, Lessor shall use its commercially reasonable good faith efforts to cause such other tenants and/or occupants to comply with the Rules and Regulations.

2.4 Common Areas - Changes. Lessor shall have the right, in Lessor's reasonable Discretion, from time to time:

(a) Subject to the terms of this Lease, to make changes to the Building interior (other than the Premises) and exterior and Common Areas, including, without limitation, changes in the location, size, shape, number, and appearance thereof, including but not limited to the lobbies, windows, stairways, air shafts, elevators, restrooms, driveways, entrances, parking spaces (subject to Section 59), parking areas (subject to Section 59), loading and unloading areas, ingress, egress, direction of traffic, decorative walls, landscaped areas and walkways; provided, however, no such changes shall diminish the size of the Premises, materially increase Lessee's obligations hereunder or unreasonably interfere with Lessee's conduct of its business.

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises and Parking Facility remains available.

(c) To use temporarily the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof.

(d) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment deem to be appropriate.

3. Term:

3.1 Term. The Term and Commencement Date of this Lease shall be as specified in Section 1.5 of the Basic Lease Provisions.

3.2 Lease Commencement. Subject to the following sentence, Lessee's obligations to pay Base Rent and Additional Rent shall commence on the second (2nd) full month following the Commencement Date, as defined and determined in accordance with the Section 2 of the Work Letter attached hereto as Exhibit "C."

3.3 [INTENTIONALLY OMITTED]

3.4 Uncertain Commencement. Lessee and Lessor shall execute an amendment to this Lease establishing the Commencement Date.

3.5 Special Termination Rights. The City of Monrovia, acting through the Department of Community Development, has indicated pursuant to (i) a letter dated April 10, 2000 addressed to

Dr. Bassil Dahiyat and (ii) a Development Review Committee Decision Letter (collectively, the "City Consent") that the City of Monrovia will permit Lessee's Use of the Premises provided that Lessee's laboratory space does not exceed 35% of the useable area of the Premises. In the event the City of Monrovia acts to prohibit a Use of the Premises by Lessee which otherwise complies with City Consent either by the City of Monrovia's refusal to grant the Rezoning (as defined in Section 6.2(c)), if required, or otherwise (the "City Action"), Lessee shall have the ongoing right to terminate the Lease upon ninety (90) days' notice ("Termination Notice") to Lessor, whereupon this Lease shall terminate and Lessor and Lessee shall have no further liability one to the other hereunder, provided, however, if within such ninety (90) day period Lessor is able to rescind the City Action, such Termination Notice shall be deemed withdrawn.

4. Rent:

4.1 Base Rent.

(a) Subject to adjustment as hereinafter provided in Section 4.3, and except as may be otherwise expressly provided in this Lease, Lessee shall pay to Lessor the Base Rent for the Premises set forth in Section 1.7 of the Basic Lease Provisions, without offset or deduction except as expressly provided herein. Lessee shall pay Lessor upon execution hereof the advance Base Rent described in Section 1.8 of the Basic Lease Provisions. Rent for any period during the Term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate to Lessee in writing.

(b) The parties have agreed that the length and duration of the Design Period and the Construction Period (as such terms are defined in the Work Letter) notwithstanding, in the event that the Commencement Date shall not have occurred by the end-of the 120th day following the commencement of the Design Period, Lessee shall, subject to Lessor Delays and Force Majeure Delays, pay as special Base Rent an amount equal to $22,291.00 per month for the fifth and sixth months following the commencement of the Design Period (subject to pro ration for any partial calendar months).

(c) In the event that Lessee is prevented from using, and does not use, the Premises or any portion thereof for five (5) consecutive business days or ten (10) business days in any twelve (12) month period (the "Eligibility Period") as a result of any damage or destruction to the Premises or any repair, maintenance or alteration performed by Lessor after the Commencement Date, which interferes with Lessee's use of the Premises, or any failure to provide services or access to the Premises or because of an eminent domain proceeding or because of the presence of Hazardous Substances in, on or around the Building, the Premises or the Site which could, in Lessee's business judgment and taking into account the standards, guidances and recommendations included in the definition of Applicable Laws above with respect to Hazardous Substances, pose a health risk to

occupants of the Premises, that is not, in any case, caused by or attributable to Lessee or its agents, employees, invitees or contractors, then Lessee's rent shall be abated or reduced, as the case may be, for such time after expiration of the Eligibility Period that Lessee continues to be so prevented from using, and does not use, the Premises or a portion thereof, in the proportion that the rentable area of the portion of the Premises that Lessee is prevented from using, and does not use, bears to the total rentable area of the Premises. However, in the event that Lessee is prevented from conducting, and does not conduct, its business in any portion of the Premises for a period of time in excess of the Eligibility Period, and the remaining portion of the Premises is not sufficient to allow Lessee to effectively conduct its business therein, and if Lessee does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Lessee is so prevented from effectively conducting its business therein, the rent for the entire Premises shall be abated; provided, however, if Lessee reoccupies and conducts its business from any portion of the Premises during such period, the rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Lessee from the date such business operations commence. If Lessee's right to abatement occurs during a free rent period which arises after the Commencement Date, Lessee's free rent period shall be extended for the number of days that the abatement period overlapped the free rent period (the "Overlap Period"). Lessor shall have the right to

extend the Expiration Date for a period of time equal to the Overlap Period if Lessor sends a notice to Lessee of such election within ten (10) days following the end of the extended free rent period. To the extent Lessee is entitled to abatement because of an event covered by Lease Sections 9 or 14, then the Eligibility Period shall not be applicable and Lessee shall be entitled to rent abatement, as of the occurrence of such event.

4.2 Additional Rent. In addition to paying the Base Rent specified in Section 4.1 of this Lease, Lessee shall pay as additional rent Lessee's Share of the annual Direct Expenses, which are in excess of the amount of Direct Expenses applicable to the Base Year, as that term is defined in Section 4.3.1 of this Lease. Such additional rent, together with any and all other amounts payable by Lessee to Lessor, as additional rent or otherwise, pursuant to the terms of this Lease, shall be hereinafter collectively referred to as "Additional Rent." The Base Rent and Additional Rent are herein collectively referred to as "Rent." All amounts due under this Section 4 as Additional Rent shall be payable for the same periods and in the same manner, time and place as the Base Rent. Without limitation on other obligations of Lessee which arise during the Lease Term or during Lessee's occupancy of the Premises and which shall survive the expiration of the Lease Term, the obligations of Lessee to pay the Additional Rent provided for in this Section 4 shall survive the expiration of the Lease Term.

4.3 Definitions. As used in this Section 4, the following terms shall have the meanings hereinafter set forth:

4.3.1 "Base Year" shall mean with respect to Operating Expenses, the calendar year 2000 and with respect to Tax Expenses the tax year 2000-2001.

4.3.2 "Direct Expenses" shall mean "Operating Expenses" and "Tax Expenses."

4.3.3 "Expense Year" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires. Lessee shall not pay any Operating Expenses or Tax Expenses (other than as may be included in the Base Rent) during the Base Year attributable thereto.

4.3.4 "Operating Expenses" shall mean, subject to the exclusions set forth in Section 4.7 or elsewhere in this Lease, all expenses, costs and amounts of every kind and nature which Lessor shall pay or incur during any Expense Year because of or in connection with the ownership, management, maintenance, repair, replacement, restoration or operation of the Project, including, without limitation, any amounts paid or incurred for (i) the cost of supplying all utilities, the cost of operating, maintaining, repairing, replacing, renovating and managing the utility systems, mechanical systems, sanitary and storm drainage systems, and escalator and elevator systems, and the cost of supplies, tools, and equipment and maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of reasonably contesting the validity or applicability of any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with the implementation and operation of a governmentally mandated transportation system management program or similar program; (iii) fees, charges and other costs, including management fees, or amounts in lieu thereof (provided such management fees are not in excess of three percent (3.00%) of Lessor's gross rental revenues from the Building for any calendar year or portion thereof (but excluding the cost of after hours services or utilities)); consulting fees (including but not limited to any consulting fees incurred in connection with the procurement of insurance), legal fees and accounting fees, of all persons engaged by Lessor or otherwise reasonably incurred by Lessor in connection with the management, operation, maintenance and repair of the Project; (iv) the cost of parking area repair, restoration, and maintenance, including, but not limited to, resurfacing, repainting, restriping, and cleaning; (v) wages, salaries and other compensation and benefits of all persons engaged in the operation, maintenance or security of the Project, but limited to the Building Manager, Building Engineer and all employees at levels below such positions, and employer's Social Security taxes, unemployment taxes or insurance, and any other taxes which may be levied on such wages, salaries, compensation and benefits; provided, that if any employees of Lessor provide services for more than one building of Lessor's, then a prorated portion of such employees' wages, benefits and taxes shall be included in Operating Expenses based on the portion of their working time devoted to the Project, and provided further, that no portion of any employees' wages, benefits, or taxes allocable to time spent on the development or marketing of the Project shall be included in_ Operating Expenses; (vi) payments required under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Building; and (vii) amortization of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project. If the Project is not fully occupied during all or a portion of any Expense Year, Lessor shall make an appropriate adjustment to the components of Operating Expenses for

such Expense Year which vary with occupancy as reasonably determined by Lessor employing sound accounting and professional commercial property management principles, to determine the amount of Operating Expenses that would have been paid had the Building been ninety-five percent (95%) occupied, and the amount so determined shall be deemed to have been the amount of Operating Expenses for such Expense Year.

4.3.5 "Tax Expenses" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Lessee, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Building), which Lessor shall pay or incur during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing and operation of the Project.

4.3.5.1 Tax Expenses shall include, without limitation:

(i) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Lessee and Lessor that Proposition 13 (codified as California Constitution Article XIIIA) was adopted by the voters of the State of California in the June 1978 election ("Proposition 13") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, conservation, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental or private assessments or the Building's contribution towards a governmental or private cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies. It is the intention of Lessee and Lessor that all such new and increased assessments, taxes, fees, levies, and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for purposes of this Lease;

(ii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross income tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Lessee of the Premises, or any portion thereof;

(iii) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Lessee is a party, creating or transferring an interest or an estate in the Premises; and

Any possessory taxes charged or levied in lieu of real estate taxes.

4.3.5.2 Any expenses incurred by Lessor in reasonably attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are paid. Tax refunds shall be deducted from Tax Expenses in the Expense Year they are received by Lessor. All special assessments which may be paid in installments shall be paid by Lessor in the maximum number of installments permitted by law and not included in Operating Expenses except in the year in which the assessment is actually paid. The amount of Tax Expenses for the Base Year attributable to the valuation of the Project, inclusive of tenant improvements, shall be known as "Base Taxes."

4.3.5.3 Notwithstanding anything to the contrary contained in this Section 4.3.5 (except as set forth in Section 4.7 or levied in whole or part in lieu of Tax Expenses), there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Lessor's general or net income (as opposed to rents, receipts or income attributable to operations at the Project), (ii) any items included as Operating Expenses, and (iii) any items paid by Lessee under Section 4.6 of this Lease.

4.3.6 "Lessee's Share" shall mean the percentage set forth in Section 1.10, subject to adjustment as provided herein. Lessee's Share was calculated by multiplying the number of rentable square feet of the Premises by 100 and dividing the product by the total rentable square feet in the Building (stipulated herein to be 48,000 RSF). In the event either the Premises and/or the. Building is expanded or reduced, or the size of the Premises, Lessee's Share shall be appropriately adjusted, and, as to. the Expense Year in which such change occurs, Lessee's Share for such year shall be determined on the basis of the number of days during such Expense Year that each such Lessee's Share was in effect.

4.4 Calculation and Payment of Additional Rent.

4.4.1 Calculation of Excess. If for any Expense Year ending or commencing within the Lease Term, Lessee's Share of Direct Expenses for such Expense Year exceeds Lessee's Share of the amount of Direct Expenses applicable to the Base Year, then Lessee shall pay to Lessor, in the manner set forth in Section 4.4.2, below, and as Additional Rent, an amount equal to the excess (the "Excess").

4.4.2 Statement of Actual Direct Expenses and Payment by Lessee. Lessor shall endeavor to give to Lessee, on or before the first day of April following the end of each Expense Year, a

statement (the "Statement") which shall state the Direct Expenses incurred or accrued for such preceding Expense Year, and which shall indicate the amount, if any, of any Excess. Upon receipt of the Statement for each Expense Year ending during the Lease Term, if an Excess is present, Lessee shall pay, with its next installment of Base Rent due, the full amount of the Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "Estimated Excess," as that term is defined in Section 4.4.3 below. The failure of Lessor to timely furnish the Statement for any Expense Year shall not prejudice Lessor from enforcing its rights under this Section 4. Even though the Lease Term has expired and Lessee has vacated the Premises, when the final determination is made of Lessee's Share of the Direct Expenses for the Expense Year in which this Lease terminates, taking into consideration that the Lease Expiration Date may have occurred prior to the final day of the applicable Expense Year, if an Excess is present, Lessee shall immediately pay to Lessor an amount as calculated pursuant to the provisions of Section 4.4.1 of this Lease. If Lessee's Share of Direct Expenses for such Expense Year is less than the "Estimated Excess," as that term is defined in Section 4.4.3, below, paid by Lessee for such Expense Year, then Lessor shall credit the difference to the Rent next coming due under this Lease, or in the event this Lease has expired or been terminated, then Lessor shall pay the difference to Lessee within thirty (30) days following Lessor's delivery to Lessee of the Statement for such Expense Year. The provisions of this Section 4.4.2 shall survive the expiration or earlier termination of the Lease Term.

4.4.3 Statement of Estimated Direct Expenses. In addition, Lessor shall give Lessee a yearly expense estimate statement (the "Estimate Statement") which shall set forth Lessor's reasonable estimate (the "Estimate") of what the total amount of Direct Expenses for the then-current Expense Year shall be and the estimated excess (the "Estimated Excess") as calculated by comparing Direct Expenses, which shall be based upon the Estimate, to the amount of Direct Expenses applicable to the Base Year, which Estimate Statement may be revised and reissued by Lessor from time to time. The failure of Lessor to timely furnish the Estimate Statement for any Expense Year shall not preclude Lessor from enforcing its rights to collect any Estimated Excess under this Section 4.. If pursuant to the Estimate Statement (or a revision thereof) an Estimated Excess is calculated for the then-current Expense Year, Lessee shall pay, with its next installment of Base Rent due, a fraction of the Estimated Excess (or the increase in the Estimated Excess if pursuant to a revised' Estimated Statement) for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.4.3). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Lessee shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Lessor to Lessee.

4.5 Allocation of Direct Expenses. Notwithstanding anything to the contrary set forth in this Section 4, when calculating the Direct Expenses for the Base Year, such Direct Expenses shall not include any increase in Tax Expenses attributable to special assessments, charges, costs, or fees, or due to modifications or changes in governmental laws or regulations, including but not limited to

the institution of a split tax roll, and Operating Expenses shall exclude market-wide labor-rate increases due to extraordinary circumstances, including, but not limited to, boycotts and strikes, and utility rate increases due to extraordinary circumstances including, but not limited to, conservation surcharges, boycotts, embargoes or other shortages and amortized costs relating to capital improvements.

4.6 Taxes and Other Charges for Which Lessee Is Directly Responsible. Lessee shall reimburse Lessor, as Additional Rent, upon demand for any and all taxes required to be paid by Lessor (except to the extent included in Tax Expenses by Lessor), excluding state, local and federal personal or corporate income taxes measured by the net income of Lessor from all sources and estate and inheritance taxes, whether or not now customary or within the contemplation of the parties hereto, when:

4.6.1 Said taxes are measured by or reasonably attributable to the cost or value of Lessee's equipment, furniture, fixtures and other personal property located in the Premises, or by the cost or value of any leasehold improvements made in or to the Premises by or for Lessee, to the extent the cost or value of such leasehold improvements exceeds the cost or value of a building standard build-out (stipulated herein to be $21 per RSF), regardless of whether title to such improvements shall be vested in Lessee or Lessor;

4.6.2 Said taxes are assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Lessee of the Premises, any portion of the Project or the parking facility used by Lessee in connection with this Lease; or

4.6.3 Said taxes are assessed upon this transaction or any document to which Lessee is a party creating or transferring an interest or an estate in the Premises.

4.7 Exclusions from Operating Expenses.

(a) Anything in the definition of Operating Expenses in the Lease to the contrary notwithstanding, Operating Expenses shall not include the following, except to the extent specifically permitted by a specific exception to the following:

(i) Any payments under a ground lease or master lease relating to the Project.

(ii) Costs of a capital nature (including amortization and interest payments and depreciation of any type), including but not limited to acquisition, construction or installation costs of capital improvements, equipment, rentals for items which if purchased, rather than rented, would constitute a capital improvement or equipment, replacements, alterations and additions of a capital nature, even if such costs were incurred in connection with matters which are reasonably intended to reduce Operating Expenses for the Building or the Project or were required by any governmental

authority having jurisdiction under any governmental law or regulation, provided, however, to the extent that any capital improvement actually avoids a maintenance or repair cost, then in any applicable Expense Year, Lessor shall be entitled to pass through such capital costs to the extent such maintenance and/or repair costs are avoided, as estimated by Lessor in its good faith judgment.

(iii) [INTENTIONALLY OMITTED]

(iv) [INTENTIONALLY OMITTED]

(v) The cost of any item reimbursable by insurance or condemnation proceeds or which would be reimbursable from insurance required to be maintained by Lessor under the Lease.

(vi) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenants' or other occupants' improvements made for tenants or other occupants in the Project or incurred in renovating or otherwise remodeling, improving, decorating, painting or redecorating space for tenants or other occupants of the Project.

(vii) Depreciation, amortization and interest.

(viii) Marketing and promotional costs, including but not limited to leasing commissions, real estate brokerage commissions, and attorneys' fees in connection with the negotiation and preparation of deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project.

(ix) Costs of services, utilities, or other benefits which are not offered to Lessee or for which Lessee is charged for directly but which are provided to another tenant or occupant of the Project, including, but not limited to, costs in excess of the costs of operating the Building Systems and the costs of maintaining exclusive use Common Areas for other tenants

(x) Costs incurred by Lessor due to any violation of the terms and conditions of any lease of space in the Project or any occupancy agreement with respect to the Project.

(xi) Costs and the overhead and profit increment paid to Lessor, to affiliates or partners of Lessor, partners or affiliates of such partners, or affiliates of Lessor for goods and/or services in the Project to the extent the same exceeds the costs or the overhead and profit increment, as the case may be, of such goods and/or services rendered by unaffiliated third parties on a competitive basis in Class A Buildings in the vicinity of the Project.

(xii) Interest, principal, attorneys' fees, costs of environmental investigations or reports, title insurance, points, fees and other lender costs and closing costs on any mortgage or

mortgages or any other debt instrument encumbering the Project or any part thereof or on any unsecured debt.

(xiii) [INTENTIONALLY OMITTED]

(xiv) Salaries of officers, executives or other employees of Lessor, any affiliate of Lessor, or partners or affiliates of such partners or affiliates, other than any personnel engaged exclusively in the management, operation, maintenance and repair of the Project (but not leasing or marketing) and working in the Building management office, whose salaries are not typically included in the management fee being paid and included in Operating Expenses; and provided further such individuals whose salaries would otherwise be included in Operating Expenses hold a position which is generally considered to be higher in rank than the position of the manager of the Building or the chief engineer of the Building.

(xv) All items and services for which Lessee or any other tenant in the Project is required to reimburse Lessor (other than through Lessee's Share or any other tenant's share of Operating Expenses or their equivalent).

(xvi) Advertising and promotional expenditures, including but not limited to tenant newsletters or Building promotional efforts, events or parties for existing or future occupants and the costs of signs (other than the Building directory) in or on the Project identifying the owner of the Building or other tenants' signs and any costs related to the celebration or acknowledgement of holidays (including but not limited to Christmas trees).

(xvii) Electric power or other utility costs or costs for services for which any tenant directly contracts with the local public service company (but which costs shall be included in Operating Expenses only for the purposes of "grossing up" Operating Expenses).

(xviii) For any time during which Lessor charges Lessee for parking (including validations for visitor parking), all direct and indirect costs incurred in connection with the ownership, operation, management, maintenance, repair, replacement and restoration of the parking areas of the Project, including any off-site parking areas used by tenants of the Project (the "Parking Facility"), including, but not limited to, costs of a capital nature, maintenance, cleaning, insurance, utility, janitorial, security, parking equipment, ticket supplies, signage, claims insurance, resurfacing and restriping costs, business taxes, management fees and costs, structural maintenance and the wages, salaries, employees benefits and taxes for personnel working in connection with any such Parking Facility shall be offset against current revenues derived from or attributable to the Parking Facility.

(xix) [INTENTIONALLY OMITTED]

(xx) Costs, penalties, fines, or awards and interest incurred as a result of Lessor's negligence in Lessor's operation of the Project, violations of law, negligence or inability or unwillingness to make payments and/or to file any income tax, other tax or informational returns when due.

(xxi) Costs which are covered by and reimbursable under any contractor, manufacturer or supplier warranty (provided, however, any such costs which are avoided during the Base Year by virtue of any such warranty shall be included in the Base Year).

(xxii) Costs arising from the gross negligence of or willful misconduct of, Lessor or its agents, or of any other tenant, or any vendors, contractors, or providers of materials or services selected, hired or engaged by Lessor or its agents.

(xxiii) Costs arising from the presence or removal of Hazardous Materials (other than Hazardous Materials introduced into the Project by Lessee) located in the Project, including, without limitation, any costs incurred pursuant to the requirements of any governmental laws, ordinances, regulations or orders relating to health, safety or environmental conditions, including but not limited to regulations concerning asbestos, soil and ground water conditions or contamination regarding hazardous materials or substances.

(xxiv) Costs arising from Lessor's charitable or political contributions.

(xxv) [INTENTIONALLY OMITTED]

(xxvi) Costs for sculpture, paintings or other objects of art or the insuring, repair or maintenance thereof

(xxvii) Costs (including in connection therewith all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims, litigation or arbitrations pertaining to Lessor and/or the Project.

(xxviii) Costs, including but not limited to attorneys' fees associated with the operation of the business of the partnership or entity which constitutes Lessor as the same are distinguished from the costs of operation of the Building, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee, costs of selling, syndicating, financing, mortgaging or hypothecating any of Lessor's interest in the Project or any part thereof, costs of any disputes between Lessor and its employees, disputes of Lessor with Project management or personnel, or outside fees paid in connection with disputes with other tenants.

(xxix) Costs incurred in removing and storing the property of former tenants or occupants of the Project.

(xxx) [INTENTIONALLY OMITTED]

(xxxi) The cost of correcting defects in the design, construction or equipping of the Project or in the Project equipment.

(xxxii) The cost of any work or service performed for any tenant of the Project (other than Lessee) to a materially greater extent or in a materially more favorable manner than that offered to Lessee.

(xxxiii) Premiums for insurance to the extent Lessor is reimbursed therefor other than through reimbursement of Operating Expenses by lessees.

(xxxiv) The cost of furnishing and installing non-Building standard replacement bulbs and ballasts in tenant spaces (determined by Lessor at the time such services are offered on a non-discriminatory basis).

(xxxv) Any costs of operating, maintaining, cleaning, managing, securing or otherwise providing services to the Project or any part thereof at a quality level which materially exceeds that typically being provided by the Class A Buildings at the time, unless such higher quality level is expressly required by the terms of this Lease.

(xxxvi) Reserves of any kind, including but not limited to replacement reserves, and reserves for bad debts or lost rent or any similar charge not involving the payment of money to third parties.

(xxxvii) Costs incurred by Lessor in connection with rooftop communications equipment of Lessor or other persons, tenants or occupants on the Project.

(xxxviii) Costs relating to any management office for the Project, including rent.

(xxxix) Payment of any management fee, whether paid to Lessor or an outside managing agent, in excess of an amount equal to three percent (3.00%) of the actual amount of gross revenues for the Building.

(xl) Any costs expressly excluded from Operating Expenses or Real Property Taxes elsewhere in the Lease or included as Real Property Taxes.

(xli) Costs for services normally provided by a property manager where Operating Expenses already include a management fee.

(xlii) Costs incurred in connection with the original construction of the Project or any addition to the Project or in connection with .any renovation, alteration or major change in the Project, including but not limited to the addition or deletion of floors.

(xliii) Any costs, fees, dues, contributions or similar expenses for industry associations or similar organizations.

(xliv) Any costs associated with the purchase, rental or installation of furniture, carpeting, fixtures or equipment for any management, security, engineering, or other offices associated with the Project and Common Areas or for Lessor's offices or for the Common Areas of the Project.

(xlv) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Lessor in the Project.

(xlvi) Costs arising from earthquake insurance, unless the cost of such coverage is included within the Base Year.

(xlvii) The entertainment expenses and travel expenses of Lessor, its employees, agents, partners and affiliates.

(xlviii) Costs incurred by Lessor due to the violation by Lessor of the terms and conditions of any contract or agreement relating to the Project or any part thereof, including any "Project Documents" as that term is defined below.

(xlix) Costs of traffic studies, environmental impact reports, transportation system management plans and reports, and traffic mitigation measures or due to studies or reports relating to obligations or the terms of the Project Documents.

(l) All assessments and special assessments due to deed restrictions, Project Documents and/or owners associations which accrue against the Project.

(li) Any improvement installed or work performed or any other cost or expense incurred by Lessor in order to comply with the requirements for obtaining or renewal of a certificate of occupancy for the Project or any space therein.

(lii) Any fees, bond costs or assessments levied by any governmental entity having the authority to impose such fees, bond costs or assessments (unless an appropriate amount of such fees, bond costs or assessments are also added to the Base Year with respect to an Operating Expense or Tax Expense).

(liii) Any costs or expenses relating to any provisions of any development agreements, owner's participation agreement, covenants, conditions, restrictions, conditional use permits, easements or other instruments encumbering the Project or any part thereof or other agreement relating to the development, entitlement, construction or financing of the Project (collectively, the "Project Documents"), including any initial payments or costs or ongoing payments or costs made in connection with any child-care facilities, traffic demand management programs, transportation impact mitigation fees, water and sewage conservation, recycling, housing replacement and linkage fees, special assessment districts, infrastructure and transportation assessments, art programs, or parking requirements and programs unless included within the definition of Tax Expenses and included within the Base year attributable to Tax Expenses.

(liv) Any costs or expenses incurred in obtaining any land use entitlements including without limitation the costs of preparing any environmental impact report or complying with the California Environmental Quality Act, as amended, or any general or specific plan governing development of the Project for the Entitlements or otherwise.

(lv) [INTENTIONALLY OMITTED]

(lvi) Any costs recovered by Lessor to the extent such cost recovery allows Lessor to recover more than 100% of Operating Expenses or Real Property Taxes for any calendar year from tenants of the Project.

(lvii) [INTENTIONALLY OMITTED]

(b) Any costs for which Lessor has been reimbursed or receives a credit, refund or discount, provided if Lessor receives the same in connection with any costs or expenditures previously included in Operating Expenses for a calendar year, Lessor shall immediately credit against Additional Rent next due from

Lessee the amount of any overpayment for such previous calendar year (provided, however, if such reimbursement or credit is received by Lessor after the expiration or earlier termination of the Term, Lessor shall pay such reimbursement or credit due to Lessee in cash within sixty (60) days following receipt thereof by Lessor).

(c) In the event that, subsequent to the Base Year, Lessor adds services materially in excess of the services during the Base Year or incurs a new category of expense, Lessor shall increase the Operating Expenses and, as appropriate, the Real Property Tax by an amount which would have been incurred had such services been offered or such expenses incurred during the Base Year.

5. Security Deposit:

Lessee shall deposit with Lessor upon Lessee's receipt of the Initial SNDA the security deposit set forth in Section 1.9 of the Basic Lease Provisions as security for Lessee's faithful

performance of Lessee's obligations hereunder. If Lessee falls to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any actual loss or actual damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount then required of Lessee. Lessor shall not be required to keep said security deposit separate from its general accounts. Six (6) months prior to the then scheduled Expiration Date, Lessor shall provide Lessee with evidence reasonably satisfactory to Lessee that funds in the amount of the Security Deposit have been reserved and are available for refund to Lessee, subject to Lessor's rights under this Section 5 to deduct sums therefrom. If Lessor fails to provide such evidence by such date, Lessee shall thereupon have the irrevocable right to offset its obligations to pay Rent up to the amount of the Security Deposit (and all interest earned thereon). If Lessee performs all of Lessee's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Lessor, shall be returned, with payment of all actual interest earned thereon, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder) at the expiration of the Term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit.

In the event that Lessee's non-pledged cash reserves ("Available Cash") falls below the amount reasonably estimated by Lessee's chief financial officer necessary to fund the reasonably anticipated cost of normal business operations for the following six (6) months ("Cash Requirement"), Lessee shall provide Lessor with an irrevocable letter of credit (the "Letter of Credit") with a term of at least one (1) year in an amount equal to the then unamortized principal amount of the Financed Cost (as defined in the Work Letter), which amount is referred to as the "Extra Deposit." Lessee shall provide quarterly reports which shall include the budget referred to below and shall be prepared on a cash basis and shall also reasonably describe Lessee's financial condition. The quarterly reports shall be submitted on or before the first day of each calendar quarter and shall be certified by Lessee's chief financial officer. The quarterly reports must detail the level of Available Cash and current estimated costs of normal reasonably anticipated business operations for the next succeeding six (6) month period. If after providing the Letter of Credit, Lessee demonstrates pursuant to the next subsequent quarterly financial reports prepared in accordance with the requirements of this Section reasonably prepared by Lessee's chief financial officer that its Available Cash is equal to or in excess of the Cash Requirement for the next six (6) month period, Lessor shall, within five (5) business days thereafter surrender the Letter of Credit. In no event shall Lessee be obligated to deliver such Letter of Credit or the quarterly reports after the initial Term. In the event that (x) Lessee delivers any quarterly report indicating that no Letter of Credit needs to be then delivered (the "Subject Report") and (y) Lessor does not have possession of the Letter of Credit (delivered pursuant to a previous quarterly report) then, no later than ninety (90) days after the delivery of the Subject Report and not after the next quarterly report has been delivered, during the initial Term (but not in any event during Lessee's first fiscal quarter in any

year), Lessor shall have the right to audit Lessee's financial records relating to Lessee's financial condition (other than those records and materials which are the subject (i) to any confidentiality agreement or non-disclosure obligation or (ii) of any attorney-client privilege or attorney work product doctrine) to confirm that Lessee is not obligated to deliver the Letter of Credit. Such audit must be concluded within thirty (30) days after commencement and shall be conducted by an independent firm of certified public accountants with a national or regional reputation and with extensive experience in auditing companies such as Lessee. Such auditors shall not be compensated on the basis of a contingency fee. In the event such audit discloses that the Available Cash was less than the Cash Requirement with respect to the period covered by such quarterly report, Lessee shall in addition to providing the Letter of Credit, shall pay the reasonable and actual cost of the audit (disregarding any bonus or other incentive compensation). In no event shall Lessor have the right to conduct an audit under this Section 5 after Lessee has completed its initial public offering. At any time during the pendency of the audit, Lessee shall have the right to deliver the Letter of Credit and thereupon Lessor shall terminate the audit. Lessee shall have no right to challenge its obligation to deliver the Letter of Credit unless Lessee shall have delivered the Letter of Credit to Lessor "under protest."

6. Use:

6.1 Use. The Premises shall be used and occupied for the purposes set forth in Section 1.4 of the Basic Lease Provisions, any other use which is reasonably comparable to that use.

6.2 Compliance with Law.

(a) Lessor's Obligations.

(1) Lessor hereby agrees that (A) the Building and Common Areas have been constructed in a first-class mariner and (B) Lessor shall, except as specifically set forth below in subparagraph 6.2(b), be responsible for the Building (other than the Premises) and the Common Area's being in substantial compliance with all covenants or restrictions of record and all United States Federal laws, existing as of the date of Substantial Completion including but not limited to, the Americans with Disabilities Act of 1990 and laws pertaining to Hazardous Substances (collectively, "Laws"); and in the case of Hazardous Substances, the term "Laws" will be deemed to include any standards, guidances, or other recommendations issued by nationally recognized authoritative governmental units or other bodies (such as the United States Environmental Protection Agency, United States or California, the Occupational Safety and Health Administration, the National Institutes of Health or the American Congress of Industrial Hygienists) in order to make the Building and Project (other than the Premises) suitable for the Permitted Uses.

(2) Lessor will be fully responsible for making all remediations, alterations and repairs at its cost, which shall not be included as Operating Expenses, resulting from or

`necessitated by the failure of Lessor and/or Lessor's contractors to comply with Laws in existence from time to time ("Applicable Laws") relating to the matters for which Lessor is responsible under this Section 6.2 and Section 7, below, or from Lessor's and/or Lessor's Contractor's utilization of Hazardous Substances as defined in the Laws, in violation of Applicable Laws.

(3) Lessor shall maintain, repair and operate the Building and Building Systems serving the Premises (subject to Lessee's maintenance and repair obligations set forth in the Lease, including Section 6.2(b) and Section 7.2(a) with respect to the Premises, Lessee Improvements and the Alterations, if any), in good condition and repair, shall maintain a safe environment in the Building and shall provide services to, the Building in a first-class manner comparable to other first-class institutional quality office buildings in the vicinity of the Building ("Class A Buildings"), the cost of which shall be included in Operating Expenses (subject to Section 4), or paid for directly by Lessee (for maintenance and repair of the Premises only to the extent required by the Lease) if not includable in Operating Expenses pursuant to the Lease.

(b) Lessee's Obligations. Lessee shall be fully responsible, for making all remediations, alterations and repairs at its cost to the Premises to cause (as part of the initial construction of the Lessee Improvements) the Premises to be substantially in compliance with Laws. Furthermore, Lessee shall be fully responsible, following the date the Lessee Improvements are Substantially Complete, for making all remediations, alterations and repairs at its cost to the Common Areas of the Building, Building and Project in order to cause the Common Areas of the Building, Building and Project to be in substantial compliance with Applicable Laws if:

(1) such work is in fact required by any governmental authority after the date of Substantial Completion as a result of a specific use of the Premises by Lessee which is: (i) unique to Lessee or (ii) a use other than a general office use; or

(2) such work is required by the City of Monrovia or other Government Agency in connection with or as a condition to its issuance of the appropriate permit or approval for an Alteration to the Premises undertaken by Lessee pursuant to Section 7.3 or other provision of this Lease;

provided however that, the foregoing notwithstanding, the cost of any such work which is so required with respect to a Common Area element that was not in compliance with Laws in existence as of the date the initial Lessee Improvements were Substantially Complete shall be borne exclusively by Lessor.

(c) Lessor agrees to diligently pursue at its sole cost the rezoning of the Building from "R4" to "General Commercial" or such other classification as reasonably required by Lessee that will accommodate Lessee's Use and which shall be appropriate for Lessee's occupancy during the

Term (as extended) (the "Rezoning"). Subject to Lessee's rights under Section 3.5, Lessee agrees at Lessor's sole cost and expense to reasonably cooperate with Lessor's efforts to effect the Rezoning and/or any appeal of any adverse City of Monrovia action.

(d) Except as provided in Section 6.2(a) and in addition to Lessee's obligations under Section 6.2(b), Lessee shall, at Lessee's expense, promptly comply with all applicable (i) statutes, (ii) ordinances, (iii) rules, (iv) regulations, (v) orders, and (vi) requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the Term or any part of the Term hereof, relating in any manner to the Premises and the occupation and use by Lessee of the Premises to the extent, with respect to future adopted statutes, ordinances, rules, regulation, orders and regulations of any fire insurance underwriters or rating bureaus, Lessee is not unreasonably restricted in its ability to utilize the Premises for the Use. In no event shall Lessee be obligated to make any material capital improvements to the Premises or the Project as part of its obligation under this Section. Lessee shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance or shall tend to disturb unreasonably other occupants of the Building.

6.3 Condition of Premises.

(a) Lessor agrees with Lessee that the plumbing, lighting, fire and life safety, mechanical, electrical, ventilating, air conditioning, and heating systems in the Premises or in the Building to the extent servicing the Premises ("Building Systems") existing in the Premises as of the date hereof shall be in good operating condition as of the Commencement Date except to the extent damaged, removed or replaced by or on behalf of Lessee. Lessor agrees that as part of the "Base Condition" (as defined in the Work Letter), Lessor shall at its sole cost create a rooftop penetration to permit access to the Building's roof at the top of the Building's existing common stairwell and shall separately demise such stairwell from the Premises. In the event that it is determined that this agreement has been violated, then it shall be the obligation of Lessor, after receipt of written notice from Lessee setting forth with specificity the nature of the violation, to promptly, at Lessor's sole cost, rectify such violation, which shall not be included in Operating Expenses.

(b) Except as otherwise provided in this Lease and subject to Lessor's obligations under Sections 6.2(a), 6.3(a) and elsewhere in the Lease with respect to the services to be provided to Lessee by Lessor, Lessee hereby accepts the Premises and the Project in their "as-is" condition existing as of the date hereof; subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that it has satisfied itself by its own independent investigation that the Premises are suitable for its intended use, and that except as expressly set forth in Section 3.5, neither Lessor nor Lessor's agent or agents has

made any representation or warranty as to the present or future suitability of the Premises, Common Areas, or Project for the conduct of Lessee's business.

7. Maintenance, Repairs, Alterations and Common Area Services:

7.1 Lessor's Obligations.

(a) Except for Lessee Improvements and Alterations and except as set forth in Section 6.2(c) and (d), Lessor shall keep the Project, interior and exterior walls, roof, slab floors, foundation, Building Systems, load bearing members, Common Areas (including all restrooms), and the equipment whether used exclusively for the Premises or in common with other premises, in good condition and repair (the cost of which shall, subject to Section 4.7, be included as an Operating Expense); provided, however, Lessor shall not be obligated to paint, repair or replace wall coverings, or to repair or replace any improvements that are not ordinarily a part of the Building or are above then Building standards. Lessor shall be responsible for all repairs on all restrooms on the third floor (the cost of which shall, to the extent not prohibited by Section 4, be included in Operating Expenses), except to the extent caused by or attributable to defects in workmanship or caused by Tenant in which case Lessee shall be responsible for the cost of such maintenance or repair of such restrooms. Except as provided in Sections 4.1(b), 9 or 14, there shall be no abatement of Rent or liability of Lessor, on account of any injury or interference with Lessee's business with respect to any improvements, alterations or repairs made by Lessor to the Project or any part thereof. Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Premises in good order, condition and repair.

(b) Notwithstanding any provision set forth in Lease Section 7.2(a) to the contrary, Lessee is authorized to make repairs as set forth below.

(i) General Action. If Lessee provides notice (the "First Notice") to Lessor of an event or circumstance which pursuant to the terms of this Lease requires Lessor to repair, alter, improve and/or maintain the Premises (a "Required Action"), other than an event covered by Section 9 or 14 (collectively, the "Excluded Events") and Lessor fails to provide the Required Action within the time period required by this Lease, or a reasonable period of time, if no specific time period is specified in this Lease, after the receipt of the Repair Notice (the "Notice Date"), or, in any event, does not commence the Required Action within ten (10) days after the Notice Date and complete the Required Action within thirty (30) days after the Notice Date (provided that if the nature of the Required Action is such that the same cannot be reasonably completed within a thirty (30) day period, Lessor's time period for completion shall not be deemed to have expired if Lessor diligently commences such cure within such period and thereafter diligently proceeds to rectify and complete the Required Action, as soon as possible), then Lessee may proceed to take the Required Action, pursuant to the terms of the Lease, and

shall deliver a second notice to Lessor specifying that Lessee is taking the Required Action (the "Second Notice").

(ii) Emergency Action. Notwithstanding the foregoing, if there exists an emergency such that the Premises or a portion thereof are rendered untenantable and Lessee's personnel are forced to vacate the Premises or such portion thereof (other than with respect to the Excluded Events, for which Lessor's and Lessee's respective rights are set forth in Sections 9 or 14, respectively) and if Lessee gives Lessor notice (the "Emergency Notice") of Lessee's intent to take action with respect thereto (the "Necessary Action") and the Necessary Action is also a Required Action, and the emergency could be cured by such Necessary Action, Lessee may take the Necessary Action if Lessor does not commence the Necessary Action within one (1) business day after the Emergency Notice (the "Emergency Cure Period") and thereafter use its best efforts and due diligence to complete the Necessary Action as soon as possible. To the extent Lessee is entitled to recover damages from Lessor by reason of Lessor's failure timely to commence and/or complete the Necessary Action, Lessee's damages may include, without limitation, the full documented, reasonable costs incurred in any relocation of Lessee's personnel previously located in such untenantable space which shall have occurred, including by way of example only, higher rent, broker's commissions, fees of consultants and other reasonable costs of moving to other premises.

(iii) Restrictions on Action. If any Necessary Action will affect any of the Building Systems, the structural integrity of the Building, or the exterior appearance of the Building, Lessee shall use only those contractors used by Lessor in the Building for work on the Building Systems, or its structure, and Lessor shall provide Lessee (when available and upon Lessee's request) with notice identifying such contractors and any changes to the list of such contractors, unless such contractors are unwilling or unable to perform such work or the cost of such work is not competitive, in which event Lessee may utilize the services of any other qualified contractors which normally and regularly performs similar work in the Comparable Buildings except for any contractors who Lessor specifically notifies Lessee in writing within five (5) business days of Lessor's receipt of a Repair Notice or one (1) business days of Lessor's receipt of an Emergency Notice that Lessee may not use for such work (which notice shall specify the commercially reasonable reasons for Lessor's not allowing Lessee to use such contractor.)

(iv) Reimbursement for Action. If any Required Action or Necessary Action is taken by Lessee pursuant to the terms of this Section then Lessor shall reimburse Lessee for its actual, reasonable and documented repair costs and expenses in taking the Required Action or Necessary Action within thirty (30) days after receipt by Lessor and Mortgagee (in the event Lessee has been provided with Mortgagee's address for notices) of an invoice from Lessee which sets forth a reasonably particularized breakdown of its costs and expenses in connection with taking the Required Action or Necessary Action on behalf of Lessor (the "Repair Invoice"). In the event Lessor does not reimburse Lessee for the Repair Invoice within thirty (30) days of receipt, then

Lessee may, subject to Section 61(b), deduct from the next Rent payable by Lessee under this Lease, the amount of such Repair Invoice, plus interest at the Interest Rate until the Repair Invoice has been fully paid (the "Repair Offset Right"). Notwithstanding the foregoing, if Lessor delivers to Lessee within thirty (30) days after receipt of the Repair Invoice, a written objection to the payments of such invoice, setting forth with reasonable particularity Lessor's reason for its claim that the Required Action or Necessary Action did not have to be taken by Lessor pursuant to the terms of the Lease or that Lessee breached the terms of this Section, or that the charges are excessive (in which case Lessor shall pay the amount it contends would not have been excessive), then Lessee shall not be entitled to deduct such amount from Rent, but the shall resolve the dispute by appropriate legal action.

7.2 Lessee's Obligations.

(a) Lessee shall, at Lessee's own expense, pursuant to the terms of this Lease, including without limitation Section 7.3 hereof, keep the Premises, including all improvements, fixtures and furnishings therein, in good order, repair and condition at all times during the Lease Term. Furthermore, Lessee shall be responsible for payment of the cost thereof to Lessor as Additional Rent for that portion of the cost or any maintenance and repair of the Premises undertaken by Lessor, if any. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any Premises improvements that are not ordinarily a part of the Building or that are above then Building standards. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

(b) On the last day of the Term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor with the Building Systems in the same condition as received, ordinary wear and tear, Alterations, casualty and eminent domain excepted, broom clean and free of debris. All of the material Alterations made by Lessee to any Building Systems during the Term shall be in good working order as of the Expiration Date, subject to normal wear and tear,

Lessor's actions, casualty and eminent domain. In no event shall Lessee be obligated to remove or restore any Lessee Improvements (as defined in the Work Letter) or any Lessor-approved Alterations (except as provided in Section 7.3(a)). Lessee shall not repair any damage to the Premises occasioned by the installation or removal of Lessee's trade fixtures, Alterations, furnishings and equipment. Except as otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, air conditioning, window coverings, wall coverings, carpets, wall paneling, ceilings and plumbing on the Premises.

7.3 Alterations and Additions.

(a) Lessee shall not, without Lessor's prior written consent make any alterations, improvements, additions, Utility Installations or repairs costing in excess of $25,000 on a project basis (collectively, "Alterations") in, on or about the Premises, or the Project. As used in this Section 7.3 the term "Utility Installation" shall mean carpeting, window and wall coverings, power

panels, electrical distribution systems, venting, lighting fixtures, air conditioning, plumbing, and telephone and telecommunication wiring and equipment. Lessor shall, at the time it consents to any Alteration requiring consent, specify any Alteration then contemplated which is to be removed at Lessee's expense at the expiration of the Term. Otherwise, Lessee shall not be obligated to remove any Alterations. Should Lessor permit Lessee to make its own Alterations which could adversely and materially affect any Building Systems, Lessee shall use only such contractor as has been expressly approved by Lessor. Provided that Lessee shall not have been obligated under the Terms of Section 5 above to provide Lessor with the Extra Deposit, Lessee shall not be obligated to post any performance or payment bond in connection with any Alterations. In the event that Lessee has provided the Extra Deposit to Lessor, Lessee shall, in connection with any Alterations for which Lessor's approval is required hereunder, provide reasonable evidence to Lessor of the availability of cash resources adequate to pay for such Alterations (which evidence may, at Lessee's election, take the form of cash or a cash equivalent).

(b) Any Alterations that Lessee shall desire to make shall be presented to Lessor in written form, with proposed detailed plans to the extent plans are required therefor. If such proposed Alterations cost in excess of $25,000, Lessor's consent shall be required and if Lessor shall give its consent to Lessee's making such Alteration, the consent shall be deemed conditioned upon Lessee acquiring any legally required permit to do so from the applicable governmental agencies, furnishing a copy thereof to Lessor prior to the commencement of the work, and compliance by Lessee with all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises, the Building or the Project, or any interest therein.

(d) Lessee shall give Lessor not less than ten (10) days notice prior to the commencement of any work in the Premises by Lessee, and Lessor shall have the right to post notices of non-responsibility in or on the Premises or the Building as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises, the Building, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a release bond meeting the requirements if California Civil Code Section 3143. In addition, Lessor may require Lessee to pay Lessor's reasonable and actual fees and costs of counsel reasonably satisfactory to Lessee in participating in such action if Lessor shall decide it is in Lessor's best interest to do so.

(e) All Alterations (whether or not such Utility Installations constitute trade fixtures of Lessee), which may be made to the Premises by Lessee, including but not limited to, floor coverings, panelings, doors, drapes, built-ins, moldings, sound attenuation, and lighting and

telephone or communication systems, conduit, wiring and outlets, shall be made and done in a good and workmanlike manner and of good and sufficient quality and materials and in material compliance with all Applicable Laws and all necessary permits. Lessee's personal property, trade fixtures, furniture, files, and equipment, other then that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or the Building, and other than Utility Installations, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of Section 7.3.

(f) Lessee shall provide Lessor with as-built plans and specifications (or, in the event the Alterations were installed without the benefit of plans, a reasonably detailed description of such Alterations and of the specifications therefor) for any Alterations for which Lessee has prepared such plans and specifications in connection with their installation.

7.4 Utility Additions. Subject to the terms of this Lease, Lessor reserves the right (but shall not be obligated) to install new or additional utility facilities throughout the Project for the benefit of Lessor or Lessee, or any other lessee of the Project, including, but not by way of limitation, such utilities as plumbing, electrical systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Lessee's use of the Premises.

8. Insurance, Indemnity:

8.1 Liability Insurance - Lessee. Lessee shall procure and maintain during the Term of this Lease Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage arising out of Lessee's operations, assumed liabilities or use of the Premises, including a Commercial General Liability endorsement covering the insuring provisions of this Lease and the performance by Lessee of the indemnity agreements set forth in Section 8.7 of this Lease, for limits of liability not less than: (i) Bodily Injury and Property Damage Liability - $2,000,000 each occurrence and $2,000,000 annual aggregate, and (ii) Personal Injury Liability - $2,000,000 each occurrence and $2,000,000 annual aggregate. In addition, Lessee shall procure and maintain during the Term of this Lease worker's compensation insurance in the statutory amounts required by the State of California.

8.2 Liability Insurance - Lessor. Lessor shall obtain and keep in force during the Term of this Lease a policy of Commercial General Liability Insurance, plus coverage against such other risks Lessor deems advisable from time to time, insuring Lessor, but not Lessee, against liability arising out of the ownership, use, occupancy or maintenance of the Project in an amount not less then $2,000,000.00 per occurrence.

8.3 Property Insurance - Lessee. Lessee shall, at Lessee's expense, obtain and keep in force during the Term of this Lease for the benefit of Lessee, Physical Damage Insurance covering (i) all office furniture, trade fixtures, office equipment, merchandise and all other items of Lessee's

property on the Premises installed by, for, or at the expense of Lessee, and (ii) all Lessee Improvements, Alterations, fixtures and additions to the Premises. Such insurance shall not cover any Common Areas. Such insurance shall be written on an "all risks" of physical loss or damage or Special Form basis, for the full replacement cost value new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include a vandalism and malicious mischief endorsement, sprinkler leakage coverage and earthquake sprinkler leakage coverage.

8.4 Property Insurance-Lessor. Lessor shall obtain and keep in force during the Term of this Lease a policy or policies of insurance covering loss or damage to the Project improvements, but not Lessee's personal property, fixtures, equipment or Lessee Improvements or Alterations, in the amount of the full replacement cost thereof, as the same may exist from time to time, utilizing Insurance Services Office standard form, or equivalent, providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, plate glass, and such other perils as Lessor deems advisable or may be required by a lender having a lien on the Project. In addition, Lessor shall obtain and keep in force, during the term of this Lease, a policy of rental value insurance covering a period of one year, with loss payable to Lessor, which Insurance shall also cover all Operating Expenses for said period. Lessee will not be named in any such policies carried by Lessor and shall have no right to any proceeds therefrom. The policies required by these Sections 8.2 and 8.4 shall contain such deductibles as Lessor or the aforesaid lender may determine. In the event that the Premises shall suffer an insured loss, the deductible amounts under the applicable insurance policies shall be deemed an Operating Expense. Lessee shall not do or permit to be done anything which shall not invalidate the insurance policies carried by Lessor. Lessee shall pay the entirety of any increase in the property insurance premium for the Project over what it was immediately prior to the commencement of the Term of this Lease if the increase is specified by Lessor's insurance carrier as being caused by the nature of Lessee's occupancy or any act or omission of Lessee.

8.5 Insurance Policies. Lessee shall deliver to Lessor and Lessor's lender evidence of insurance for the coverage required under Section 8.1 on Accord Form 27 (or its equivalent) within seven (7) days after the Commencement Date of this Lease. No such policy shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days prior written notice to Lessor. Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals thereof

8.6 Waiver of Subrogation. Lessee and Lessor each hereby release and relieve the other and waive their entire right of recovery against the other, for direct or consequential loss or damage arising out of or incident to the perils covered by property Insurance carried by such party, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. If necessary all property insurance policies required under this Lease shall be endorsed to so provide.

8.7 Indemnity.

(a) Lessee shall indemnify, defend, protect, and hold harmless Lessor, its partners, trustees, members, managers, ancillary trustees and their respective officers, directors, shareholders, beneficiaries, agents, servants, employees, and independent contractors (collectively, the "Lessor Parties") from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from any cause related to Lessee's occupancy of the Premises and occurring in, on or about the Premises or any acts, omissions or negligence of Lessee or of any person claiming by, through or under Lessee, its partners, and their respective officers, shareholders, directors, agents, servants, employees, and independent contractors (collectively, the "Lessee Parties"), in, on or about the Project, either prior to, during, or after the expiration of the Lease Term, provided that the terms of the foregoing indemnity shall not apply to the gross negligence, active negligence or willful misconduct of Lessor or the Lessor Parties. Lessor shall indemnify, defend, protect, and hold harmless Lessee and the Lessee Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from any cause in, on or about the Site, either prior to, during, or after the expiration of the Lease Term, except to the extent caused by the gross negligence, active negligence or willful misconduct of the Lessee or the Lessee Parties.

Should Lessor be named as a defendant in any suit brought against Lessee in connection with or arising out of an event covered by the foregoing indemnity, Lessee shall pay to Lessor its costs and expenses incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants' and attorneys' fees. Should Lessee be named as a defendant in any suit brought against Lessor in connection with or arising out of an event covered by the foregoing indemnity, Lessor shall pay to Lessee its costs and expenses incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants' and attorneys' fees. Further, Lessee's agreement to indemnify Lessor and Lessor's agreement to indemnify Lessee pursuant to this Section are not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Lessee or Lessor pursuant to the provision of this Lease, to the extent such policies cover the matters subject to the parties' respective indemnification obligations; nor shall they supersede any inconsistent agreement of the parties set forth in any other provision of this Lease. The provisions of this Section shall survive the expiration or sooner termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

(b) To the extent that Lessor is covered by Lessee's indemnification under this Section, Lessor agrees that, for such time as Lessor is not unreasonably prejudiced thereby, Lessee shall have the right to tender any claim to its insurance carrier, and Lessor agrees to reasonably cooperate with such tender and any underwriting or claims processing requirements of such insurer.

8.8 Exemption of Lessor from Liability. Subject to Section 8.7 and Section 4.I(c), Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for loss of or damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises or the Project, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from theft, fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Project, or from other sources or places, or from new construction or the repair, alteration or improvement of any part of the Project, or of the equipment, fixtures or appurtenances applicable thereto, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible. Subject to Section 8.7 and Section 4.1(c), Lessor shall not be liable for any damages arising from any act or neglect of any other lessee, occupant or user of the Project.

8.9 No Representation of Adequate Coverage. Lessor makes no representation that the limits or forms of coverage of insurance specified in this Section 8 are adequate to cover Lessee's property or obligations under this Lease.

9. Damage or Destruction:

9.1 Repair of Damage to Premises by Lessor. If the Premises or any Common Areas of the Project serving or providing access to the Premises shall be damaged by fire or other casualty, Lessor shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Lessor's reasonable control, and subject to all other terms of this Section 9, restore the base, shell, and core of the Project and Premises and such Common Areas. Such restoration shall be to substantially the same condition of the base, shell, and core of the Building and Premises and Common Areas prior to the casualty, except for modifications required by zoning and building codes and other laws. Notwithstanding any other provision of this Lease, upon the occurrence of any damage to the Premises and the commencement of Lessor's repairs and restoration, Lessee shall assign to Lessor (or to any party designated by Lessor) all insurance proceeds payable to Lessee under Lessee's insurance required under this Lease, and Lessor shall repair any injury or damage to the Lessee Improvements installed in the Premises and shall return such Lessee Improvements to their original condition; provided that if the cost of such repair by Lessor exceeds the amount of insurance proceeds received by Lessor from Lessee's insurance carrier, as assigned by Lessee, the cost of such repairs shall be paid by Lessee to Lessor prior to and as a condition of Lessor's repair of the damage. In connection with such repairs and replacements, Lessee shall, prior to the commencement of construction, submit to Lessor, for Lessor's review and approval, all plans, specifications and working drawings relating thereto, and Lessor shall select the contractors to perform such improvement work. Such submittal of plans and construction of improvements shall be performed in accordance with Lessor's policies and practices. If the cost of repair is reasonably anticipated to exceed the

amount of insurance proceeds to be received therefor by Lessee from its insurance carrier, then Lessee shall have the right within five (5) days of Lessee's receipt of notice to that effect to request changes to the work which will reduce the cost thereof. Lessor shall not be liable for any inconvenience or annoyance to Lessee or its visitors, or injury to Lessee's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or common areas necessary to Lessee's occupancy, and if such damage is not the result of the negligence or willful misconduct of Lessee or Lessee's employees, contractors, licensees, or invitees, Lessor shall allow Lessee a proportionate abatement of Rent, during the time and to the extent the Premises are unfit for occupancy for the purposes permitted under this Lease, and not occupied by Lessee as a result thereof; provided, further, if the Premises are damaged such that the remaining portion thereof is not sufficient to allow Lessee to conduct its business operations from such remaining portion and Lessee does not conduct its business operations therefrom, Lessor shall allow Lessee a total abatement of Rent during the time and to the extent the Premises are unfit for occupancy for the purposes permitted under this Lease, and not occupied by Lessee as a result of the subject damage. Lessee's abatement period hereunder shall continue until Lessee has been given sufficient time, and sufficient access to the Premises, to rebuild the portion of the Premises it is required to rebuild to substantially the same design concept, to install its property, furniture, fixtures, and equipment and to move in over one (1) weekend per full floor.

9.2 Lessor's Option to Repair. Notwithstanding the terms of Section 9.1 of this Lease (but subject to the abatement provisions set forth therein), Lessor may elect not to rebuild and/or restore the Premises and/or Building and instead terminate this Lease by notifying Lessee in writing of such termination within ninety (90) days after the date of damage, such notice to include a termination date giving Lessee ninety (90) days to vacate the Premises, but Lessor may so elect only if the Building shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, and one or more of the following conditions is present: (i) repairs cannot reasonably be completed within two hundred and seventy (270) days of the date of damage (when such repairs are made without the payment of overtime or other premiums) or (ii) the damage is not fully covered, except for deductible amounts (which shall not exceed or be deemed to exceed $50,000), by Lessor's insurance policies. If Lessor does not elect to terminate this Lease pursuant to Lessor's termination right as provided above, Lessor shall notify Lessee within ninety (90) days after the date of damage as to whether the repairs can or cannot, in the reasonable opinion of Lessor, be completed within two hundred and seventy (270) days after being commenced. If Lessor notifies Lessee that the repairs cannot be completed within said two hundred and seventy (270)-day period, Lessee may elect, no earlier than ninety (90) days after the date of the damage and not later than ninety (90) days after the date of such damage, to terminate this Lease by written notice to Lessor effective as of the date specified in the notice, which date shall not be less than thirty (30) days nor more than ninety (90) days after the date such notice is given by Lessee. Furthermore, if neither Lessor nor Lessee has terminated this Lease, and the repairs are not actually completed within such two hundred and seventy (270)-day period, Lessee shall have the right to terminate this Lease during the first five (5) business days

of each calendar month following the end of such period until such time as the repairs are complete, by notice to Lessor (the "Damage Termination Notice"), effective as of a date set forth in the Damage Termination Notice (the "Damage Termination Date"), which Damage Termination Date shall not be less than ten (10) business days following the end of each such month. Notwithstanding the foregoing, if Lessee delivers a Damage Termination Notice to Lessor, then Lessor shall have the right to suspend the occurrence of the Damage Termination Date for a period ending thirty (30) days after the Damage Termination Date set forth in the Damage Termination Notice by delivering to Lessee, within five (5) business days of Lessor's receipt of the Damage Termination Notice, a certificate of Lessor's contractor responsible for the repair of the damage certifying that it is such contractor's good faith judgment that the repairs shall be substantially completed within thirty (30) days after the Damage Termination Date. If repairs shall be substantially completed prior to the expiration of such thirty (30)-day period, then the Damage Termination Notice shall be of no force or effect, but if the repairs shall not be substantially completed within such thirty (30)-day period, then this Lease shall terminate upon the expiration of such thirty (30)-day period. At any time, from time to time, after the date occurring ninety (90) days after the date of the damage, Lessee may request that Lessor inform Lessee of Lessor's reasonable opinion of the date of completion of the repairs and Lessor shall respond to such request within five (5) business days.

9.3 Waiver of Statutory Provisions. The provisions of this Lease, including this Section 9, constitute an express agreement between Lessor and Lessee with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or any other portion of the Site, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or any other portion of the Site.

9.4 Damage Near End of Term. In the event that the Premises or the Building is destroyed or damaged to any substantial extent during the last nine (9) months of the Term, and, in the reasonable opinion of Lessor, the damage or destruction to the Premises or Building cannot be repaired by the date which is six (6) months prior to the Lease Expiration Date (giving full consideration to any Option to extend the Term which has previously been or which may thereupon be exercised by Lessee), then either Lessor or Lessee shall have the option to terminate this Lease by giving written notice to the other party of the exercise of such option within thirty (30) days after such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice, Lessee shall pay the Base Rent and Additional Rent, properly apportioned up to such date of damage, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term. The

foregoing notwithstanding, in the event Lessee shall exercise its Option to extend the Term, any damage and/or destruction shall be dealt with pursuant to Sections 9.1, 9.2 and 9.3 above.

10. Real Property Taxes:

10.1 Payment of Taxes.

(a) Lessor shall pay the Tax Expenses, applicable to the Project subject to reimbursement by Lessee of Lessee's Share of such taxes in accordance with the provisions of Section 4.2, except as otherwise provided in Sections 4.6, 10.1(b), and 10.2.

(b) Notwithstanding anything to the contrary contained in this Lease, in the event that, at any time during the Lease Term (as extended), any sale, refinancing, change in ownership of the Office Building or any other transaction occurs or is consummated, and as a result thereof, and to the extent that in connection therewith, the Office Building is reassessed (the "Reassessment") for real estate tax purposes by the appropriate governmental authority pursuant to the terms of Proposition 13, then the following provisions shall apply to such Reassessment of the Real Property. The term "Tax Increase" shall mean that portion of the Tax Expenses, as calculated immediately following the Reassessment, which is attributable solely to the Reassessment. Accordingly, the term Tax Increase shall not include any portion of the Tax Expenses, as calculated immediately following the Reassessment, which (i) is attributable to the initial assessment of the value of the Office Building or the Lessee Improvements located in the Building, (ii) is attributable to assessments which were pending immediately prior to the Reassessment which assessments were conducted during, and included in, such Reassessment, or which assessments were otherwise rendered unnecessary following the Reassessment, or (iii) is attributable to the annual inflationary increase of real estate taxes permitted to be assessed annually under Proposition 13. During the Lease Term, as extended, any Tax Increase shall be excluded from Tax Expenses. The amount of Tax Expenses which Lessee is not obligated to pay or will not be obligated to pay during the Lease Term in connection with a particular Reassessment pursuant to the terms of this Section shall be sometimes referred to hereafter as a "Proposition 13 Protection Amount." If the occurrence of a Reassessment is reasonably foreseeable by Lessor and the Proposition 13 Protection Amount attributable to such Reassessment can be reasonably quantified or estimated for each Lease Year commencing with the Lease Year in which the Reassessment will occur, the terms of this Section shall apply to each such Reassessment. Upon notice to Lessee, Lessor shall have the right to purchase the Proposition 13 Protection Amount relating to the applicable Reassessment (the "Applicable Reassessment"), at any time during the Lease Term, by paying to Lessee an amount equal to the Proposition 13 Purchase Price, as that term is defined below, provided that the right of any successor of Lessor to exercise its right of repurchase hereunder shall not apply to any Reassessment which results from the event pursuant to which such successor of Lessor became the Lessor under this Lease. As used herein, "Proposition 13 Purchase Price" shall mean the present value of the Proposition 13 Protection Amount remaining during the Lease Term, as of

the date of payment of the Proposition 13 Purchase Price by Lessor. Such present value shall be calculated (i) by using the portion of the Proposition 13 Protection Amount attributable to each remaining Lease year (as though the portion of such Proposition 13 Protection Amount benefited Lessee at the beginning of each Lease Year), as the amounts to be discounted, and (ii) by using discount rates for each amount to be discounted equal to the Interest Rate as of the date of Lessor's exercise of its right to purchase, as set forth in this Section. Upon such payment of the Proposition 13 Purchase Price, the provisions of this Section of this Lease shall not apply to any Tax Increase attributable to the applicable Reassessment. Since Lessor is estimating the Proposition 13 Purchase Price because a Reassessment has not yet occurred, then when such Reassessment occurs, if Lessor has underestimated the Proposition 13 Purchase Price, upon notice by Lessor to Lessee, Lessee's Base Rent next due shall be credited with the amount of such underestimation, and if Lessor overestimates the Proposition 13 Purchase Price, then upon notice by Lessor to Lessee, Base Rent; next due shall be increased by the amount of the overestimation.

10.2 Additional Improvements. Lessee shall not be responsible for paying any increase in real property tax specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of any other lessee. Subject to Section 4.6, Lessee shall, however, pay to Lessor at the time that Operating Expenses are payable under Section 4.2 the entirety of any increase in Real Property Tax if assessed against the Project solely by reason of additional improvements placed upon the Premises by Lessee or at Lessee's request.

10.3 [INTENTIONALLY OMITTED]

10.4 Joint Assessment. If the improvements or property, the taxes for which are to be paid separately by Lessee under Section 10.2 or 10.5 are not separately assessed, Lessee's portion of that tax shall be equitably determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information (which may include the cost of construction) as may be reasonably available. Lessor's reasonable determination thereof; in good faith, shall be conclusive.

10.5 Personal Property Taxes.

(a) Lessee shall pay prior to delinquency all taxes and assessments assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay to Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities and Services:

11.1 Standard Lessee Services. Lessor shall provide the following services on all days during the Lease Term (the cost of which shall, subject to Section 4.7, be included as an Operating Expense), unless otherwise stated below.

(a) Subject to Section 11.1 (d) and all governmental rules, regulations and guidelines applicable thereto, Lessor shall provide heating and air conditioning when necessary for normal comfort for normal office and laboratory use in the Premises, from Monday through Friday, during the period from

7:30 a.m. to 7:30 p.m., and on Saturdays during the period from 7:30 a.m. to 2:00 p.m. ("Normal Business Hours"), except for Sundays and New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving Day, Christmas Day and any other nationally recognized holidays (collectively, the "Holidays").

(b) Lessor shall, subject to Section 11.1 (d), provide twenty-four (24) hours per day, every day of the year, adequate electrical wiring, facilities and power for normal general office use as determined by Lessor; provided, however, that electrical usage, to the extent the same exceeds eight (8) watts connected load per RSF in the Premises per year, shall be deemed excess consumption and shall be subject to the terms of Section 11.2, below. Lessee shall bear the cost of replacement of non-Building standard lamps, starters and ballasts for lighting fixtures within the Premises.

(c) Lessor shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes.

(d) Lessor shall not provide janitorial services to the Premises. All electrical service to the Premises and to any Common Areas of the Project for which Lessee has exclusive rights to may be at the election of Lessor pursuant to separately metered service and in such event shall be paid by Lessee directly to the service provider. If Lessor elects to separately meter the Premises, all costs relating to the initial installation of any electrical system or metering system (including, without limitation, any power panels, transformers, relays or meters and all related wiring and circuits) to permit Lessee to be directly billed for electrical service by the electrical utility shall be borne by Lessor. The foregoing notwithstanding, Lessor may, in its good faith discretion, elect to separately meter all tenants in the Building other than Lessee, and invoice Lessee for electrical service through the Building as a part of Operating Expenses. Lessee shall pay the cost of all electrical service as follows: (i) service to the-Premises shall either be paid directly to the utility (to the extent the Premises are separately metered) or directly to the Lessor and not included as a part of Operating Expenses (if the Premises are not separately metered) and (ii) service to Common Areas shall be included as Operating Expenses (subject to Section 4.7). Lessor shall provide janitorial service with respect to all Common Areas outside the Premises

comparable to janitorial services in comparable buildings, Monday through Friday except the date of observation of the Holidays.

(e) Lessor shall provide nonexclusive automatic elevator service at all times.

(f) Lessor shall cause the front entrance door of the Building to be unlocked and freely accessible by Lessee's employees, visitors and invitees during Normal Business Hours, except for Holidays. Outside of Normal Business Hours and Holidays, the front door shall be accessible by a card key system compatible with Lessee's security system. Furthermore, Lessee may install, at its cost, a card key system consistent with the Building's existing system (unless Lessee offers replacement cards to effected tenants at no cost to such tenants or the Building) in the Building's elevator and on the floors which comprise any portion of the Premises. Lessor shall permit Lessee to tie its security system into the Building's security system.

(g) Lessee shall pay for all services to Common Areas within the Building under the exclusive control of Lessee (other than the Parking Facility, the costs for which shall be included in the Operating Expenses).

11.2 Overstandard Lessee Use. Lessee shall not, without Lessor's prior written consent, use heat-generating machines, machines other than normal fractional horsepower office machines, or equipment or lighting other than building standard lights in the Premises, which may materially affect the temperature otherwise maintained by the air-conditioning system or increase the water normally furnished for the Premises by Lessor pursuant to the terms of Section 11.1 of this Lease. If such consent is given, Lessor shall have the right to install supplementary air-conditioning units or other facilities in the Premises, including supplementary or additional metering devices, and the cost thereof, including the cost of installation, operation and maintenance, increased wear and tear on existing equipment and other similar charges, shall be paid by Lessee to Lessor upon billing by Lessor. If Lessee uses water, electricity, heat or air-conditioning in excess of that supplied by Lessor pursuant to Section 11.1 of this Lease, Lessee shall pay to Lessor, upon billing, the cost of such excess consumption, the cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, and the cost of the increased wear and tear on existing equipment caused by such excess consumption; and Lessor may install devices to separately meter any increased use and in such event (subject, however, to Section 11.1(d)) Lessee shall pay the increased cost directly to Lessor, on demand, including the cost of such additional metering devices. If Lessee desires to use heat, ventilation or air-conditioning during hours other than those for which Lessor is obligated to supply such utilities pursuant to the terms of Section 11.1 of this Lease, or if Lessee shall require services in excess of those offered under Section 11.1 or elsewhere in this Lease, Lessee shall give Lessor such prior notice, as Lessor shall from time to time establish as appropriate, of Lessee's desired use and Lessor shall supply such utilities or extra services to Lessee at the actual cost thereof (including a reasonable estimate, with the basis therefor, of the additional administrative costs with respect thereto) to Lessee. Amounts payable by Lessee to

Lessor for such use of additional utilities shall be deemed Additional Rent hereunder and shall be billed on a monthly basis.

11.3 Interruption of Use. Lessee agrees that, except as provided in this Lease, Lessor shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building after reasonable effort to do so, by any accident or casualty whatsoever, by act or default of Lessee or other parties, or by any other cause beyond Lessor's reasonable control; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Lessee's use and possession of the Premises or relieve Lessee from paying Rent or performing any of its obligations under this Lease. Furthermore, Lessor shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Lessee's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Section 11. Lessor may comply with voluntary controls or guidelines promulgated by any governmental entity relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions without creating any liability of Lessor to Lessee under this Lease, provided that the Premises are not thereby rendered untenantable.

11.4 Excess Usage by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

12. Assignment and Subletting:

12.1 Lessor's Consent Required. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber (a "Transfer") all or any part of Lessee's interest in the Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold, condition or delay. Lessor shall respond to Lessee's request for consent hereunder in a timely manner (but in no event longer than 21 days) and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall at Lessor's option be void. In no event shall any sale, transfer or hypothecation of any interest in Lessee (an "Excluded Transaction") constitute a Transfer provided such transaction is not entered into as a subterfuge by Lessee to avoid the restrictions on Transfer.

12.2 Lessee Affiliate. Notwithstanding the provisions of Section 12.1 hereof; Lessee may assign or sublet the Premises, or any portion thereof; without Lessor's consent, to any entity which controls, is controlled by or is under common control with Lessee, or to any entity resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all or substantially all of the assets of Lessee as a going concern, all of whom are referred to as "Lessee

Affiliate"; provided that before such assignment shall be effective, (a) said assignee shall assume, in full, the obligations of Lessee under this Lease and (b) Lessor shall be given written notice of such assignment and assumption. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease even if after such assignment or subletting the terms of this Lease are materially changed or altered without the consent of Lessee, the consent of whom shall not be necessary.

12.3 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall release Lessee of Lessee's obligations hereunder or alter the primary liability of Lessee to pay the Rent and other sums due Lessor hereunder including Lessee's Share of Operating Expenses, and to perform all other obligations to be performed by Lessee hereunder.

(b) Lessor may accept rent from any person other than Lessee pending approval or disapproval of such assignment.

(c) Neither a delay in the approval or disapproval of such assignment or subletting, nor the acceptance of rent, shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the breach of any of the terms or conditions of this Section 12 or this Lease.

(d) The consent by Lessor to any assignment or subletting shall not constitute consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessees. However, Lessor may consent to subsequent subletting and assignment of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent and such action shall not relieve such persons from liability under this Lease or said sublease; however, such persons shall not be responsible to the extent any such amendment or modification enlarges or increases the obligations of the Lessee or sublessees under this Lease or such sublease.

(e) In the event of any default under this Lease, Lessor may proceed directly against Lessee or any one else responsible for the performance of this Lease, including the sublessees, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor or Lessee.

(f) Lessor's written consent to any assignment or subletting of the Premises by Lessee shall not constitute an acknowledgment that no default then exists under this Lease of the obligations to be performed by Lessee nor shall such consent be deemed a waiver of any then existing default, except as may be otherwise stated by Lessor at the time.

12.4 Additional Terms and Conditions Applicable to Subletting. Regardless of Lessor's consent, the following terms and conditions shall apply to any subletting by Lessee of all or any part

of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a default shall occur in the performance of Lessee's obligations under this Lease, Lessee may receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor nor by reason of the collection of the rents from a sublease, be deemed liable to the sublessees for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessees under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessees, upon receipt of a written notice from Lessor stating that a default exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents due and to become due under the sublease. Lessee agrees that such sublessees shall have the right to rely upon any such statement and request from Lessor, and that such sublessees shall pay such rents to Lessor without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessees or Lessor for rents paid by said sublessees to Lessor.

(b) No sublease entered into by Lessee shall be effective unless and until it has been approved in writing by Lessor. Lessor reserves the right to reasonably approve the form of the sublease document. Any sublessee shall, by reason of entering into a sublease under this Lease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every obligation herein to be performed by Lessee other then such obligations as are contrary to or inconsistent with provisions contained in a sublease to which Lessor has expressly consented in writing.

(c) In the event Lessee shall default in the performance of its obligations under this Lease, Lessor shall require any sublessee or assignee to attorn to Lessor under the terms of this Lease applicable to the sublease premises (in the case of a sublease) or the entire premises (in the case of an assignment), in which event Lessor shall undertake the obligations of Lessee under such sublease or assignment from the time of the exercise of said option to the termination of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to Lessee or for any other prior defaults of Lessee under such sublease or assignment.

(d) With respect to any assignment to which Lessor has consented, Lessor agrees to deliver a copy of any notice of default by Lessee to each assignee. Such assignee shall have the right to cure a default of Lessee within the applicable cure period after service of said notice of default upon such assignee,

and each assignee shall have a right of reimbursement and offset from and against Lessee for any such defaults cured by such assignee.

12.5 Lessor's Expenses. In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting then Lessee shall pay Lessor's reasonable costs third party and expenses incurred in connection therewith, including attorneys; architects: engineers' or other consultants' fees (not to exceed $1,500 per request).

13. Default, Remedies:

13.1 Default. The occurrence of any one or more of the following events shall constitute an event of default of this Lease by Lessee (an "Event of Default"):

(a) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Lessor to Lessee. Such notice shall be in addition to and not in lieu of any notice required under California Code of Civil Procedure Section 1161.

(b) The failure of Lessee to deliver the Letter of Credit under Section 5, where such failure shall continue for a period of fifteen (15) days after written notice thereof from Lessor to Lessee. Such notice shall be in addition to and not in lieu of any notice required under California Code of Civil Procedure Section 1161.

(c) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee other than those referenced in subsection (a) and (b), where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure to completion. Such notice shall be in addition to and not in lieu of any notice required under California Code of Civil Procedure Section 1161.

(d) (i) The making by Lessee of any general arrangement or general assignment for the benefit of creditors; (ii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iii) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the events that any provision of this Section 13.1(d) is contrary to any applicable law, such provision shall be of no force or effect.

(e) The discovery by Lessor that the audited financial statements given to Lessor by Lessee, dated as of April 14, 2000 with respect to the year ending December 31, 1999 or any

audited financial statements delivered to Lessor pursuant to Section 5 were, as of the date thereof and with respect to the period covered thereby, materially false.

13.2 Remedies. In the event of any Event of Default under this Lease by Lessee, Lessor may at any time thereafter, upon giving the notices required under California law and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Event of Default:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, the cost of recovering possession of the Premises; expenses of retailing, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Lessee proves could be reasonably avoided;.

(b) Maintain Lessee's right to possession in which case this Lease shall continue in effect whether or not Lessee shall have vacated or abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessors rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

13.3 Default by Lessor. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently pursues the same to completion. Lessor's liability under this Lease shall be limited to Lessor's from time to time equity interest in the Project.

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee to Lessor of Base Rent, Lessee's Share of Operating Expense Increase or other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Project. Accordingly, it any installment of Base Rent, Operating Expense Increase, or any other

sum due from Lessee shall not be received by Lessor or Lessor's designee when such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 10% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the, costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

14. Condemnation: If the Premises or any portion thereof or the Project are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs provided that if so much of the Premises or the Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Lessee's business conducted from the Premises, Lessee shall have the option, to be exercised only in writing within thirty (30) days after Lessor shall have given Lessee written notice of such taking (or in the absence of, such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent and Lessee's Share of Operating Expense Increase shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises. Lessee's abatement period hereunder shall continue until Lessee has been given sufficient time, and sufficient access to the Premises, to rebuild the portion of the Premises it is required to rebuild to substantially the same design concept, to install its property, furniture, fixtures, and equipment and to move in over one (1) weekend per full floor. Common Areas taken shall be excluded from the Common Areas usable by Lessee and no reduction of rent shall occur with respect thereto or by reason thereof. Lessor shall have the option in its sole discretion to terminate this Lease as of the taking of possession by the condemning authority, by giving written notice to Lessee of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Project. Any award for the taking of all or any part of the Premises or the Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any separate award for loss of or damage to Lessee's trade fixtures, removable personal property and unamortized Lessee improvements that have been paid for by Lessee. For that purpose the cost of such improvements shall be amortized over the original term of this Lease excluding any options. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority Lessee shall pay any amount in excess of such severance damages required to complete such repair.

15. Brokers: Lessor agrees that it will recognize Cushman & Wakefield of California, Inc. as the exclusive Broker for Lessee and The Bates Company as the exclusive broker for Lessor (the "Brokers"). Lessor and Lessee hereby warrant to each other that (other than Julien J. Studley, Inc.) they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the Brokers, and that they know of no other real estate broker or agent other than the Brokers who is entitled to a, commission in connection with this Lease. Lessor shall pay the brokerage commissions owing to the Brokers in connection with the transaction contemplated by this Lease pursuant to and only to the extent set forth in a separate written agreement between Lessor and the Brokers. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers. The terms of this Section shall survive the expiration or earlier termination of the Term.

16. Estoppel Certificate:

(a) Each party (a "responding party") shall at any time upon not less than ten (10) days' prior written notice from the other party (a "requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, sitting the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the responding party's knowledge, any uncured defaults on the part of the requesting party, or specifying such defaults if any are claimed. Any such statement may be conclusively rallied upon by any prospective purchaser or encumbrancer of the Project or of the business of Lessee.

(b) The failure to deliver such statement within such time shall be conclusive evidence upon such party that (i) this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) there are no uncured defaults in the requesting party's performance, and (iii) if Lessor is the requesting party, not more than one month's rent has been paid in advance.

(c) If Lessor desires to finance, refinance, or sell the Project, or any part thereof, Lessee hereby agrees to deliver to any lender or purchaser designated by Lessor such publicly-released financial statements of Lessee as may be reasonably required by such lender or purchaser. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. Lessor's Liability: The term "Lessor" as used herein shall mean only the owner or owners, at the time in question, of the fee title or a lessee's interest in a ground lease of the Project, and except as expressly provided in Section 15, in the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.

18. Severability: The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

19. Interest on Past-due Obligations: Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the rate equal to the "reference rate," "prime rate" or other benchmark rate of interest publicly announced by Bank of America (the "Interest Rate") from the date due. Payment of such Interest Rate shall not excuse or cure any Event of Default by Lessee; provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid by Lessee.

20. Time of the Essence: Time is of the essence with respect to the obligations to be performed under this Lease.

21. Additional Rent: All monetary obligations of Lessee to Lessor under the terms of this Lease, including but not limited to Lessee's Share of Operating Expense Increase and any other expenses payable by Lessee hereunder shall be deemed to be rent.

22. Incorporation of Prior Agreements, Amendments: This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither of the Brokers listed in Section 15 hereof nor the Lessor or any employee or agents of any of said persons has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of the Premises or the Project.

23. Notices: Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery, by a nationally-recognized overnight courier, such as FedEx, or by certified or registered mail, and shall be deemed sufficiently given upon receipt. Either party may by notice to the other specify a different address or additional addresses for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently

transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee.

24. Waivers: No waiver by Lessor or Lessee of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee or Lessor, as the case may be, of the same or any other provision. Lessor's or Lessee's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's or Lessee's consent (as the case may be) to or approval of any subsequent act. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

25. Recording: Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a memorandum of this Lease in form satisfactory to Lessee for recording purposes. To the extent required by the Los Angeles County Recorder's Office, Lessor shall provide Lessee a factually correct Preliminary Change in Ownership Report.

26. Hold Over: If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof; such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, except that the rent payable shall be one hundred twenty-five percent (125%) of the of the Base Rent payable immediately preceding the termination date of this Lease.

27. Cumulative Remedies: No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions: Each provision of this Lease to be performed by Lessee shall be deemed both a covenant and a condition.

29. Binding Effect; Choice of Law: Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of Section 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California and any litigation concerning this Lease between the parties hereto shall be initiated in the county in which the Project is located.

30. Subordination:

(a) This Lease, shall at Lessor's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof Notwithstanding such subordination, Lessee's right to quiet possession of the Premises shall not be disturbed if Lessee is not in default and so long

as Lessee shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to have this Lease prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Lessor agrees that, as a condition to Lessee's obligation to deliver the Security Deposit, it will, at Lessor's cost, provide Lessee with commercially reasonable non-disturbance agreements in favor of Lessee from any ground lessors, deed of trust beneficiaries or lien holders (each, a "Mortgagee") then in existence, (such non-disturbance agreement is referred to as the "Initial SNDA"). Said non-disturbance agreements shall be in recordable form and may be recorded at Lessee's election and expense.

(c) Lessor agrees to provide Lessee with commercially reasonable non-disturbance agreement(s) in favor of Lessee from any Mortgagee of Lessor who later come into existence at any time prior to the expiration of the Term of the Lease in consideration of, and as a condition precedent to, Lessee's agreement to be bound by Lease Section 30(a), it being the intent of Lessor and Lessee that the subordination provision in such Section 30(a) shall only apply with respect to a particular Mortgagee in the specific event that Lessee receives such non-disturbance agreements from such persons.

(d) As used in this Lease, the term "commercially reasonable non-disturbance agreement" shall mean that such agreement shall at a minimum shall provide that, to the extent Lessor has failed to fulfill its obligations with respect to the payment of any of the following ("Unpaid Economic Concessions") (i) Basic Lessee Improvement Allowance and Financed Cost (and any allowances for expansions, renewals, initial construction, remodeling or refurbishing), and the cost incurred by Lessee of constructing or completing the Lessee Improvements which were required to be constructed or completed by Lessor at Lessor's expense (pursuant to Section 6.2), (ii) unused credit of Base Rent or Operating Expenses (for example, any initial free rent period), (iii) unpaid arbitration awards or court judgments, (iv) unrefunded Security Deposit, (v) uncredited Repair Offset Right (as defined in Section 7.1 (b)), or (vii) unpaid commission payable by Lessor due and owing to Lessee's Broker, Lessee may, subject to Section 61, deduct the amount of the obligation which Lessor has not paid, together with interest at the Interest Rate from the Base Rent next coming due and payable under the Lease (provided, however, at Mortgagee's discretion, it may pay all such amounts directly to Lessee in lieu of Lessee's deducting such amount from Base Rent). Furthermore, such agreements shall provide that, notwithstanding anything to the contrary set forth in the Lease, in the event that Lessor fails to fulfil its obligations with respect to any Unpaid Economic Concessions, Mortgagee or such other successor to the interests of Lessor and/or Mortgagee shall fulfil such obligations, together with interest at the Interest Rate, as defined in the Lease. With respect to all such payments, interests shall be computed from the date such amounts should have been paid or credited until the date such amounts are in fact paid.

(e) Subject to Lessee's receipt of a commercially reasonable non-disturbance agreement in each instance, Lessee agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Lease granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be.

(f) Anything to the contrary herein notwithstanding, Lessee agrees that the non-disturbance agreement attached to this Lease as Exhibit "D" shall be acceptable with respect to the lender named therein.

31. Attorney's Fees:

31.1 If either party or the broker(s) named herein bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, trial or appeal thereon, shall be entitled to his reasonable attorneys' fees to be paid by the losing party as fixed by the court in the same or a separate suit, and whether or not such action is pursued to decision or judgment. The provisions of this Section shall inure to the benefit of the broker named herein who seeks to enforce a right hereunder.

31.2 The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred in good faith.

32. Lessor's Access:

32.1 Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, performing any services required of Lessor, showing the same to prospective purchasers, lenders, or lessees, taking such safety measures, erecting such scaffolding or other necessary structures, making such alterations, repairs, improvements or additions to the Premises or to the Project as Lessor may reasonably deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. Lessor may at any time place on or about the Building any ordinary "For Sale" signs.

32.2 Lessee may designate certain areas of the Premises as "Secured Areas" should Lessee require such areas for the purpose of securing certain valuable property or confidential information. Lessor may not enter such Secured Areas except in the case of emergency or in the event of a Lessor inspection, in which case Lessor shall provide Lessee with ten (10) days' prior written notice of the specific date and time of such Lessor inspection which shall only take place in the presence of a duly authorized representative of Lessee. Landlord's obligation to provide services to the Secured Areas is dependent upon having the necessary timely access to such Secured Areas.

32.3 Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes and any Secured Areas, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forcible or unlawful

entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. Auctions: Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Common Areas without first having obtained Lessor's prior written consent.

34. Signs: For such time as Lessee or Lessee's Affiliate in the aggregate occupy fifty percent (50%) or more of the initial Premises, Lessee, at Lessee's sole cost and expense for design, fabrication, installation and maintenance, shall be entitled to exclusive Building top signage rights on at least two sides of the Building, subject to applicable city approvals. All signage identifying Lessee (other than in the Building directory) shall utilize Lessee's graphics program. Lessor shall, at Lessee's cost, assist Lessee in obtaining such approvals should it become necessary. Further, Lessee shall have proportionate and non-exclusive rights to any monument signage based upon Lessee's percentage of the Building occupied. The cost of installing such signage shall be at Lessee's sole cost and expense, but may be paid for out of the Improvement Allowance. Lessee shall have the right to include the name of the firm and key employees on any directory board that is now or may be installed in the Building at Lessors sole cost and expense in an amount proportionate to Lessee's pro-rata share of the Building. Lessee shall not place any other sign upon the Premises or the Project without Lessor's prior written consent.

35. Merger: The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor operate as an assignment to Lessor of any or all of such subtenancies.

36. Consents:

(a) Except for matters which (i) involve security for Project, or structural integrity of the Building, or the Building Systems or (ii) could affect the exterior appearance of the Building, whereupon in each such case Lessor's duty is to act in good faith and in compliance with the Lease, any time the consent of Lessor or Lessee is required, such consent shall not be unreasonably withheld, conditioned or delayed, regardless of any reference to the words "sole" or "absolute."

(b) Except in the situations described in subsections (a)(i) or (ii) whenever the Lease grants Lessor or Lessee the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, Lessor and Lessee shall act reasonably and take no action which might result in the frustration of the reasonable expectations of a sophisticated landlord and sophisticated tenant concerning the benefits to be enjoyed under the Lease.

37. Quiet Possession: Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Project.

38. Options:

38.1 Definition. As used in this Section the word "Option" has the following meaning: (1) the right or option to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; and (2) the option of right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other space within the Project or other property of Lessor or the right of first offer to lease other space within the Project or other property of Lessor.

38.2 Options Not Personal. Each Option granted to Lessee in this Lease is not personal to Lessee and may be exercised by Lessee and any assignee of Lessee's. The Options herein granted to Lessee are not assignable separate and apart from this Lease, nor may any Option be separated from this Lease in any manner, either by reservation or otherwise.

38.3 Multiple Options. In the event that Lessee has any multiple options to extend or renew this Lease a later option cannot be exercised unless the prior option to extend or renew this Lease has been so exercised.

39. Security Measures — Lessor's Reservations:

39.1 Lessee hereby acknowledges that Lessor shall have no obligation whatsoever to provide guard service for the benefit of the Premises or the Project. Lessee assumes all responsibility for the protection of Lessee, its agents, and invitees and the property of Lessee and of Lessee's agents and invitees from acts of third parties. Nothing herein contained shall prevent Lessor, at Lessor's sole option, from providing guard service for the Project or any part thereof; in which event the cost thereof shall be included within the definition of Operating Expenses, as set forth in Section 4.2(b). Lessor shall on or before the Commencement Date relocate the panels servicing the Building's security system to a Common Area off the third floor of the Building, provided, however, all card readers, door access controls and other security related improvements presently located on the floors comprising all or any part of the Premises (the "Existing Security Improvements") shall not be removed. Lessee shall have the right to utilize (including rewiring) the Existing Security Improvements without a separate charge from Lessor (other than with respect to a maintenance, repair or operation cost that is permitted to be included within the definition of Operating Expenses).

39.2 Lessor shall have the following rights:

(a) To change the name, address or title of the Project upon not less than 90 days prior written notice (provided, however, that Lessor shall pay to Lessee upon demand the reasonable and actual costs of Lessee's reprinting its stationary and revising its accounts as a result thereby).

(b) To provide, at Lessees expense, and install as directed by Lessee signage on the door of the Premises and such portions of the Common Areas on floors where any portion of the Premises then occupied by Lessee are located as Lessee shall reasonably deem appropriate which signage shall utilize Lessee's graphics program.

(c) To permit any lessee the exclusive right to conduct any business as long as such exclusive does not conflict with any rights expressly given herein.

(d) Subject to the terms of this Lease, to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the buildings or the Project or on pole signs in the Common Areas (provided that so such installation shall interfere with Lessee's rooftop communications equipment) or the use thereof by Lessee. Lessee's rooftop communication equipment shall not unreasonably interfere with the rooftop communications equipment located on the roof of the Building as of the date of Lessee's installation thereof.

39.3 Lessee shall not: use a representation (photographic or otherwise) of the Building or the Project or their name(s) in connection with Lessee's business.

40. Easements:

40.1 Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor.

40.2 The obstruction of Lessee's view air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

41. Performance Under Protest: If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment under protest and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

42. Authority: If Lessee is a corporation, trust, or general or limited partnership, Lessee, and each individual executing this Lease on behalf of such entity represent and warrant that such individual is duly authorized to execute and deliver this Lease on behalf of said entity.

43. [INTENTIONALLY OMITTED]

44. No Offer: Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to Lessee to lease, This Lease shall become binding upon Lessor and Lessee only when fully executed by both parties.

45. Lender Modification: Lessee agrees to make such reasonable modifications to this Lease as may be reasonably required by an institutional lender in connection with the obtaining of normal financing or refinancing of the Project, provided however that no such modification shall operate to extend the Term,

reduce any Option, reduce any offset right, increase the Base Rent or Additional Rent payable by Lessee hereunder, relocate the Premises, or in any way diminish any legal protections afforded to Lessee hereunder or increase any economic obligation of Lessee assumed hereunder.

46. Multiple Parties: If more than one person or entity is named as either Lessor or Lessee herein, except as otherwise expressly provided herein. The obligations of the Lessor or Lessee herein shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee, respectively.

47. Options for Additional Space:

The US Census Bureau ("Bureau") currently occupies 8,715 RSF on the second floor of the Building (the "Bureau Space"). The Bureau may terminate its Lease any time on or after August 31, 2000 by giving Lessor 30 days notice. In any event the Lease with the Bureau expires on November 30, 2000.

Lessor agrees to notify Lessee immediately upon receipt by Lessor of any 30-day termination notice by the Bureau. Lessee shall have 5 business days from notification by Lessor in which to exercise its right to expand into the Bureau Space. In the event the Bureau does not terminate early, Lessee shall have the right to exercise its right to take the Bureau Space any time prior to September 30, 2000.

Should Lessee exercise this option, Lessor shall provide a special improvement allowance of $20.00 per usable square foot for Lessee Improvements, which may be used by Lessee for use in improving this expansion area. Lessee shall pay (i) an initial monthly Base Rent, through the 20th month of the initial Term; equal to $1.50 per RSF in the Bureau Space leased by Lessee, (ii) monthly Base Rent equal to $1.60 per RSF in the Bureau Space leased by Lessee beginning on the 21st through the 40th month of the initial Term and (iii) monthly Base Rent equal to $1.70 per RSF in the Bureau Space leased by Lessee beginning on the 41st month of the Term and ending on the 61st month of the Term. Upon leasing the Bureau Space, Lessee's Share shall be appropriately adjusted. Otherwise, Lessee's occupancy of the Bureau Space shall be on the same terms and conditions of the Lease. The Lease Term for the Bureau Space shall be co-terminus with the Term for the initial Premises. Upon exercise Lessee agrees to increase Security deposit by an amount equal to $4.00 times the amount of RSF in the Bureau Space. Lessee shall have no right to exercise its Option with respect to the Bureau Space if Lessee shall at the time of the notice of Lessor's notice Lessee has committed an Event of Default which shall not have been cured.

48. Right of First Offer:

In addition to the expansion rights detailed above, Lessee shall have the ongoing Right of First Offer for any space that may become available on the second (2nd) floor of the Building. Lessor shall provide Lessee with notice (the "ROFO Notice") of the availability of any such space and Lessee shall have five- (5) calendar days to respond to the ROFO Notice. The ROFO Notice shall include the size of the available space, the rental rate (which shall be the Fair Market Rental Rate as determined below) and Lessee Improvement called for in the proposal. Lessee shall have no right to exercise its Option hereunder if at the time of the ROFO Notice Lessee has committed an Event of Default which has not been cured. Lessee covenants that any improvement allowance included within the calculation of the Fair Market Rental Rate shall be used exclusively for the cost of designing and constructing improvements to the Premises and not for furniture, trade fixtures, equipment or free rent.

49. Renewal Options:

Lessee shall have two (2) extension option(s) of five (5) years each for the Premises ("Extension Option"). Lessee shall be required to give Lessor at least nine (9) months' advance notice of its election

to exercise such Extension Option prior to the expiration of the Lease or expiration of the then renewal period, as appropriate. The Base Rent for the Extension Option shall be the then Fair Market Rental Rate. Lessee covenants that any improvement allowance included within the calculation of the Fair Market Rental Rate shall be used exclusively for the cost of designing and constructing improvements to the Premises and not for furniture, trade fixtures, equipment or free rent. Lessee shall not have any extension right if then in default under the Lease (with all notices having been given and any applicable cure period having expired). This Extension Option shall not be personal to Lessee and may be exercised by any assignee of the Lease permitted under the terms of the Lease. The Extension Option shall be applicable to all space leased by Lessee pursuant to the Lease.

50. Determination of Fair Market:

For the purposes of the Lease the term "Fair Market Rental Rate" shall mean the annual amount per rentable square foot that a willing, comparable, full floor, non-renewal, non-sublease, non-expansion, non-equity tenant would pay and a willing, comparable landlord of like and comparable buildings with comparable vacancies for a comparable period of time in the vicinity of the Building would accept, at arm's length, for comparable space ("Comparable Transactions"). In any determination of Comparable Transactions appropriate consideration shall be given to the annual rental rates per rentable square foot, the standard of measurement by which the rentable square footage is measured, the ratio of rentable square feet to usable square feet, the type of escalation clause (e.g., whether increases in additional rent are determined on a net or gross basis, and if gross, whether such increases are determined according to an expense stop), the extent of Lessee's liability under the Lease, abatement provisions reflecting free rent and/or no rent during the period of construction or any other period during the lease term, brokerage commissions, if any, which would be payable by Lessor in similar transactions, length of the lease term, size and location of premises being leased, building standard work letter and/or tenant improvement allowances, if any, age and location of the building, location and floor level of the premises, quality of construction, the services offered, the types, quantity, quality, costs and location (on site, adjacent, off site, underground or above ground) of parking rights and obligations, and other generally applicable conditions of tenancy for such Comparable Transactions. The intent is that Lessee will obtain the same rent and other economic benefits that Lessor would otherwise give in a Comparable Transaction and that Lessor will make, and receive the same economic payments and concessions that Lessor would otherwise make, and receive in a Comparable Transaction.

Lessor shall initially determine the Fair Market Rental Rate by using its good faith judgment. Lessor shall provide its written notice of the Fair Market Rental Rate within thirty (30) days after Lessee provides the notice to Lessor exercising Lessee's Option rights which require a calculation of the Fair Market Rental Rate. Lessee shall have fifteen (15) days ("Lessee's Review Period") after receipt of Lessor's notice of the Fair Market Rental Rate within which to accept or reject such rental rate. In the event Lessee fails to accept in writing such rental proposed by Lessor then such proposal shall be deemed rejected, and Lessor and Lessee shall attempt to agree upon such Fair Market Rental Rate, using their best good faith efforts. If Lessor and Lessee fail to reach agreement within fifteen (15) days following Lessee's Review Period ("Outside Agreement Date"), then each party shall place in a separate sealed envelope its final proposal as to the appropriate Fair Market Rental Rate and such determination shall be submitted to arbitration in accordance with subsections (a) through (e) below.

In the event that Lessor fails to timely generate the initial written notice of Lessor's proposed Fair Market Rental Rate which triggers the negotiation period of this Section, then Lessee may commence such negotiations by providing the initial notice, in which event Lessor shall have fifteen (15) days ("Lessor's Review Period") after receipt of Lessee's notice of the proposed rental within which to accept such rental. In the event Lessor fails to accept in writing such rental proposed by Lessee, then such proposal shall be deemed rejected, and Lessor and Lessee shall attempt in good faith to agree upon such Fair Market Rental Rate, using their best good faith efforts. If Lessor and Lessee fail to reach ,agreement within fifteen (15) days following Lessor's Review Period (which shall be, in such event, the "Outside Agreement Date" in lieu of the above definition of such date), then each party shall place in a separate sealed envelope its final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration in accordance with subsections (a) through (e) below.

(a) Lessor and Lessee shall meet with each other within five (5) business days of the Outside Agreement Date and exchange the sealed envelopes and then open such envelopes in each other's presence. If Lessor and Lessee do not mutually agree upon the Fair Market Rental Rate within one (1) business day of the exchange and opening of envelopes, then, within ten (10) business days of the exchange and opening of envelopes Lessor and Lessee shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate lawyer or broker who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of mid-rise properties in the vicinity of the Building. Neither Lessor nor Lessee shall consult with such broker or lawyer as to his or her opinion as to Fair Market Rental Rate prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Lessor's or Lessee's submitted Fair Market Rental Rate for the Premises is the closer to the actual Fair Market Rental Rate for the Premises as determined by the arbitrator, taking into account the requirements of this Section. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his sole discretion, determines is necessary. In addition, Lessor or Lessee may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of Fair Market Rental Rate ("FMRR Data") and the other party may submit a reply in writing within five (5) business days after receipt of such FMRR Data.

(b) The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Lessor's or Lessee's submitted Fair Market Rental Rate, and shall notify Lessor and Lessee of such determination.

(c) The procedural laws set forth in the California General Arbitration Act (California Code of Civil Procedure ("C.C.P.") Sections 1280 through 1294.2) shall govern such arbitration.

(d) If Lessor and Lessee fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of the Los Angeles County Superior Court, or, if he or she refuses to act, by any judge having jurisdiction over the parties.

(e) The cost of arbitration shall be paid by Lessor and Lessee equally.

51. Arbitration: With the exception of the arbitration provisions which shall specifically apply to Lease Section 50, the provisions of this Section contain the sole and exclusive method, means and procedure to resolve any and all disputes or disagreements with respect to the Commencement Date, or

the existence or duration of a Lessor Delay or Force Majeure Delay. The parties hereby irrevocably waive any and all rights to the contrary and shall at all times conduct themselves in strict, full, complete and timely accordance with the provisions of this Section. Any and all attempts to circumvent the provisions of this Section shall be absolutely null and void and of no force or effect whatsoever. Any arbitration with respect to the issues specified above shall be conducted as follows:

(a) Arbitration Panel. Within ten (10) days after delivery of written notice ("Notice of Dispute") of the existence and nature of any dispute given by any party to the other party, and unless otherwise provided herein in any specific instance, the parties shall each: (i) appoint one (1) lawyer actively engaged in the licensed and full-time practice of law, specializing in real estate, in the County of Los Angeles for a continuous period immediately preceding the date of delivery ("Dispute Date") of the Notice of Dispute of not less than ten (10) years, but who has at no time ever represented or acted on behalf of any of the parties to the dispute (or their affiliates), and (ii) deliver written notice of the identity of such lawyer and a copy of his written acceptance of such appointment and acknowledgment of and agreement to be bound by the time constraints and other provisions of this Section ("Acceptance") to the other parties hereto. The party who selects the lawyer may not consult with such lawyer, directly or indirectly, to determine the lawyer's position on the issue which is the subject of the dispute. In the event that any party fails to so act, such arbitrator shall be appointed pursuant to the same procedure that is followed when agreement cannot be reached as to the third arbitrator. Within ten (10) days after such appointment and notice, such lawyers shall appoint a third lawyer (together with the first two (2) lawyers, the "Arbitration Panel") of the same qualification and background and shall deliver written notice of the identity of such lawyer and a copy of his written Acceptance of such appointment to each of the parties. In the event that agreement cannot be reached on the appointment of a third lawyer within such period, such appointment and notification shall be made as quickly as possible by any court of competent jurisdiction, by any licensing authority, agency or organization having jurisdiction over such lawyers, by any professional association of lawyers in existence for not less than ten (10) years at the time of such dispute or disagreement and the geographical membership boundaries of which include the County of Los Angeles or by any arbitration association or organization in existence for not less than ten (10) years at the time of such dispute or disagreement and the geographical boundaries of which include the County of Los Angeles as determined by the party giving such Notice of Dispute and simultaneously confirmed in writing delivered by such party to the other party. Any such court, authority, agency, association or organization shall be entitled either to directly select such third lawyer or to designate in writing, delivered to each of the parties, an individual who shall do so. In the event of any subsequent vacancies or inabilities to perform among the Arbitration Panel, the lawyer or lawyers involved shall be replaced in accordance with the provisions of this Section as if such replacement was an initial appointment to be made under this Section within the time constraints set forth in this Section, measured from the date of notice of such vacancy or inability, to the person or persons required to make such appointment, with all the attendant consequences of failure to act timely if such appointed person is a party hereto.

(b) Duty. Consistent with the provisions of this Section, the members of the Arbitration Panel shall utilize their utmost skill and shall apply themselves diligently so as to hear and decide, by majority vote, the outcome and resolution of any dispute or disagreement submitted to the Arbitration Panel as promptly as possible, but in any event on or before the expiration of thirty (30) days after the appointment of the members of the Arbitration Panel except in the event that an arbitrator is replaced, in which case such period shall be extended for ten (10) days in connection with each such replacement.

None of the members of the Arbitration Panel shall have any liability whatsoever for any acts or omissions performed or omitted in good faith pursuant to the provisions of this Section.

(c) Authority. The Arbitration Panel shall (i) enforce and interpret the rights and obligations set forth in the Lease to the extent not prohibited by law, (ii) subject to subsection (d), below, fix and establish any and all rules as it shall consider appropriate in its sole and absolute discretion to govern the proceedings before it, including any and all rules of discovery, procedure and/or evidence, and (iii) make and issue any and all orders, final or otherwise, and any and all awards, as a court of competent jurisdiction sitting at law or in equity could make and issue, and as it shall consider appropriate in its sole and absolute discretion, including the awarding of monetary damages (but shall not award punitive damages except in situations involving knowing fraud or egregious conduct condoned by, or performed by, the person who, in essence, occupies the position which is the equivalent of the chief executive officer of the party against whom damages are to be awarded), the awarding of reasonable attorneys' fees and costs to the prevailing party as determined by the Arbitration Panel in its sole and absolute discretion, and the issuance of injunctive relief. If the party against whom the award is issued complies with the award, within the time period established by the Arbitration Panel, then no Event of Default will be deemed to have occurred, unless the Event of Default pertained to the non-payment of money by Lessee or Lessor, and Lessee or Lessor failed to make such payment under protest.

(d) Appeal. The law of the State of California, both procedural and substantive, shall govern the arbitration and the Arbitration Panel. The California General Arbitration Act (California Code of Civil Procedure Sections 1280 through 1294.2) shall be controlling, except that: (i) a record of the arbitration proceedings shall be maintained by the Arbitration Panel; (ii) the precise findings of fact and conclusions of law underlying any award shall be specified in writing by the Arbitration Panel; (iii) a petition may be made to the Superior Court under the authority of C.C.P. § 1285, seeking to confirm, modify or vacate an award or finding; and (iv) any such a petition may be made on any of the grounds set forth in the California General Arbitration Act and/or on the grounds that the award or finding constitutes (x) a mistake of law, (y) an abuse of discretion or (z) lacks adequate support in evidence. Any such petition, or appeal following such a petition, shall be based on the record from the arbitration and shall not take the form of a trial de novo.

(e) Compensation. Each member of the Arbitration Panel (i) shall be compensated for any and all services rendered under this Section at such member's quoted hourly rate, plus reimbursement for any and all expenses incurred in connection with the rendering of such services, payable in full promptly upon conclusion of the proceedings before the Arbitration Panel. Such compensation and reimbursement shall be borne by the nonprevailing party as determined by the Arbitration Panel in its sole and absolute discretion or, if the Arbitration Panel does not identify a "non-prevailing" party, the compensation and reimbursement shall be borne equally by Lessor and Lessee.

52. Data Cabling: Lessee shall, at no cost, have its pro rata share of all T1/DS1 data lines that exist in the Building as of the date hereof that are presently available for use in the Building. Lessor shall repair and maintain all such data lines, and the cost of the repair and maintenance thereof shall be included in Operating Expenses (provided, however, in the event Lessor shall offer Lessee the exclusive use of such data lines, Lessee shall be responsible for the repair and maintenance thereof at Lessee's sole cost and expense).

53. Move-In: The Premises shall be thoroughly cleaned at Lessor's sole cost and expense prior to and following Lessee's move-in to the Premises.

54. Building Management: Any management agreement shall provide that the management agent shall operate the Building in a first-class institutional manner and in the most cost-effective manner possible, so as to minimize operating expenses, consistent with providing quality services.

55. Roof Rights: Lessee shall be entitled to install, at no charge, satellite and/or microwave dishes and venting equipment atop the Building, subject to Lessor's consent, which shall not be unreasonably withheld. Lessee shall have reasonable rights to access the roof from time to time. Lessee shall be responsible for any damage such installation may cause, and agrees to remove any installation and make any necessary repairs at the election of Lessor upon termination of Lease.

56. [INTENTIONALLY OMITTED]

57. [INTENTIONALLY OMITTED]

58. Right to Sublease/Assign: Notwithstanding Section 12, Lessor shall have the right to fifty percent (50%) of any profits associated with the assignment/sublease of the space to any third party non-affiliate but Lessee shall retain 100% of any profits associated with respect to any assignment or sublease to any Lessee Affiliate or with respect to any Excluded Transaction.

59. Parking:

(a) Initial Parking Rights. Lessee shall have the right during the term to utilize up to its pro rata share (based on Lessee's from time to time Lessee's Share) of the aggregate number of parking spaces existing on the Site (the "Parking Privileges"), currently 41 Parking Privileges. Lessor shall not reduce or eliminate any parking spaces without Lessee's prior consent. Seven (7) of Lessee's Parking Privileges shall be directly accessible from the easterly alley (and identified on Exhibit "F") and shall be painted "Reserved - Xencor Visitor Parking" with appropriate tow-away notices posted and enforced by Lessor.

(b) Additional Parking Rights. Six (6) parking spaces in the Project are committed to non-tenants in the Project ("Non-Tenant Spaces") pursuant to agreements described on Exhibit "E" ("Non-Tenant Parking Agreements"). Lessor may not extend or renew any of the Non-Tenant Parking Agreements or enter into new agreements with non-tenants in the Building for parking privileges in the Project during the Term provided, however, Lessor may extend the Otero Agreement (as defined in Exhibit "F") provided, however, in the event Lessee occupies 100% of the RSF in the Building, Lessee shall be entitled to 100% of the enclosed parking spaces in the Project and the parking privileges under the Otero Agreement shall be relocated to the uncovered spaces offered by the Project. Lessee shall have the right to utilize, on a month-to-month basis, any parking spaces allocated to, and unused by, other tenants in the Building.

(c) Provisions Governing Lessee's Parking Privileges. Lessor shall not charge Lessee for its Parking Privileges or for visitor parking during the Term of this Lease or any extension Term. Lessee's parking privileges shall be available to Lessee twenty-four (24) hours per day, seven (7) days per week, every day of the year, in any location where Lessee shall maintain its parking privileges. Lessee's parking shall be non-tandem. All of Lessee's Parking privileges shall be reserved, and Lessor shall

clearly identify Lessee's Parking Privileges by the words "Xencor, Inc. Reserved Parking" or other words identifying the particular Parking Privilege as being reserved for Lessee's exclusive use. The location of Lessee's initial Parking Privileges is set forth on Exhibit "F." Should Lessor provide other parking services, such as "call down" or valet to other tenants, the same shall be made available to Lessee on a pro rata basis. Lessee shall comply with all reasonable parking rules and regulations promulgated from time to time by Lessor which are not inconsistent with the foregoing. Lessor shell, on or before the Commencement Date, construct and install a security gate around the Parking Facility to prevent non-tenant use of the Parking Facility. The actual cost of the gate shall be paid for by Lessee, but the card key access system and card keys shall be provided at Lessor's cost (the "Parking Security System"). The specifications of the Parking Security System shall be reasonably satisfactory to Lessee and shall be designed to coordinate with Lessee's security system for its Premises so that the same card key system may be utilized by Lessee's employees to access the Parking Facility and the Premises.

60. Audit Right: Lessee shall have the right, after reasonable notice and at reasonable times, to inspect and photocopy Lessor's accounting records relating to Direct Expenses and any other costs or charges passed along to Lessee at Lessor's office. If, after such inspection and photocopying, Lessee continues to dispute the amount of its Share of Operating Expenses, Lessee shall be entitled to retain a national, independent, certified public accountant (who may not be compensated by Lessee on a contingent fee basis) to audit and/or review Lessor's records with respect to the immediately preceding two (2) calendar years to determine the proper amount of its Share of Operating Expenses. In no event shall Lessee audit Lessor's accounting records more frequently than once per calendar year. If such audit or review reveals that Lessor has overcharged Lessee, then within five (5) days after the results of such audit are made available to Lessor, Lessor shall reimburse Lessee the amount of such overcharge plus interest at the Interest Rate. If the audit reveals that Lessee was undercharged, then within five (5) days after the results of the audit are made available to Lessee, Lessee shall reimburse Lessor the amount of such undercharge plus interest thereon at the Interest Rate. If Lessor desires to contest such audit results, Lessor may do so by submitting the results of the audit to arbitration pursuant to Section 51 within five (5) days of receipt of the results of the audit, and the arbitration shall be final and binding upon Lessor and Lessee. Lessee agrees to pay the cost of such audit, provided that, if the audit reveals that Lessor's determination of Lessee's Percentage Share of Operating Expenses as set forth in any Statement sent to Lessee was in error in Lessor's favor by more than two percent (2%), Lessor shall pay the cost of such audit. Lessor shall be required to maintain records of all Operating Expenses and other Operating Expenses for the entirety of the two-year period ("Review Period") following Lessor's delivery to Lessee of each Statement setting forth Lessee's Share of Operating Expenses. The payment by Lessee of any amounts pursuant to Lease Section 4 shall not preclude Lessee from questioning the correctness of any Statement provided by Lessor at any time during the Review Period, but the failure of Lessee to object thereto prior to the expiration of the Review Period shall be conclusively deemed Lessee's approval of the Statement.

61. Special Provisions Regarding Certain Offsets:

(a) To the extent Lessor fails to fulfill its obligations with respect to the payment of any Unpaid Economic Concessions (as defined in Section 30) when such Unpaid Economic Concessions are due and payable and such failure continues for thirty (30) days after notice thereof to Lessor, Lessee may, subject to Section 61(b), deduct the amount of such Unpaid Economic Concession which Lessor has not paid, together with interest at the Interest Rate (which shall accrue from the date such Unpaid Economic Concession was

61. Attachments. Attached hereto are the following documents, which constitute a part of this Lease:

Exhibit "A" The Premises

Exhibit "B" Rules and Regulations

Exhibit "C" Work Letter

LESSOR

BF MONROVIA, LLC,
a California limited liability
company

By: /s/ Gerson Fox
Name: Gerson Fox
Its Manager

LESSEE

XENCOR, INC.,
a California corporation

By: /s/ Bassil I. Dahiyat
Bassil I. Dahiyat, Ph.D.
President & CEO

due and payable by Lessor) from the Base Rent next coming due and payable under the Lease. It is agreed by Lessor and Lessee that the provisions of this Section 61(a) are a material provision of this Lease.

(b) With respect to any right Lessee may, from time to time, have under Section 61(a) or 7.1(b), to offset against Rent the amount of any Repair Offset Right and/or Unpaid Economic Concession, Lessee agrees that the aggregate amount (plus interest at the Interest Rate as provided in this Lease) of any such offset right(s) shall be amortized over such monthly periods remaining in the Term to the effect that the amount of offset in any month to which Lessee is entitled shall not exceed 33% of the Rent due and payable for such month. Such offset shall first reduce any accrued and unpaid interest, then the principal amount of the Repair Offset Right and Unpaid Economic Concession.

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62. **Attachments:** Attached hereto are the following documents, which constitute a part of this Lease:

Exhibit "A"	The Premises
Exhibit "B"	Rules and Regulations
Exhibit "C"	Work Letter
Exhibit "D"	Initial Non-disturbance Agreement
Exhibit "E"	Non-Tenant Parking Agreements
Exhibit "F	Location of Lessee's Parking Privileges

63. **Counterparts.** This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any one or more counterpart signature pages may be removed from one counterpart of the Lease and annexed to another counterpart of the Lease to form a completely executed original instrument without impairing the legal effect of the signature thereon.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed and delivered as of the date first above written.

LESSOR

BF MONROVIA, LLC,
a California limited liability company

By: /s/ Gerson Fox
Name: Gerson Fox
Its Manager

LESSEE

XENCOR, INC.,
a California corporation

By: /s/ Bassil I. Dahiyat
Bassil I. Dahiyat, Ph.D.
President & CEO

SIXTH AMENDMENT TO LEASE

This Sixth Amendment to Lease is entered into as of the 1st day of November, 2011 (the "**New Effective Date**") between BF MONROVIA, LLC, a California limited liability company ("**Lessor**"), and XENCOR, INC., a Delaware corporation ("**Lessee**"), with reference to the following facts:

A. Lessor and Lessee are parties to that certain Standard Office Lease dated May 12, 2000 (the "**Original Lease**"), as amended by that certain First Amendment to Lease dated as of January, 2001, that certain Second Amendment to Lease dated as of June 15, 2001, that certain Third Amendment to Lease dated as of July 11, 2006, that certain Fourth Amendment to Lease dated as of April 2008 and that certain Fifth Amendment to Lease dated as of July 17, 2009 (the latter the "**Fifth Amendment**" and collectively, the "**Lease Agreement**"), whereby Lessor leased to Lessee certain Premises located in that certain building located at 111 West Lemon Avenue, Monrovia, California.

B. The parties now wish to further amend the Lease Agreement by, among other things, extending the Expiration Date, all as more particularly set forth herein.

C. Defined terms used in this Amendment shall, unless otherwise stated, have the same meanings as are contained in the Original Lease.

NOW, THEREFORE, the parties hereto agree as follows:

1. Term. The parties hereby agree to terminate the current extension of the Term set forth in the Fifth Amendment (which contemplates an Expiration Date of January 31, 2012) effective on October 31, 2011 and to immediately further extend the Term for a period (the "**Extension Period**") of three (3) years and six (6) months commencing on the New Effective Date and expiring April 30, 2015, subject to the provisions of Section 3 below.

2. Base Rent; Abatement. Base Rent is currently $62,000 per month, which shall remain in force through October 31, 2011. Base Rent during the Extension Period shall be as follows:

November 1, 2011 through October 31, 2012:	$48,440 per month
November 1, 2012 through October 31, 2013:	$49,893 per month
November 1, 2013 through January 31, 2014:	$51,390 per month
November 1, 2014 through April 30, 2015:	$52,932 per month

Notwithstanding the foregoing, provided that no Event of Default is then outstanding (which shall include without limitation the absence of defaults under this Amendment), Base Rent for each of the months of November 2011, May 2012, November 2012, and November 2013 shall be fully abated; provided further that if an Event of Default is then outstanding, such full month of abatement shall be given to Lessee at such time as Lessee cures all Events of Default.

3. Option to Renew.

3.1 Grant. Provided that it is not then in default of the Lease Agreement (subject to applicable notice and cure rights), Lessee shall have one (1) option (the "**Option**") to extend the term of the Lease Agreement for one (1) period of three (3) years commencing May 1, 2015 and ending April 30, 2018 (the "**Option Period**").

3.2 Exercise. The Option may be exercised only by Lessee delivering to Lessor written notice of Lessee's unconditional exercise of the Option; provided, however, that the Option may be exercised no earlier than August 1, 2014 and no later than October 31, 2014. If Lessee fails to timely exercise the Option in the manner herein specified, then the Option shall immediately and automatically terminate and be of no further force or effect on November 1,

2014, and Lessee shall have no other right or option to renew or extend the term of the Lease Agreement. Time is of the essence with respect to the exercise of the Option.

3.3 Rent Determination. The Base Rent for the Option Period shall be the then Fair Market Rental Rate. This Option shall not be personal to Lessee and may be exercised by any assignee of the Lessee permitted under the terms of the Lease. The Option shall be applicable to all space leased by the Lessee pursuant to the Lease.

4. Lessor's Work. Lessee confirms that its current information technology needs are serviced by that certain IT room located on the third floor of the Building (the "**Existing IT Room**") servicing both Lessee and the third floor tenant of the Building; the Existing IT Room constitutes a Common Area; and all costs associated with the maintenance, repair and operation of the Existing IT Room now constitute an Operating Expense (hereinafter, "**Lessee's IT Room Payment Obligations**"). Lessee shall perform "**Lessor's Work**", which generally comprises the "splitting out" of the information technology portion of the Existing IT Room that currently services the Premises and its relocation to a new room (the "**New IT Room**") to be constructed within the Premises. Lessee shall perform Lessor's Work at Lessor's sole cost. Lessor's Work shall be as more particularly described in: (a) that certain Southland Industries Work Authorization Form dated August 5, 2011; (b) that certain proposal dated September 29, 2011 from Vector Resources addressed to Lessee under cover of letter dated October 3, 2011; (c) that certain letter dated July 30, 2011 from LCS Constructors Inc. to Lessee, and (d) online specifications for an OptiPlex Dell computer, all of which Lessee hereby accepts and approves. The New IT Room shall be of a size and in a location as shall be reasonable and practicable. Except for the performance of Lessor's Work, Lessee shall accept the Premises in their then "as is" physical condition as of the New Effective Date and Lessor shall have no obligation to perform any work or to provide any allowance in lieu thereof (except for the abated Base Rent as set forth above). Lessee shall advise the Lessor of any changes to the expected cost to complete the Lessor's Work (which is currently estimated at $33,000) and shall obtain approval for any material cost increases over the original cost projections, (all of which shall be borne by Lessor). If approved costs are paid directly by the Lessee, appropriate invoices and evidence of payment shall be submitted to the Lessor and reimbursement shall be paid to Lessee within ten (10) days of receipt by Lessor. If Lessor fails to timely reimburse Lessee and such failure continues for more than twenty (20) days following a second written request from Lessee, Lessee shall have an offset right against Base Rent to the extent of any unpaid reimbursement amounts, provided that in no event shall the rental offset in any month exceed fifty percent (50%) of such month's Base

Rent. Following the completion of Lessor's Work, Lessee shall have no further Lessee's IT Room Payment Obligations or any other obligations relating to the Existing IT Room.

Based on the terms hereof, Lessee shall (i) continue to have access to the phone room located on the third floor (as reasonably needed): (ii) such phone room shall be considered to be part of the Common Areas; and (iii) following the completion of the Lessor's Work, no longer have access to the Existing IT Room.

5. Base Year. Section 4.3.1 of the Original Lease is hereby deleted in its entirety and the following is hereby inserted in lieu thereof: "'Base Year' shall mean with respect to Operating Expenses and Tax Expenses, the calendar year 2012".

6. Special Rent Credit. The parties confirm that since November 1, 2009, Lessee has been paying for certain electricity costs relating to the third floor of the Building and for fifty percent (50%) of the Common Areas. In full and final satisfaction of all claims relating to Lessee's payment of all electricity charges for which it was not responsible up through the period ended August 11, 2011 under the terms of the Lease Agreement, Lessee shall receive a credit against Base Rent in the aggregate amount of $39,236, to be applied in four (4) equal installments of $9,809 to be deducted from Base Rent due in December 2011 and January, February and March 2012. Lessor will remain obligated to pay the electricity costs for the third floor of the Building and for 50% of the electricity for the Common Areas and reimburse the Lessee for all electricity costs incurred by Lessee with respect to the period beyond August 11, 2011 until the utility is properly split and invoiced to the appropriate parties. Lessee will provide Lessor with monthly invoices and documentation evidencing Lessor's share of the electricity costs and Lessor shall reimburse the Lessee within ten (10) days of receipt. If Lessor fails to timely reimburse Lessee and such failure continues for more than twenty (20) days following a second written request from Lessee, Lessee shall have an offset right against Base Rent to the extent of any unpaid reimbursement amounts, provided that in no event shall the rental offset in any month exceed fifty percent (50%) of such month's Base Rent. Following the completion of Lessor's Work, Lessee shall have no further Lessee's IT Room Payment Obligations or any other obligations relating to the Existing IT Room.

7. Brokers. In connection with this Amendment, Lessor and Lessee warrant and represent to each other that they have had dealings only with Jones Lang LaSalle (Shaun Stiles) ("**Broker**") and they know of no other persons or entities who might be entitled to a commission, finders' fee, or other like payment in connection herewith (other than Lessor's representative, The Merrill Group of Companies (David Frank)), and do hereby indemnify and agree to hold each other harmless from and against any and all loss, liability, and expense that either of them may incur should the other party's warranty and representation prove to be incorrect. Lessor shall pay Broker the aggregate sum of two percent (2%) of the total Base Rent (less any free rental abatements) during the Extension Period. as full and final consideration of all services rendered in connection with this Amendment, payable on or before February 1, 2012. Lessee shall have no obligations or liabilities to Broker or the above Lessor's representative arising out of this Amendment and Lessor shall indemnify, defend and hold Lessee harmless from any liabilities or obligations to Broker or the above Lessor's representative arising out of this Amendment. If Lessor fails to timely pay Broker, Lessee shall have the right to do so and, in such event, Lessee shall have an offset right against Base Rent to the extent of any such unpaid

brokerage fee paid by Lessee on Lessor's behalf, provided that in no event shall the rental offset in any month exceed fifty percent (50%) of such month's Base Rent

8. Security Deposit. Lessor hereby agrees to apply $15,000 of the security deposit currently being held by Lessor against Lessee's Base Rent obligations for December, 2011. Upon said application, the security deposit under the Lease shall be reduced to $50,000.

9. Roof Access. Notwithstanding anything to the contrary set forth in the Lease, Lessee shall have unrestricted access to the Building's roof for purposes of installing, repairing, maintaining and/or operating any of its HVAC related equipment located thereon.

10. Parking. Lessee's shall have the right to thirty-one (31) parking spaces in the Building.

11. Ratification. Except as otherwise provided in this Amendment, all provisions of the Lease Agreement are hereby ratified and confirmed and remain in full force and effect. In the event of any conflict between the Lease Agreement and this Amendment, this Amendment shall control. The Lease Agreement and this Amendment constitute the entire agreement of the parties with respect to Lessee's rental of the Premises from Lessor, superseding that certain Proposal to Lease Space dated October 3, 2011 issued by Jones Lang LaSalle.

IN WITNESS WHEREOF, this Addendum is made as of the date first written above.

LESSOR:

BF MONROVIA, LLC,
a California limited liability company

By: /s/ Gerson I. Fox
Gerson I. Fox, Member

LESSEE:

XENCOR, INC.,
a Delaware corporation

By: /s/ Bassil Dahiyat
Name: Bassil Dahiyat
Its: Chief Executive Officer