UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

or

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

For the transition period from to

Commission file number: 001-36182

Xencor, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-1622502**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
465 North Halstead Street, Suite 200, **Pasadena, CA**	**91107**
(Address of Principal Executive Offices)	(Zip Code)

(626) 305-5900
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	XNCR	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
						Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Exchange Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of June 30, 2023 was $1,502,093,347.

The number of outstanding shares of the registrant's common stock, par value $0.01 per share, as of February 15, 2024 was 61,120,272.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2024 Annual Meeting of Stockholders, which will be filed subsequent to the date hereof, are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days following the end of the registrant's fiscal year ended December 31, 2023.

Xencor, Inc.
FORM 10-K
For the Fiscal Year Ended December 31, 2023
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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. You should not place undue reliance on these statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under Part I, Item 1A, "Risk Factors" in this Annual Report. These statements, which represent our current expectations or beliefs concerning various future events, may contain words such as "may," "will," "expect," "anticipate," "intend," "plan," "believe," "estimate" or other words indicating future results. Such statements may include, but are not limited to, statements concerning the following:

- the effects of inflation on our financial condition, results of operations, cash flows and performance;
- our ability to execute on our plans to research, develop and commercialize our product candidates;
- the success of our ongoing and planned clinical trials;
- the timing of and our ability to obtain and maintain regulatory approval for our product candidates;
- our ability to identify additional products or product candidates with significant commercial potential that are consistent with our business objectives;
- our ability to receive research funding and achieve anticipated milestones under our collaborations;
- our partners' ability to advance drug candidates into, and successfully complete, clinical trials;
- our ability to attract collaborators with development, regulatory, and commercialization expertise;
- our ability to protect our intellectual property position;
- the rate and degree of market acceptance and clinical utility of our products;
- costs of compliance and our failure to comply with new and existing governmental regulations;
- the capabilities and strategy of our suppliers and vendors including key manufacturers of our clinical drug supplies;
- significant competition in our industry;
- the potential loss or retirement of key members of management;
- our failure to successfully execute our growth strategy including any delays in our planned future growth;
- our failure to maintain effective internal controls; and
- our ability to accurately estimate expenses, future revenues, capital requirements and needs for additional financing.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report, and except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise after the date of this Annual Report. We qualify all of our forward-looking statements by these cautionary statements.

Item 1. Business.

Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered antibody therapeutics to treat patients with cancer and other serious diseases, who have unmet medical needs. We use our protein engineering capabilities to increase our understanding of protein structures and interactions and to design new technologies and XmAb® drug candidates with improved properties. We advance these candidates into clinical-stage development, where we are conducting Phase 1 and Phase 2 studies for a broad portfolio of programs, to determine which programs we advance into later stages of development and potentially commercialization, which programs we partner to access complementary resources to optimize development, and which programs we terminate.

Our approach to protein design includes engineering Fc domains, the parts of antibodies that interact with multiple segments of the immune system and control antibody structure. The Fc domain is constant and interchangeable among antibodies, and our engineered XmAb Fc domains can be readily substituted for natural Fc domains.

Our protein engineering capabilities and Fc technologies enable us and our partners to develop XmAb antibodies and other types of biotherapeutic drug candidates with improved properties and functionality, which can provide innovative approaches to treating disease and potential clinical advantage over other treatment options. For example, we have developed an antibody scaffold to rapidly create novel multi-specific antibodies that bind two or more different targets simultaneously, creating entirely new biological mechanisms. Other applications of our protein engineering technologies enhance antibody performance by increasing immune inhibitory activity, improving cytotoxicity, extending circulating half-life and stabilizing novel protein structures, such as engineered cytokines. Three marketed XmAb medicines have been developed with our protein engineering technologies.

Our protein engineering capabilities allow us to continually explore new functionality in the Fc region, which provides us with opportunities to:

- Create new technology platforms;
- Engineer new drug candidates to advance into development or as partnering opportunities; and
- Provide collaboration and licensing opportunities with partners for application of our technologies, access to our technologies, access to our drug candidates, or combinations of each.

Our Strategy

Our goal is to become a leading biopharmaceutical company that develops and commercializes engineered biologic medicines to treat patients with severe and life-threatening diseases with unmet medical needs. Key elements of our strategy are to:

1. ***Advance the development of our XmAb antibody programs for oncology and other serious diseases.*** Our modular bispecific technology and protein engineering capabilities enable us to rapidly advance multiple drug candidates into clinical development for ourselves and our partners. We and our partners are enrolling patients in multiple clinical studies to evaluate our candidates.

2. ***Build and manage a diversified portfolio of XmAb drug candidates.*** We advance multiple XmAb drug candidates into early stages of clinical development and evaluate data from studies in managing our portfolio of candidates. Based on the evaluation of emerging data and the competitive environment for such portfolio programs, we make additional investments in those candidates that demonstrate encouraging proof of concept, partner certain drug candidates to third-party biotechnology and pharmaceutical companies, and stop development of some candidates due to emerging data and resource allocation across our pipeline.

3. ***Leverage our protein engineering capabilities, XmAb Fc domains, and XmAb drug candidates with partnerships, collaborations, and licenses to generate revenue streams, create new drug candidates and combination treatments, and identify new indications for our pipeline of drug candidates.***

   Generate revenue streams. The plug-and-play nature of our Fc technologies and our ability to generate multiple drug candidates efficiently provides us opportunities to generate revenue from licensing and

collaboration arrangements. In 2023, we received total proceeds of $111.7 million in upfront payments, milestone payments and royalties from such arrangements. We also received $215.0 million for the sale of a portion of our royalties due to us under our Alexion and MorphoSys agreements, as defined and discussed below.

Create new XmAb drug candidates and investigate novel combination therapies. We seek to leverage our XmAb Fc domains and protein engineering capabilities with partners to create novel XmAb drug candidates, and to evaluate our XmAb drug candidates in combination with other therapeutic agents, when applicable.

Identify new indications for our pipeline of drug candidates.

4. ***Broaden the functionality of our XmAb Fc technology platforms.*** We are conducting further research into the function and application of antibody Fc domains in order to expand the scope of our XmAb Fc technology platforms. We use the modularity of our XmAb bispecific Fc domains to engineer XmAb drug candidates in a variety of structural formats.

5. ***Continue to expand our patent portfolio protecting our Fc technologies and XmAb drug candidates.*** We seek to expand our intellectual property estate and protect our proprietary Fc technologies, our development programs, and XmAb drug candidates by filing and prosecuting patents in the United States and other countries. Where appropriate, we will seek expansion and extension of patents issued for our product candidates and for partnered product candidates that incorporate our Fc technologies.

XmAb Bispecific Fc Domain and New Multi-Specific Antibody Formats

Our modular approach to protein engineering is a distinguishing feature of our Fc technologies. This inherent flexibility enables us to design multiple XmAb drug candidates with distinct and novel mechanisms-of-action and to seek out new applications of the XmAb Bispecific Fc Domain. Our business, research, and clinical efforts are to develop and advance our Fc technologies and our portfolio of XmAb drug candidates in oncology and other serious diseases.

CD3 candidates: CD3 T cell engaging bispecific antibodies are designed to redirect T cells to tumor cells through the engagement of an antigen on tumor cells and CD3, an activating receptor on T cells.

We have significantly expanded the potential of our CD3 T cell engagers with the multi-specific XmAb 2+1 bispecific antibody format, utilizing two identical tumor targeting domains and one CD3 targeting domain. The affinities for antigen binding are engineered to enable selective engagement and killing of high antigen-expressing tumor cells over low antigen-expressing normal cells. In preclinical models, XmAb 2+1 bispecific antibodies bound preferentially to tumor cells compared to normal cells and effectively recruited T cells to kill tumor cells selectively. We believe that these properties will be particularly important when developing bispecific antibodies against many solid tumor targets, where standard monovalent targeting of tumor antigens could lead to poor tolerability because such targets are often expressed on a range of normal tissues, including critical organs. Our XmAb819 and XmAb541 CD3 candidates have been designed using our CD3 2+1 format.

CD28 candidates: T cells in the tumor microenvironment require both T cell receptor (TCR) and co-stimulatory receptor engagement to achieve full activation. CD28 is a key immune co-stimulatory receptor on T cells; however, the ligands that activate T cells through CD28 are often not expressed on tumor cells. Targeted CD28 T cell engaging bispecific antibodies may provide conditional co-stimulation of T cells, for example, to T cells recognizing neoantigens or in concert with CD3 T-cell engaging bispecific antibodies. Our XmAb808 CD28 candidate has been engineered to provide selective CD28 co-stimulation of T cells, activating them when bound to tumor cells.

TME activator candidate: Our tumor microenvironment (TME) activator candidate, vudalimab, has been designed to promote tumor-selective T-cell activation by targeting multiple checkpoints. Vudalimab also incorporates our Xtend™ technology for longer half-life.

Cytokine candidates: Our engineered novel cytokine candidates are fusions of XmAb Bispecific Fc Domains and immune signaling proteins. Our cytokine candidates efbalropendekin alfa (XmAb306), XmAb564 and XmAb662 have been designed with reduced potency to improve therapeutic index and with our Xtend technology for longer half-life.

We continue to invest in our protein engineering efforts to identify novel technologies and drug candidates.

Other XmAb Fc Domains

We have also created additional XmAb Fc domains, and we have successfully entered partnerships for these technologies and for XmAb drug candidates that incorporate them. We continue to seek additional partnering and licensing opportunities for these Fc domains. Additional XmAb Fc domains include:

1. ***Immune Inhibitor Fc Domain*** – selective immune inhibition and rapid target clearance, targeting the receptor FcγRIIb;

2. ***Cytotoxic Fc Domain*** – increased cytotoxicity, targeting the receptors FcγRIIIa on natural killer (NK) cells and FcγRIIa on other immune system cells; and

3. ***Xtend™ Fc Domain*** – extended antibody half-life, targeting the receptor FcRn on endothelial cells.

Approved or Authorized Medicines Engineered with XmAb Fc Domains

Currently three medicines that have been developed with our XmAb Fc domains are now marketed or made available by our partners. These medicines generated $49.5 million in royalty revenue for us in 2023, which has partially offset our internal development costs.

- ***Sotrovimab:*** Vir Biotechnology, Inc. and its partner GSK have made available sotrovimab, an antibody that targets the SARS-CoV-2 virus, which in May 2021 received an emergency use authorization (EUA) from the United States Food and Drug Administration (FDA) for the early treatment of mild-to-moderate COVID-19 in adults and pediatric patients (12 years of age and older weighing at least 40 kg) with positive results of direct SARS-CoV-2 viral testing, and at high risk for progression to severe COVID-19, including hospitalization or death. In March 2022, the FDA deauthorized sotrovimab's use in all U.S. regions due to increases in the proportion of COVID-19 cases caused by the Omicron BA.2 subvariant. Sotrovimab has obtained emergency authorization, temporary authorization or marketing approval (under the brand name Xevudy®) for early treatment of COVID-19 in more than 30 countries. Sotrovimab incorporates our Xtend Fc domain for longer duration of action. Xevudy is a registered trademark of GSK.

- ***Ultomiris® (ravulizumab-cwvz)***: Alexion's Ultomiris is approved in the U.S., Europe, and Japan for the treatment of certain patients with paroxysmal nocturnal hemoglobinuria (PNH), certain patients with atypical hemolytic uremic syndrome (aHUS) and certain patients with generalized myasthenia gravis (gMG). In May 2023, Ultomiris was approved in the EU and Japan for the treatment of certain adult patients with neuromyelitis optica spectrum disorder (NMOSD). Alexion is also evaluating Ultomiris in a broad late-stage development program across additional hematology and neurology indications. Alexion used our Xtend™ Fc Domain to enhance the half-life of Ultomiris to allow for a longer duration of action, less frequent dosing and reduced patient burden of therapy compared to the previous generation therapy, Soliris®.

- ***Monjuvi® (tafasitamab-cxix)***: In 2020, the FDA approved Monjuvi under accelerated approval. Monjuvi is a humanized Fc-modified CD19 targeting immunotherapy indicated in combination with lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for autologous stem cell transplant (ASCT). This indication is approved under accelerated approval based on overall response rate. Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial(s). In August 2021, the European Commission granted conditional marketing authorization for Minjuvi® (tafasitamab) in combination with lenalidomide, followed by tafasitamab monotherapy, for the treatment of adult patients with relapsed or refractory DLBCL who are not eligible for autologous stem cell transplantation (ASCT). In addition to its approved indication, tafasitamab is being evaluated as a therapeutic option in ongoing pivotal trials for first-line DLBCL, relapsed or refractory follicular lymphoma (FL) and relapsed or refractory marginal zone lymphoma (MZL). Tafasitamab was created and initially developed by us. Tafasitamab is marketed by Incyte under the brand name Monjuvi in the U.S. and under the brand name Minjuvi in Europe and Canada. Monjuvi® and Minjuvi® are registered trademarks of Incyte.

Drug Candidates in Clinical Development

There are currently 22 clinical-stage drug candidates or marketed medicines that have been developed with one or more of our XmAb technologies.

A partner is also advancing a drug candidate that incorporates our DN-TNF technology.

Wholly Owned	Co-developed with Partners	Developed by Partners	Marketed by Partners
Vudalimab	Plamotamab	Obexelimab	Ultomiris*
XmAb819		Teropavimab and zinlirvimab	Monjuvi*
XmAb808		Tobevibart (VIR-3434)	Sotrovimab
XmAb564		Xaluritamig (AMG 509)	
XmAb662		Efbalropendekin alfa**	
XmAb541 (IND open)		ASP2138	
		Novartis antibody	
		AIMab7195	
		Xpro1595/INB03	
		OMS906	
		JNJ-9401	
		JNJ-1493	

* Alexion and Incyte are conducting additional Phase 3 studies in new indications with these candidates.

** Beginning in June 2024, our collaboration regarding efbalropendekin alfa will convert from a cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement in which Genentech will assume full responsibility for development of the program.

We are also supporting an investigator sponsored trial evaluating vibecotamab (CD123 x CD3).

We regularly evaluate our portfolio of candidates and make additional investments in candidates with promising early-stage clinical data, partner out other candidates, and stop development of candidates where early clinical data does not support further investment by us. During 2023:

- We initiated a Phase 1b/2 study of vudalimab in combination with chemotherapy, as a first-line treatment in patients with advanced non-small cell lung cancer;
- We initiated a Phase 1 study for our XmAb662 program;
- We submitted an investigational new drug (IND) application for our XmAb541 program;
- We stopped development of the XmAb104 program, and we also closed gynecologic tumor cohorts in the Phase 2 vudalimab monotherapy study due to the rapidly changing competitive environment in these indications; and
- We appointed Nancy Valente, M.D., as our Chief Development Officer, a role in which she is responsible for leading our clinical and medical strategy and execution.

XmAb Bispecific Antibody Drug Candidates in Clinical Development

Currently, 10 XmAb bispecific antibody drug candidates are in active clinical development internally or with our partners:

- Three candidates are wholly owned and are being evaluated by us in Phase 2 or Phase 1 studies; one wholly owned candidate has an open IND and is pending Phase 1 study initiation;
- One candidate is being co-developed with partners; and

- Five additional candidates are being advanced by partners.

Additional candidates are advancing through the preclinical stages of development. XmAb bispecific antibody drug candidates in clinical development include:

Wholly Owned Development Candidates

1. *Vudalimab* is a bispecific antibody that targets PD-1 and CTLA-4, two immune checkpoint receptors, and is designed to promote tumor-selective T-cell activation. Data from a Phase 1 study that enrolled heavily pretreated patients with multiple solid tumor types indicated that vudalimab was generally well-tolerated with encouraging clinical activity. We continue to develop vudalimab for patients with metastatic castration-resistant prostate cancer (mCRPC) and patients with locally advanced or metastatic non-small cell lung cancer. We are conducting two Phase 2 clinical studies of vudalimab in patients with mCRPC, a study of vudalimab as a monotherapy in the clinically defined high-risk patient population and a study of vudalimab in combination with chemotherapy, in the aggressive variant patient population. In the Phase 2 monotherapy study, vudalimab has been generally well tolerated and associated with response to treatment in multiple patients who have visceral or lymph node metastases.We are also conducting a Phase 1b/2 study evaluating vudalimab as a first-line treatment in patients with locally advanced or metastatic non-small cell lung cancer.

2. *XmAb819* is a first-in-class ENPP3 x CD3 XmAb 2+1 bispecific antibody that we are developing for patients with renal cell carcinoma (RCC). The XmAb 2+1 multivalent format enables greater selectivity for ENPP3 expressing tumor cells compared to normal cells, which also express ENPP3 at lower levels. We are conducting a Phase 1 study evaluating XmAb819 in patients with advanced clear cell RCC.

3. *XmAb808* is a tumor-selective, co-stimulatory XmAb 2+1 bispecific antibody designed to bind to the broadly expressed tumor antigen B7-H3, and selectively to the CD28 T-cell co-receptor only when bound to tumor cells, which was demonstrated in *in vitro* studies. *In vivo* studies further demonstrated strong potentiation of checkpoint and CD3 cytotoxic activity. We are conducting a Phase 1 study of XmAb808 in combination with pembrolizumab in patients with advanced solid tumors.

4. *XmAb541* is a Claudin-6 (CLDN6) x CD3 XmAb 2+1 bispecific antibody that we are developing for patients with ovarian cancer and other solid tumor types. The XmAb 2+1 multivalent format enables greater selectivity for CLDN6 over similar Claudin family members, such as CLDN9, CLDN3 and CLDN4. The investigational new drug (IND) application for XmAb541 has been allowed to proceed by the FDA, and we plan to initiate a Phase 1 study in the first half of 2024.

Candidates Co-Developed with Partners

5. *Plamotamab* is a bispecific antibody that targets CD20, an antigen on B-cell tumors, and CD3, an activating receptor on T cells. In October 2021, we entered into a global collaboration and license agreement with Janssen Biotech, Inc. (Janssen), a Johnson & Johnson company, to advance plamotamab and XmAb CD28 bispecific antibody combinations for the treatment of patients with B-cell malignancies (2021 J&J collaboration). J&J received worldwide exclusive development and commercial rights to plamotamab, and we are collaborating with J&J on further clinical development of plamotamab, with us paying 20% of costs. We conducted a Phase 1 study of plamotamab in patients with non-Hodgkin's lymphomas. Results from the expansion portion of the study indicate that intravenous plamotamab monotherapy was well tolerated and demonstrated encouraging clinical activity in heavily pretreated patients at the recommended Phase 2 intravenous dose. In 2023, we completed enrolling patients in subcutaneous dose escalation cohorts of this study.

Candidates Advanced by Partners

6. *Xaluritamig (AMG 509)* is a STEAP1 x CD3 2+1 bispecific antibody that our partner Amgen is advancing for the treatment of patients with prostate cancer. The XmAb 2+1 multivalent format enables higher binding capability for STEAP1 expressing cells. Amgen is completing patient enrollment in the dose expansion portion of a Phase 1 study of xaluritamig in patients with mCRPC. In October 2023, at the European Society for Medical Oncology (ESMO) Congress, encouraging interim clinical results from the study were presented during an oral proffered paper session, validating the potential of the XmAb 2+1 format. Amgen is planning two additional Phase 1 studies of xaluritamig to evaluate preliminary efficacy and safety in patients with early prostate cancer.

7. *ASP2138* is a Claudin-18.2 x CD3 2+1 bispecific antibody that our partner Astellas is advancing for the treatment of patients with gastric, gastroesophageal and pancreatic cancers and is currently being evaluated in a Phase 1 study. The XmAb 2+1 multivalent format enables higher binding capability for Claudin-18.2 expressing cells.

8. JNJ-9401 is a PSMA x CD28 bispecific antibody that J&J is advancing for the treatment of patients with prostate cancer and is currently being evaluated in a Phase 1 study. JNJ-9401 was developed with J&J under our 2020 collaboration.

9. JNJ-1493 is a B-cell x CD28 bispecific antibody that J&J is advancing for the treatment of patients with B-cell malignancies and is currently being evaluated in a Phase 1 study. JNJ-1493 was developed with J&J under our 2021 collaboration.

10. *Novartis XmAb undisclosed antibody candidate.* Novartis is evaluating an undisclosed antibody drug candidate that was developed with our bispecific Fc technology under our collaboration with them.

Cytokine Drug Candidates in Clinical Development

Currently, 3 XmAb cytokine drug candidates are in active clinical development internally or with our partners, which include:

1. *Efbalropendekin alfa (XmAb306/RG6323)* is a potency-reduced IL15/IL15-receptor alpha complex fused to our bispecific Fc domain (IL15/IL15Rα-Fc). We are co-developing the program in collaboration with Genentech, a member of the Roche Group. Genentech is conducting a Phase 1 study of XmAb306 as a single agent and in combination with atezolizumab in patients with advanced solid tumors and is also conducting Phase 1 studies, evaluating XmAb306 in patients with relapsed/refractory multiple myeloma, either in combination with daratumumab (anti-CD38 antibody) or in combination with cevostamab (FcRH5 x CD3 bispecific antibody). In the fourth quarter of 2023, we agreed with Genentech to convert our current development cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement. Pursuant to the terms of the amended agreement with Genentech, effective June 1, 2024, Genentech will assume sole responsibility over all clinical, regulatory and commercial activities. Under the amended agreement, we will be eligible for up to $600 million in milestones and tiered royalties on approved products ranging from low double-digit to mid-teens percentages.

2. *XmAb564* is a monovalent, potency-reduced interleukin-2 Fc (IL-2-Fc) fusion protein, engineered to selectively activate and expand regulatory T cells (Tregs) for the potential treatment of patients with autoimmune diseases. XmAb564 is engineered with reduced binding affinity for IL-2's beta receptor and increased binding affinity for its alpha receptor. In a Phase 1a clinical study of XmAb564, a single dose of XmAb564, administered subcutaneously in healthy volunteers, was well tolerated and generated durable, dose-dependent and selective expansion of Tregs. We have been conducting a randomized, double-blind, placebo-controlled Phase 1b clinical study to evaluate the safety and tolerability of multiple ascending doses of XmAb564, administered subcutaneously in patients with atopic dermatitis or psoriasis. We plan to conclude the Phase 1b study in the first half of 2024 and pause further development of XmAb564 until after assessment of future data from competitor programs in this class and review of safety and biomarker data in the Phase 1b study.

3. *XmAb662* is a potency-reduced interleukin-12 Fc (IL12-Fc) fusion protein engineered to increase anti-tumor activity and immunogenicity in the tumor microenvironment by promoting high levels of interferon gamma secretion from T cells and NK cells. In preclinical testing, our engineered IL12-Fc fusions demonstrated an improved pharmacokinetic profile and therapeutic window compared to a native IL12-Fc fusion, with superior exposure, a more gradual dose response and more sustained interferon gamma response. XmAb662 demonstrated significant anti-tumor activity, along with increases in NK cells, T cells, serum IP-10 and interferon gamma, which were further enhanced when combined with an anti-PD-1 antibody. We have been conducting a Phase 1 study to evaluate XmAb662 in patients with advanced solid tumors. We plan to conclude the Phase 1 study in the first half of 2024 and pause further development of XmAb662 until after assessment of future data from competitor programs in this class and review of safety and biomarker data in the Phase 1 study.

Xtend and Cytotoxic Fc Drug Candidates in Clinical Development

Currently, two drugs engineered with our Xtend Fc Domain and one drug we engineered with our XmAb Cytotoxic Fc Domain are marketed commercially by partners. In addition to these approved drugs, our partners are

advancing multiple clinical-stage programs with antibodies engineered with Xtend and/or Cytotoxic Fc Domains, including:

- Vir Biotechnology, Inc.: Vir is advancing tobevibart (VIR-3434) in a Phase 2 combination study as a potential treatment for patients with hepatitis B virus infection and in a Phase 2 combination study as a potential treatment for patients with hepatitis Delta virus infection;
- Gilead Sciences, Inc.: Gilead is advancing teropavimab and zinlirvimab, two broadly neutralizing antibodies, in combination with lenacapavir, as a long-acting treatment for virologically suppressed people living with HIV;
- Omeros Corporation: Omeros is advancing multiple Phase 2 studies evaluating OMS906 for the treatment of patients with PNH and other alternative pathway disorders; and
- Our partners are conducting preclinical studies of additional drug candidates engineered with these XmAb Fc domains.

Other Clinical Stage Drug Candidates

- *Obexelimab* targets CD19 with its variable domain and uses our XmAb Immune Inhibitor Fc Domain, which is designed to inhibit the function of B cells, an important component of the immune system. In November 2021, we licensed this drug candidate to Zenas BioPharma, which is conducting a Phase 3 study in patients with immunoglobulin G4-related disease (IgG4-RD) and a Phase 2 study in patients with warm autoimmune hemolytic anemia (wAIHA).
- *AIMab7195 (XmAb7195)* uses our XmAb Immune Inhibitor Fc Domain and is designed to reduce blood levels of IgE, which mediates allergic responses and allergic disease. In February 2020, we licensed this drug candidate to Aimmune Therapeutics, Inc., now a wholly owned subsidiary of Nestlé S.A., which is evaluating the candidate in clinical studies for allergic indications.
- *Xpro1595* is a proprietary TNF inhibitor candidate which we licensed to INmune Bio, Inc., in October 2017. INmune is currently advancing Xpro1595 through clinical development for patients with Alzheimer's disease and treatment-resistant depression.

Collaborations, Partnerships and Licensing Arrangements

A key part of our business strategy is to leverage our protein engineering capabilities, XmAb technologies, and XmAb drug candidates with partnerships, collaborations, and licenses. Through these arrangements we generate revenues in the form of upfront payments, milestone payments, and royalties. For partnerships for our drug candidates, we aim to retain a major economic interest in these candidates through transactions that allow us to retain major geographic commercial rights, provide for profit-sharing on future sales of approved products, include co-development options, and also the right to conduct independent clinical studies with drug candidates developed in the collaboration.

Examples of arrangements we have entered with our partners include:

- *Product Licenses:* Johnson & Johnson, Genentech, Incyte Corporation, Nestlé S.A., Zenas BioPharma, Inc., INmune Bio, Inc.
- *Novel Bispecific Antibody Collaborations:* Johnson & Johnson, Astellas Pharma Inc., Amgen Inc., Novartis AG
- *Technology Licensing Agreements:* Alexion Pharmaceuticals, Inc., Vir Biotechnology, Inc., Gilead Sciences, Inc., Omeros Corporation, Astria Therapeutics, Inc.
- *Strategic Collaborations:* Caris Life Sciences

Product Licenses

Product licenses are arrangements in which we license to third parties partial or full rights to develop and commercialize our internally developed drug candidates. We seek partners that can provide infrastructure and resources to successfully develop our drug candidates, have a track record of successfully developing and commercializing medicines, or have a portfolio of development-stage candidates and commercialized medicines which could potentially be developed in rational combinations with our drug candidates.

Janssen Biotech, Inc., a Johnson & Johnson company

In October 2021, we entered into an agreement with Janssen Biotech, Inc., a Johnson & Johnson company, to develop, manufacture, and commercialize plamotamab and to conduct research and development activities to discover novel CD28 bispecific antibodies against undisclosed B cell tumor targets. J&J will receive exclusive worldwide rights, subject to certain of our opt-in rights, to develop, manufacture and commercialize pharmaceutical products that contain one or more of such CD28 bispecific antibodies.

Pursuant to the agreement, we are collaborating with J&J on further clinical development of plamotamab with J&J paying 80% and the Company paying 20% of costs. With respect to the CD28 bispecific antibody collaboration, we are generally responsible for conducting research activities, and J&J is generally responsible for all development, manufacturing, and commercialization activities for CD28 bispecific antibodies that are advanced.

In the first quarter of 2023, J&J selected a CD28 candidate that we developed under the collaboration for further development. In the third quarter of 2023, J&J exercised its option on two additional CD28 candidates that were developed under the agreement. In the fourth quarter of 2023, J&J initiated a Phase 1 study with a CD28 candidate that was developed under the agreement. In 2023, we received $30.0 million of milestones related to the CD28 collaboration, and we are eligible to receive additional milestone payments up to a total of $640.0 million, which include an aggregate of $139.4 million in development milestones and $240.6 million in regulatory milestones. For any CD28 bispecific antibodies approved, we are eligible to receive $260.0 million in sales milestones and tiered royalties in the high-single to low-double digit range on net sales.

Genentech

In February 2019, we entered into an agreement with Genentech to develop and commercialize novel IL-15 cytokine therapeutics that use our bispecific Fc technology, including efbalropendekin alfa (XmAb306), declared as a Collaboration Product under the agreement.

Under the current agreement, we are sharing in 45% of development and commercialization costs of Collaboration Products, and we are eligible to share in 45% of net profits and losses from the sale of approved products. However, in the fourth quarter of 2023, we agreed with Genentech to convert our current development cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement. Pursuant to the terms of the amended agreement with Genentech, effective June 1, 2024, Genentech will assume sole responsibility over all clinical, regulatory and commercial activities. Under the amended agreement, we are eligible to receive up to $600.0 million in milestones, including $115.0 million in development milestones, $185.0 million in regulatory milestones and $300.0 million in sales-based milestones and tiered royalties ranging from low double-digit to mid-teens percentages.

Incyte Corporation

In July 2020, the FDA approved Monjuvi® (tafasitamab-cxix) in combination with lenalidomide for treating certain patients with DLBCL, and the European Commission granted conditional marketing authorization to tafasitamab for treating certain patients with DLBCL, which is marketed as Minjuvi® in Europe, in August 2021. In 2010, we licensed exclusive worldwide rights to develop and commercialize tafasitamab (formerly MOR208 and XmAb5574) to MorphoSys AG. In February 2024, Incyte acquired exclusive global development and commercialization rights to tafasitamab. Tafasitamab, which we engineered with an XmAb Cytotoxic Fc Domain, is the second XmAb medicine to be approved by the FDA.

In 2023, we earned royalties of $8.7 million on net sales. We are also eligible to receive up to $85.5 million in additional milestones for development of tafasitamab in additional oncology indications and $50.0 million in sales milestones across all indications. We are entitled to receive tiered royalties in the high-single digit to low-double digit percent range on net sales. Tafasitamab is marketed by Incyte under the brand name Monjuvi® in the U.S. and is marketed under the brand name Minjuvi® in Europe and Canada. In 2023, we sold a portion of the royalties due to us under the MorphoSys agreement for $22.5 million.

Nestlé S.A./Aimmune Therapeutics, Inc.

In February 2020, we granted Aimmune Therapeutics, Inc., an exclusive worldwide license to develop and commercialize XmAb7195, which was renamed AIMab7195. Aimmune was subsequently acquired by Nestlé S.A. We

received an upfront payment, and we are eligible to receive development, regulatory and sales milestones and tiered royalties in the high-single to mid-teen percent range on net sales of approved products. Nestlé is responsible for all further development of AIMab7195.

INmune Bio, Inc.

In October 2017, we entered into an agreement with INmune Bio, Inc., for an exclusive license to our Xpro1595 drug candidate. In connection with the license, we received shares of INmune common stock.

We are also eligible to receive a percentage of sublicensing revenue received for Xpro1595 and royalties in the mid-single digit percentage range on the sale of approved products. INmune is currently conducting Phase 2 studies in early Alzheimer's disease and treatment resistant depression.

Zenas BioPharma, Inc.

In November 2020, we entered into an agreement with Zenas BioPharma (Cayman) Limited, now Zenas BioPharma, Inc., (Zenas) to which we licensed the exclusive worldwide rights to develop and commercialize three preclinical-stage Fc-engineered drug candidates for autoimmune disease: XmAb6755 (ZB002), XPro9523 (ZB004), and XmAb10171 (ZB003). These programs incorporate an Xtend Fc Domain, a Cytotoxic Fc Domain, or both. We received an equity interest in Zenas, and we will also receive royalties on net sales of approved products in the mid-single digit to mid-teen percentage range.

In November 2021, we entered into a second agreement with Zenas to which we licensed the exclusive worldwide rights to develop and commercialize obexelimab, a bifunctional antibody that targets CD19 with its variable domain and uses our XmAb Immune Inhibitor Fc Domain. Zenas issued a warrant giving us the right to acquire additional Zenas equity, such that our total equity in Zenas would be 15% of its fully diluted capitalization following the closing of Zenas' next round of equity financing, subject to certain requirements. In 2022, Zenas completed a financing transaction, and we received additional shares in Zenas in exchange for the warrant such that our total ownership is equal to 15% of the fully diluted outstanding shares of Zenas. We are eligible to receive up to $470.0 million based on the achievement of certain clinical development, regulatory and commercialization milestones and are eligible to receive tiered, mid-single digit to mid-teen percent royalties upon commercialization of obexelimab, dependent on geography. Zenas will have sole responsibility for advancing the research, development, regulatory and commercial activities of obexelimab worldwide. In 2023, Zenas initiated a Phase 3 study in patients with immunoglobulin G4-related disease (IgG4-RD) and a Phase 2 study in patients with warm autoimmune hemolytic anemia (wAIHA), and we received a milestone payment in additional equity in Zenas with a fair value of $10.0 million.

Novel Bispecific Antibody Collaborations

Novel bispecific antibody collaborations are arrangements in which our partner seeks to create an XmAb bispecific antibody using one or more of our bispecific technologies. Our partners provide an antibody or an antigen against tumors, and we conduct limited research and development activities to create potential bispecific antibody candidates for further development and commercialization by our partners.

Janssen Biotech, Inc., a Johnson & Johnson company

In November 2020, we entered into an agreement, with J&J to develop XmAb bispecific antibodies against CD28 and a prostate tumor target, for the potential treatment of patients with prostate cancer. Under the agreement, we conducted research activities to develop CD28 bispecific drug candidates for further development by J&J.

Upon development of a bispecific candidate by J&J through proof of concept, the agreement provides us the right to opt-in to fund 20% of development costs and to perform up to 30% of detailing efforts in the U.S. If we exercise this right, we will be eligible to receive tiered royalties in the low-double digit to mid-teen digit percentage range.

We, along with J&J, have the right to access predefined agents from each other's portfolios to evaluate potential combination therapies in prostate cancer, subject to certain limitations.

In 2021, J&J selected JNJ-9401, a PSMA x CD28 bispecific antibody developed under the agreement, for further development, and we received a milestone payment. In 2023, J&J submitted an IND and initiated a clinical trial, and we

received another milestone payment. J&J is conducting a Phase 1 study evaluating JNJ-9401 in patients with mCRPC. In 2023, we received $17.5 million in milestones under the agreement, and we are eligible to receive an additional $139.4 million in development milestones in addition to tiered royalties on approved products ranging from high-single to low-double digit range as the program advances.

Astellas Pharma Inc.

In March 2019, we entered into an agreement with Astellas Pharma Inc., under which we applied our XmAb bispecific Fc technology to an antigen pair provided by Astellas and generated bispecific antibody candidates for further certain characterization and testing. Astellas was granted a worldwide exclusive license, with the right to sublicense products in the field created by the research activities.

Astellas selected ASP2138, a CLDN18.2 x CD3 XmAb 2+1 bispecific antibody developed under the collaboration, for further development and is conducting a Phase 1 study of ASP2138 in patients with gastric, gastroesophageal, and pancreatic cancers. We are eligible to receive an additional $232.5 million in milestones which include, $25.0 million in development milestones, $57.5 million in regulatory milestones and $150.0 million in sales milestones and tiered royalties from the high-single to low-double digit range as the program advances.

Amgen Inc.

In September 2015, we entered into an agreement with Amgen Inc. to develop and commercialize bispecific antibody product candidates using our proprietary XmAb bispecific Fc technology.

Amgen applied our XmAb bispecific Fc technology to create xaluritamig (AMG 509), a STEAP1 x CD3 XmAb 2+1 bispecific antibody. We have received a total of $60.5 million in upfront and milestone payments and are eligible to receive up to $255.0 million in future development, regulatory and sales milestone payments in total for xaluritamig and tiered royalties in the mid-to-high single digit percentage range on the sale of approved products.

Amgen is currently completing enrollment in a Phase 1 study of xaluritamig in patients with mCRPC. In October 2023 at the European Society for Medical Oncology (ESMO) Congress, encouraging interim clinical results from the study were presented during an oral proffered paper session, which we believe validates the potential of the XmAb 2+1 format. Amgen is planning two additional Phase 1 studies of xaluritamig to evaluate preliminary efficacy and safety in patients with early prostate cancer.

Novartis AG

In connection with our June 2016 agreement with Novartis, we applied our XmAb bispecific Fc technology to a target pair antibody selected by Novartis. Novartis is responsible for development and commercialization of the program. We are eligible to receive development, regulatory and sales milestone payments and royalties in the mid-single digit percent range on net sales of approved products. Novartis is evaluating an undisclosed XmAb bispecific antibody candidate.

Technology Licensing Agreements

We enter into technology licensing agreements in which we license access to one or more of our XmAb Fc technologies on a restricted basis, typically to our XmAb Cytotoxic Fc Domain and/or our Xtend Fc Domain. Our partners are responsible for all research, development and commercialization activities of the drug candidates. The plug-and-play nature of XmAb Fc domains allows us to license access to our platforms with no internal research and development activities required of us.

Alexion Pharmaceuticals, Inc.

Ultomiris® (ravulizumab-cwvz) was the first antibody incorporating XmAb Fc technology to be approved by the FDA for commercial marketing. It is approved in the U.S. and multiple global markets for the treatment of certain patients with paroxysmal nocturnal hemoglobinuria (PNH), certain patients with atypical hemolytic uremic syndrome (aHUS) and certain patients with generalized myasthenia gravis (gMG). It is approved in the EU and Japan for the treatment of certain

adult patients with neuromyelitis optica spectrum disorder (NMOSD). Ultomiris is commercialized by Alexion Pharmaceuticals, Inc.

In 2013, we licensed Alexion the right to access our Xtend Fc domain, which Alexion used to develop an improved version of Alexion's commercialized Soliris product. The Xtend technology increased the circulating half-life of Ultomiris by over three-fold compared to Soliris and extended the dosing schedule to bimonthly for Ultomiris compared to biweekly for Soliris. We are eligible to receive a low-single digit percent royalty on the sale of approved products. During 2023, we recorded royalty revenue of $38.6 million and a $20.0 million sales milestone. In the fourth quarter of 2023, we sold a portion of the royalties due us under the Alexion agreement for $192.5 million.

Vir Biotechnology, Inc.

In March 2020, we entered into an agreement in which we provided Vir a non-exclusive license to our Xtend technology to extend the half-life of novel antibodies, including sotrovimab, that Vir has investigated as potential treatments for patients with COVID-19. Vir, along with alliance partner GSK, is responsible for all research, development, regulatory and commercial activities for COVID-19 antibodies, and we are eligible to receive royalties on the net sales of approved products in the mid-single digit percentage range. During 2023, we recorded royalty revenue of $2.2 million.

In August 2019, we entered into an agreement with Vir Biotechnology, Inc., in which we provided Vir a non-exclusive license to our Xtend technology for two targets in infectious disease. Tobevibart (VIR-3434) is being evaluated in a Phase 2 combination study as a potential treatment for patients with hepatitis B virus infection and in a Phase 2 combination study as a potential treatment for patients with hepatitis Delta virus infection.

Gilead Sciences, Inc.

In January 2020, we entered into an agreement with Gilead Sciences, Inc., in which we provided Gilead an exclusive license to our Cytotoxic Fc and Xtend Fc technologies for broadly neutralizing anti-HIV antibodies. Gilead is responsible for all development and commercialization activities. For each licensed antibody, we are eligible to receive up to $67.0 million in milestones, which includes $10.0 million in development milestones, $27.0 million in regulatory milestones, and $30.0 million in sales milestones. We are also eligible to receive royalties in the low-single digit percentage range on net sales of approved products. In 2023, Gilead initiated a Phase 2 study including two antibody candidates developed with our Fc technologies, teropavimab and zinlirvimab, and we received $6.0 million in milestone payments.

Omeros Corporation

In August 2020, we entered into an agreement with Omeros Corporation, in which we provided Omeros a non-exclusive license to our Xtend Fc technology, an exclusive license to apply our Xtend Fc technology to an initial identified antibody, OMS906, and options to apply our Xtend Fc technology to three additional antibodies. Omeros is responsible for all development and commercialization activities. In 2023, Omeros initiated a Phase 2 study of OMS906, a MASP-3 targeted antibody, in patients with PNH, and we received a $5.0 million milestone. We are eligible to receive up to an additional $60.0 million in development, regulatory and sales milestones and royalties in the mid-single digit percentage range on net sales of approved products.

Astria Therapeutics, Inc.

In May 2018, we entered into an agreement with Astria Therapeutics, Inc (formerly Quellis Biosciences, Inc.), in which we provided Astria a non-exclusive license to our Xtend Fc technology to apply to an identified antibody. Astria is responsible for all development and commercialization activities. Our upfront payment included common stock in Astria. In addition to equity shares in Astria, we are eligible to receive development, regulatory and sales milestones and we are also eligible to receive royalties in the mid-single digit percentage range on net sales of approved products.

Strategic Collaborations

We enter into strategic collaborations where we can create synergies between our partners' capabilities and assets and our own protein engineering capabilities, Fc technologies and XmAb drug candidates. Through these arrangements we seek to create new drug candidates, investigate novel combination therapies and potentially identify additional indications for our portfolio of XmAb drug candidates.

Caris Life Sciences

In July 2022, we entered into a research discovery agreement with Caris Life Sciences (Caris). We received exclusive options to research, develop and commercialize products directed up to three targets. Caris received an upfront payment and will be eligible to receive licensing fees, discovery, development, regulatory and sales-based milestones and royalty payments on net sales of each product commercialized by us and future rights for molecular profiling and companion diagnostics for drug candidates developed under the collaboration. In December 2022, we expanded our Caris collaboration with a second agreement. We paid Caris an upfront payment and Caris is eligible for additional licensing fees, milestones and royalty payments on net sales of each product commercialized by us.

Technology License Agreement and Service Agreement with Gale Therapeutics Inc.

In the fourth quarter of 2023, we formed a subsidiary, Gale Therapeutics Inc. (Gale), to develop novel drug candidates that incorporate our XmAb technologies. In December 2023, we entered into a Technology License Agreement (Gale License Agreement) with Gale, in which Gale received an exclusive worldwide, royalty-bearing, non-transferable license to preclinical assets in exchange for royalties on future sales and an option on future drug candidates that Gale will develop. Concurrently, we entered into a Services Agreement (Gale Services Agreement) to provide research and development services and administrative support to Gale. In exchange for $7.5 million of funding, we acquired a majority stake in Gale.

Our Research and Development Pipeline

We have used our XmAb Fc platforms and protein engineering capabilities to produce a growing pipeline of drug candidates in clinical and preclinical development. These include multiple oncology candidates using our bispecific Fc domain. We continue to advance these candidates as additional options for clinical development by us or as out-licensing opportunities. We also from time to time in-license antibody technologies and compounds from other companies which we believe may allow us to create potential product candidates by incorporating our own proprietary technologies. These licenses may require us to pay upfront fees, development, and commercial milestone payments, and if commercial products are approved, royalties on net sales.

Human Capital Management

Our Employees and Commitment to Diversity, Equity, and Inclusion

Our ability to develop XmAb technologies, advance our programs into late-stage development, position our programs for commercialization and identify successful business partnerships is dependent on attracting, retaining, and developing our employees. We seek and support a diverse population of employees without regard to race, gender or sexual orientation. As of December 31, 2023, we had 280 full-time employees, of which 231 were engaged in research and development activities, and 49 were engaged in business development, information systems, facilities, human resources, or administrative support. Of these employees, 68 hold Ph.D. degrees, and 9 hold M.D. degrees. None of our employees are represented by any collective bargaining unit. We believe we maintain good relations with our employees.

We are an equal opportunity employer and maintain policies that prohibit unlawful discrimination based on race, color, religion, gender, sexual orientation, gender identity/expression, national origin/ancestry, age, disability, marital and veteran status. We are proud to employ a diverse workforce that, as of December 31, 2023, was 58% non-white and 57% women. In addition, as of December 31, 2023, women made up 33% of our senior leadership team. We strive to build and nurture a culture where all employees feel empowered to be their authentic selves.

In January 2024, in connection with re-prioritization of our development programs, we completed a reduction in force (RIF) affecting approximately 10% of the total employee headcount. The RIF was applied across all functional areas. As of February 1, 2024, we had 256 full-time employees.

We seek to provide human capital and employee health and safety policies that provide for the health, safety, and welfare of our employees. We continue practices that address the COVID-19 pandemic consistent with government

guidelines to mitigate and prevent the spread of disease, such as masking, social distancing, providing hybrid work opportunities where possible, contact tracing, and encouraging vaccinations.

Compensation, Benefits, and Development

We provide compensation packages designed to attract, retain, and motivate high-quality employees. All of our employees are eligible for cash bonuses and grants of equity awards. We regularly evaluate our compensation programs with an independent compensation consultant and utilize industry benchmarking in an effort to ensure they are competitive compared to similar biotechnology and biopharmaceutical companies with which we compete for talent and that they are fair and equitable across our workforce with respect to gender, race, and other personal characteristics. All employees are eligible to participate in the Employee Stock Purchase Plan where they can purchase shares of our common stock at a discounted price. This plan, and our other equity compensation plans, assists us in building long-term relationships with our employees and aligns the interest of employees with stockholders. We also deliver a benefits program that is designed to keep our employees and their families healthy, which includes not only medical, dental and vision benefits, but also dependent care, mental health, and other wellness benefits. In addition, we provide a variety of programs and services to help employees meet and balance their needs at work, at home and in life.

We value career development for all employees, and we provide reimbursement and time for employees to attend professional development courses ranging from technical training, competency-based workshops, and leadership development programs. Direct managers also take an active role in identifying individualized development plans to assist their employees in realizing their full potential and creating opportunities for promotions and added responsibilities that enhance the engagement and retention of our workforce.

Market Opportunity

Our wholly owned drug candidates that use the XmAb bispecific Fc domain, which we are actively advancing in clinical development, including vudalimab, XmAb819, XmAb808 and XmAb541: We are developing these bispecific antibody drug candidates to treat cancer. Cancer is a broad group of diseases in which cells divide and grow in an uncontrolled fashion, forming malignancies that can invade other parts of the body, and it is the second leading cause of death in the United States (U.S.). The American Cancer Society estimates that in 2024 there will be approximately 2.0 million new cases of cancer and approximately 611,720 deaths from cancer. The National Institutes of Health (NIH) has estimated that based on growth and aging of the U.S. population, medical expenditures for cancer in the year 2030 are projected to reach at least $245.6 billion.

Intellectual Property

The foundation for our XmAb technology and our product candidates and partnering is the generation and protection of intellectual property for novel antibody and cytokine therapeutics. We combine proprietary computational methods for amino acid sequence design with laboratory generation and testing of new antibody and cytokine 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, antibody product candidates, and cytokine product candidates.

Our patent estate, on a worldwide basis, includes over 1,500 issued patents and pending patent applications which we own, with claims directed to XmAb Fc domains, all of our clinical and preclinical stage product candidates and our computational protein design methods and platforms. We also have a large number of issued patents and pending patent applications with claims directed specifically to our XmAb technology and candidates.

The patent expiration in the U.S. and major foreign countries (ex-U.S.) for our key technologies and drug candidates is set forth below. We have pending applications filed that may extend the exclusivity of some of our technology and products:

Technology	Patent Expiry
Cytotoxic	2025 U.S.; 2024 Ex-U.S.
Immune Inhibitor	2028 U.S.; 2025 Ex-U.S.
Xtend	2025 U.S.; 2028 Ex-U.S.
Bispecific	2034 U.S. and Ex-U.S.
CD3 T Cell Engagers	2035 U.S. and Ex-U.S.
CD28 T Cell Engagers	2041 U.S. and Ex-U.S.

Company Products	Patent Expiry
XmAb808	2041 U.S, and Ex-U.S.
Vudalimab, XmAb104	2037 U.S. and Ex-U.S.
XmAb564	2038 U.S. and Ex-U.S.
XmAb819	2040 U.S. and Ex-U.S.
XmAb306	2038 U.S.; 2037 Ex-U.S.

Partnered Products	Patent Expiry
Monjuvi (tafasitamab)	2029 U.S.; 2027 Ex-U.S.
Ultomiris	2025 U.S.; 2028 Ex-U.S.
AIMab7195 (XmAb7195)	2029 U.S. and Ex-U.S.
Sotrovimab	2025 U.S.; 2028 Ex-U.S.
Obexelimab (XmAb5871)	2029 U.S.; 2028 Ex-U.S.
Plamotamab	2035 U.S. and Ex-U.S.

The Hatch-Waxman Act permits a patent term extension for FDA-approved drugs, including biological products, of up to five years beyond the expiration of the patent. The length of the patent term extension is related to the length of time the drug is under regulatory review. Patent extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. Similar provisions are available in Europe and other jurisdictions to extend the term of a patent that covers an approved drug. In the future, if and when our pharmaceutical product candidates receive FDA approval, we expect to apply for patent term extensions on patents covering those products. We intend to seek patent term extensions to any of our issued patents in any jurisdiction where these are available; however, there is no guarantee that the applicable authorities, including the FDA in the United States, will agree with our assessment of whether such extensions should be granted, and even if granted, the length of such extensions.

The Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Affordability Reconciliation Act (collectively the ACA) created a regulatory scheme authorizing the FDA to approve biosimilars via an abbreviated licensure pathway. In many cases, this allows biosimilars to be brought to market without conducting the full suite of clinical trials typically required of originators. Under the ACA, a manufacturer may submit an application for licensure of a biologic product that is "biosimilar to" or "interchangeable with" a previously approved biological product or "reference product." The "biosimilar" application must include specific information demonstrating bio similarity based on data derived from: (1) analytical studies, (2) animal studies, and (3) a clinical study or studies that are sufficient to demonstrate safety, purity, and potency in one or more appropriate conditions of use for which the reference product is licensed, except that FDA may waive some of these requirements for a given application. Under this new statutory scheme, an application for a biosimilar product may not be submitted to the FDA until four years after the date of first licensure. The FDA may not approve a biosimilar product until 12 years from the date on which the reference product was first licensed. The law does not change the duration of patents granted on biological products. Even if a product is considered to be a reference product eligible for exclusivity, another company could market a competing version of that product if the FDA approves a full Biologics License Application (BLA) for such product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity, and potency of their product. There have been recent proposals to repeal or modify the ACA, and it is uncertain how any of those proposals, if approved, would affect these provisions.

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. We currently have registrations for Xencor and XmAb in the United States, Australia, Canada, the European Union, the United Kingdom, and Japan, and for Proteins by Design in the United States, Australia, Canada, and the European Union and the United Kingdom.

Third Party Vendors and Suppliers

Our internal research activities are focused on early research stage and preclinical activities and studies. We rely on third party vendors, suppliers and contractors for all other research, development and clinical activities. 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 relying on third parties for all of our manufacturing needs. We have adopted a manufacturing strategy of contracting with third parties in accordance with current good manufacturing practices (cGMPs) for the manufacture of drug substance and product, including our pipeline of bispecific antibody and cytokine development candidates. We have used third party manufacturers for all our bispecific antibody and cytokine candidates which include: plamotamab, vudalimab, XmAb104, XmAb306, XmAb564, XmAb819 XmAb808, XmAb662 and, XmAb541. 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. We do not have any long-term manufacturing agreements in place and will ultimately depend on contract manufacturers for the manufacture of our products for commercial sale, as well as for process development.

KBI Biopharma, Inc.

In July 2014, we entered into a master services agreement (KBI Agreement) with KBI Biopharma, Inc. (KBI). We have engaged KBI under the KBI Agreement for process development, clinical scale-up, analytical method development, formulation development, and other services related to drug substance and drug product for our bispecific antibody and cytokine development candidates: plamotamab, vudalimab, XmAb104, XmAb306, XmAb564 and XmAb541 in accordance with cGMP regulations. For each bispecific program, we have entered into a separate agreement with the terms and conditions of services and payment. The KBI Agreement is for a three-year term but is automatically extended on an annual basis until the services are completed. The KBI Agreement may be terminated by either party for a breach that is not remedied within 30 days after notice or 60 days after notice of the existence of an incurable scientific or technical issue that renders KBI unable to render services under the KBI Agreement, by after 60-day notice, or in the event of a bankruptcy of a party. For termination other than a material breach by KBI, we must pay for all services conducted prior to the termination and to wind down the activities.

Cell Line Agreements with Selexis

In December 2015, we entered into a master service agreement (Selexis Agreement) with Selexis SA (Selexis) for the manufacture of Selexis cell lines. Under the terms of the Selexis Agreement, Selexis will manufacture cell lines for the antibody candidates provided by us and upon completion of the cell lines, we have the option to take an unrestricted commercial license to the cell line. The terms of each commercial license require us to make payments upon achievement of certain development and regulatory milestones and we will also pay royalties based on a percentage of net sales for products that are derived from or utilize the Selexis cell line. The royalty is less than 1%.

Selexis has manufactured cell lines for certain of our bispecific antibody and cytokine drug candidates, and we currently have rights to obtain commercial licenses to the Selexis cell line for the following bispecific antibody and cytokine candidates: plamotamab, vudalimab, XmAb104, XmAb306, XmAb564, and XmAb819.

License Agreement with BIO-TECHNE

In April 2021, we entered into an agreement with BIO-TECHNE for a non-exclusive license to a certain recombinant monoclonal antibody reactive with human Claudin-6 (CLDN6). We are using this protein in our XmAb541 drug candidate. Under the terms of this agreement, we made an upfront payment and are obligated to make payments upon the achievement of certain development, regulatory and sales milestones, and royalties based on a percentage of net sales from products that are derived from the CLDN6 antibody. The royalty is less than 1%.

Umbrella Development Services Agreement with Patheon Biologics LLC

In September 2018, we entered into an Umbrella Development Services Agreement (Patheon Agreement) with Patheon Biologics LLC (Patheon). Under the terms of the Patheon Agreement, any of the affiliates within the global network of service sites in Thermo Fisher Scientific Inc.'s Pharma Services Group may perform clinical manufacturing and development services for us in accordance with cGMP regulations. The Patheon Agreement may be terminated by either party for a breach or default that is not remedied within 30 days, or such other time period as may be reasonably necessary to remedy such breach after receiving notice of the breach from the non-breaching party or if the other party is subject to an insolvency event. We have the unilateral right to terminate the Patheon Agreement upon 30 days written notice to Patheon for any business reason, subject to cancellation fees. Patheon has the unilateral right to terminate the Patheon Agreement if we request to reschedule work beyond 120 days, the project work is not progressing according to our expectations and we cannot agree on appropriate changes, after six months of inactivity on a project at our request or if Patheon determines it is unable to perform its obligations in a safe and effective way in compliance with applicable regulatory requirements.

Patheon is currently manufacturing drug substance material for our XmAb819 program and drug product for our plamotamab program.

Master Services Agreement with WuXi Biologics (Hong Kong) Limited

In February 2021, we entered into a Master Services Agreement (WuXi Agreement) with WuXi Biologics (Hong Kong) Limited (WuXi). Under the terms of the WuXi Agreement, WuXi and its affiliates will perform manufacturing, analytical, development and other services for Xencor in accordance with applicable regulations. The WuXi Agreement includes customary rights to replacement of non-conforming products. The WuXi Agreement may be terminated by either party for a breach by the other party that is not remedied within 45 days (or 10 days for a non-payment breach), or if the other party is subject to an insolvency event. We have the unilateral right to terminate the WuXi Agreement upon 90 days' prior written notice to WuXi for any reason, subject to applicable cancellation fees. WuXi has the unilateral right to terminate the WuXi Agreement only if the services cannot be performed due to technical difficulties or the performance of the services is not permitted under applicable law.

WuXi is currently manufacturing drug substance and drug product for our XmAb808 and XmAb662 programs.

Master Clinical Services Agreement with ICON Clinical Research Limited

In April 2016, we entered into a Master Clinical Services Agreement (ICON Agreement) with ICON Clinical Research Limited (ICON) which was amended in April 2021. Under the terms of the ICON Agreement, ICON and its affiliates will perform clinical trial services (including site selection, study design, site monitoring, management and training, and patient selection) for Xencor in accordance with applicable regulations. The ICON Agreement may be terminated by either party for a breach by the other party that is not remedied within 30 days, or if the other party is subject to an insolvency event. Each party may terminate the ICON Agreement upon 30 days' prior written notice to the other party for any reason, however such termination would not affect any ongoing project under the ICON Agreement. We may unilaterally terminate any project under the ICON Agreement upon 30 days' prior written notice to ICON for any reason, subject to applicable close-out costs.

ICON is currently providing services to us in connection with ongoing Xencor-sponsored clinical trial that target oncology indications.

Master Services Agreement with Innovaderm Research, Inc.

In April 2022, we entered into a Master Services Agreement (Innovadrem Agreement) with Innovaderm Research, Inc. (Innovaderm). Under the terms of the Innovaderm Agreement, Innovaderm will perform clinical trial management and

clinical development services (including site selection, study design, site monitoring, management and training, and patient selection) for Xencor in accordance with applicable regulations. The Innovaderm Agreement may be terminated by either party for a breach upon 15 days' written notice, if such breach is not cured within 30 days. We may terminate the Innovaderm Agreement upon 30 days' written notice to Innovaderm for any reason; however, we will be obligated for any costs incurred through the cancellation date and any non-refundable and non-cancellable commitments incurred by Innovaderm.

Innovaderm is currently conducting clinical studies for our XmAb564 program.

Master Services Agreement with PPD Development, L.P.

In June 2015, we entered into a Master Services Agreement (PPD Agreement) with PPD Development, L.P.(PPD). Under the terms of the PPD Agreement, PPD will perform clinical trial management and clinical development services (including site selection, study design, site monitoring, management and training, and patient selection) for Xencor in accordance with applicable regulations. The PPD Agreement may be terminated by either party for a breach upon 30 days' written notice, if such breach is not cured within 30 days. We may terminate the PPD Agreement upon 30 days' written notice to PPD for any reason; however, we will be obligated for any costs incurred through the cancellation date and any non-refundable and non-cancellable commitments incurred by PPD.

PPD is currently conducting clinical studies for our vudalimab program.

Master Services Agreement with Vetter Pharma International GmbH

In October 2020, we entered into a master services agreement (Vetter Agreement) with Vetter Pharma International GmbH (Vetter). We have engaged Vetter under the Vetter Agreement for clinical scale-up, analytical method development, formulation development, and other services related to manufacturing drug product for our bispecific antibody candidates vudalimab and XmAb541 in accordance with cGMP regulations. For each bispecific program, we have entered into a separate agreement with the terms and conditions of services and payment. The Vetter Agreement is for a eight-year term but is automatically extended on an annual basis until the services are completed. The Vetter Agreement may be terminated by either party for a breach that is not remedied within 60 days after notice or 60 days after notice of the existence of an incurable scientific or technical issue that renders Vetter unable to render services under the Vetter Agreement. For termination other than a material breach by Vetter, we must pay for all services conducted prior to the termination and to wind down the activities.

Vetter is currently manufacturing drug product for our vudalimab and XmAb541 programs.

Master Services Agreement with OncoBay Clinical, Inc.

In August 2023, we entered into a Master Services Agreement (OncoBay Agreement) with OncoBay Clinical, Inc. (OncoBay). Under the terms of the OncoBay Agreement, OncoBay will perform Contract Research Organization (CRO) services including clinical trial management and clinical development services (including site selection, study design, site monitoring, management and training, and patient selection) for Xencor in accordance with applicable regulations. The OncoBay Agreement may be terminated by either party for a breach upon 30 days' written notice, if such breach is not cured within thirty (30) days. We may terminate the OncoBay Agreement upon 60 days' written notice to OncoBay for any reason; however, we will be obligated for any costs incurred through the cancellation date and any non-refundable and non-cancellable commitments incurred by OncoBay.

OncoBay is currently conducting clinical studies for our XmAb541 program.

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 cytokines, 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, more effectively developed, or more effectively marketed and sold than any treatment we or our development partners may commercialize, which 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 the field of cancer drug development is intense, with hundreds of compounds in clinical trials. Many large pharmaceutical companies and other smaller biotechnology companies are developing competing bispecific antibody platforms, and many of these companies have advanced multiple drug candidates into clinical development, including Amgen Inc.; Genmab A/S; Macrogenics, Inc.; Merus N.V.; Regeneron Pharmaceuticals, Inc.; and Roche Holding AG.

We are developing bispecific antibody drug candidates engineered to direct cytotoxic T cell killing of solid tumor cells, by engaging the CD3 or CD28 receptor on T cells and an antigen on tumor cells. Other companies conducting clinical trials to evaluate CD3 or CD28 bispecific antibodies directed to antigens expressed on solid tumors include Amgen Inc.; Astellas Pharma Inc.; BioAtla, Inc.; CytomX Therapeutics, Inc.; Genmab A/S; Immunocore Holdings plc; Janux Therapeutics, Inc.; Johnson & Johnson; Regeneron Pharmaceuticals, Inc.; Roche Holding AG; and Takeda Pharmaceutical Co. Ltd. Other antibodies, antibody drug conjugates and cell therapies are in development or approved to treat patients with cancer.

We are also developing several bispecific antibody drug candidates engineered to selectively engage the immune system in order to treat patients with cancer. Immuno-oncology is a competitive field within the biotechnology and pharmaceutical industries, and most large pharmaceutical companies are developing drug candidates, have marketed medicines in this space, or both: AstraZeneca plc; Bristol-Myers Squibb Company; GlaxoSmithKline plc; Merck & Co., Inc.; Novartis AG; Pfizer Inc.; Roche Holding AG; and Sanofi S.A. While tuning the binding affinities plays a crucial role in designing the mechanism of action for this class of bispecific antibody, smaller companies advancing clinical programs that, like vudalimab, dually target the immune checkpoint receptors PD-1 and CTLA-4 include Akeso, Inc. and Macrogenics, Inc.

In addition, we are aware of a number of other companies with development-stage programs that may compete with the drug candidates we and our licensees are developing 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 candidates.

U.S. Government Regulation

We are subject to extensive regulation by the U.S. and other countries. Regulation by government authorities is a significant factor in development, manufacture, distribution and ongoing research activities. All our products in development will require regulatory approval by government agencies prior to commercialization. In particular, drugs and biologic products are subject to rigorous preclinical studies and clinical trials and other approval procedures of the FDA and similar regulatory authorities in foreign countries. The process of obtaining these approvals and the subsequent compliance with appropriate federal and state statutes and regulations require the expenditure of substantial time and financial resources. Various federal and state statutes and regulation also govern or influence testing, manufacturing, safety, labeling, storage, tracking, tracing and record-keeping of drugs and biologic products and their marketing.

U.S. Drug Development Process

In the United States, the FDA regulates drugs and biologic products under the Federal Food, Drug and Cosmetic Act (FDCA), its implementing regulations, and other laws including, in the case of biologics, the Public Health Service Act. Our 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 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:

1. completion of preclinical laboratory tests, animal studies, and formulation studies performed in accordance with the FDA's current Good Laboratory Practices (GLP) regulations;
2. submission to and acceptance by the FDA of an IND which must become effective before human clinical trials in the United States may begin;
3. 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;
4. submission to and acceptance by the FDA of a BLA;
5. 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;
6. potential audits by the FDA of the nonclinical and clinical trial sites that generated the data in support of the BLA;
7. potential review of the BLA by an external Advisory Committee to the FDA, whose recommendations are not binding on the FDA; and
8. 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. 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. The FDA or responsible Institutional Review Board may place a trial on hold at any time related to perceived risks to patient safety. Phases of clinical development include:

1. *Phase 1.* The product candidate is initially introduced into a limited population of healthy human subjects, or in some cases, patients with the disease for which the drug candidate is intended, 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.

2. *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.

3. *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 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.

4. *Post Approval.* Clinical trials or other post-approval commitments 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 and may be required by the FDA as a condition of approval.

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.

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 standard time for the FDA to accept a BLA submission is two months.

If the FDA determines that the BLA is substantially complete, it will accept the BLA for review.

Once accepted, 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, and it may inspect the manufacturing facilities to assure cGMP compliance and clinical sites used during the clinical trials to assure cGMP compliance. The standard FDA review process is 10 months once a BLA is accepted for review, but it can take longer. During the review 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 prior to approval. A REMS can substantially increase the costs of obtaining approval. In addition, under the Pediatric Research Equity Act, a BLA or supplement to a BLA must contain data that are adequate to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements.

The FDA will issue a complete response letter describing deficiencies in the BLA and recommend actions if the agency decides not to approve the BLA. The applicant will have to address all of the deficiencies which could take substantial time to address.

If the product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages, or the indications for use may otherwise be limited and 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.

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, cGMP compliance for product manufacture, 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. Failure to comply with these or other FDA requirements can subject a manufacturer to possible legal or regulatory action, such as product reclass, 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.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of the FDA approval of any of our biologic product candidates, we may apply 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 for one patent per product as compensation for patent term lost during product development and the FDA regulatory review process of that product. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration.

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 established an abbreviated pathway for the approval of biosimilar and interchangeable biological products generally not earlier than 12 years after the original BLA approval. The 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.

Pharmaceutical Coverage, Pricing and Reimbursement

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.

Healthcare Reform

In the United States and foreign jurisdictions, there have been and will 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.

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 the Centers for Medicare & Medicaid Services, other divisions of Health and Human Services (e.g., the Office of Inspector General), the U.S. Department of Justice, state Attorneys General, and other state and local government agencies.

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, similar or more stringent than the U.S. laws.

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.

Corporate Information

We were incorporated in California in August 1997 under the name Xencor. In September 2004, we reincorporated in the state of Delaware under the name Xencor, Inc. Our principal offices are located at 465 North Halstead Street, Suite 200, Pasadena, CA, 91107, and our telephone number is (626) 305-5900. Our website address is www.xencor.com. Our website and the information contained on, or that can be accessed through, the website will not be deemed to be incorporated by reference in and are not considered part of this Annual Report. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investor Relations portion of our web site at www.xencor.com as soon as reasonably practical after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). The SEC maintains an internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Summary of Risk Factors

We are subject to a number of risks that if realized could materially harm our business, prospects, operating results, and financial condition. Some of the more significant risks and uncertainties we face include those summarized below. The summary below is not exhaustive and is qualified by reference to the full set of risk factors set forth in this "Risk Factors" section. Please carefully consider all of the information in this Form 10-K, including the full set of risks set forth in this "Risk Factors" section, and in our other filings with the U.S. Securities and Exchange Commission before making an investment decision regarding Xencor.

We have reviewed our risk factors and categorized them into five specific categories:

1. Risks related to our unique and specific business operations as a small biotechnology company. These risks include:

    - Our success depends on our ability to use and expand our XmAb technology platform to build a pipeline of product candidates and develop marketable products. We cannot be certain our candidates will receive regulatory approval or be successfully commercialized.
    - 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.
    - Preliminary, interim, and topline data from our clinical trials that we announce or publish may change as more patient data become available that could result in material changes in the final data.
    - Our business and results of operations could be adversely impacted by inflation.

2. Risks specifically related to our financial position, capital requirements and ownership of our common stock. These risks include:

    - We have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future.
    - Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. We 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.
    - The market price of our common stock is likely to be highly volatile, and you could lose all or part of your investment.
    - 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.
    - Raising additional funds through debt or equity financing may be dilutive and raising funds through licensing may require us to relinquish rights to our technology or product candidates.

- 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.

3. Risks related to our intellectual property. These risks include:

   - 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.
   - We have in-licensed, and may in the future in-license, a portion of our intellectual property, and, if we fail to comply with our obligations under these arrangements, we could lose such intellectual property rights or owe damages to the licensor of such intellectual property.
   - We may be required to reduce the scope of our intellectual property due to third party intellectual property 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.
   - 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.
   - If we do not obtain patent term extension and data exclusivity for any therapeutic candidates we develop, our business may be materially harmed.

4. Risks related to our dependence on third parties. These risks include:

   - Our patent protection and prosecution for some of our product candidates is dependent on third parties.
   - We rely on third-party manufacturers to manufacture our product candidates and provide supplies for our preclinical candidates. If any of our third-party manufacturers encounter problems or loss of drug material during production or otherwise fail to comply with their contractual obligations, the development of our product candidates could be delayed or stopped.
   - Our existing partnerships are important to our business. If we are unable to maintain any of these partnerships, or if these partnerships are not successful, our business could be 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.

5. Risks related to our industry. These risks include:

   - Clinical trials are expensive and take years to conduct and the outcome of such clinical trials is uncertain. Clinical trials may fail to prove our product candidates are safe and effective.
   - 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 and abandon product candidates.
   - 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.
   - Our industry is subject to competition for skilled personnel and the challenges we face to identify and retain key personnel could impair our ability to effectively conduct and grow our operations.
   - 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.
   - We face significant competition from other biotechnology and pharmaceutical companies and our operating results will suffer if we fail to compete effectively.
   - Present and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.
   - 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.

Risks Related to Our Unique and Specific Business Operations as a Small Biotechnology Company

Our success depends on our ability to use and expand our XmAb technology platform to build a pipeline of product candidates and develop marketable products. We cannot be certain our candidates will receive regulatory approval or be successfully commercialized.

We use our proprietary XmAb technology platform to develop engineered antibodies, with an initial focus on four properties: immune inhibition, cytotoxicity, extended half-life and most recently, heterodimeric Fc domains enabling molecules with dual target binding. This platform has led to our current pipeline of candidates as well as the other programs that utilize our technology and that are being developed by our partners and licensees. While we believe our preclinical and clinical data to date, together with our established partnerships, has validated our platform to a degree, most of the programs are in early stages of development. Although drug candidates incorporating our Fc technology, or Fc candidates, have been approved by the FDA, other product candidates have not yet been, and may never lead to, approved or marketable therapeutic antibody products. Even if we are successful in continuing to build our pipeline, the potential 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 receive marketing approval and achieve market acceptance. If we do not successfully develop and commercialize product candidates, we may not be able to obtain product or partnership revenues in future periods, which would adversely affect our business, prospects, financial condition and results of operations.

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

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

Preliminary, interim, and topline data from our clinical trials that we announce or publish may change as more patient data become available that could result in material changes in the final data.

From time to time, we may publicly disclose preliminary, interim or topline data from our clinical trials. These updates are based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. Additionally, interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Therefore, positive interim results in any ongoing clinical trial may not be predictive of such results in the completed study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the preliminary results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, preliminary, interim or topline data should be viewed with caution until the final data are available. In addition, we may report interim analyses of only certain endpoints rather than all endpoints. Adverse changes between preliminary or interim data and final data could significantly harm our business and prospects. Further, additional disclosure of interim data by us

or by our competitors in the future could result in volatility in the price of our common stock. See the description of risks under the heading "Risks Specifically Related to Our Financial Position, Capital Requirements and Ownership of Our Common Stock" for more disclosure related to the risk of volatility in our stock price.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is typically selected from a more extensive amount of available information. You or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product, product candidate or our business. If the preliminary or topline data that we report differ from late, final or actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize our product candidates may be harmed, which could harm our business, financial condition, results of operations and prospects.

Our business and results of operations could be adversely impacted by inflation.

The Company's financial performance is subject to global and US economic conditions. Recent increases in interest rates and inflation, globally, and in the US regions, have led to economic volatility, increased borrowing costs, price increases and risks of recessions. Economic recessions may have adverse consequences across industries, including the biotechnology industry, which may adversely affect the Company's business and financial condition. As a result of the ongoing actions taken by governments to attempt to slow down rising inflation, there is substantial uncertainty about the strength of the global economies, which may currently or in the near term be in a recession and have experienced rapid increases in uncertainty about the pace of potential recovery. In addition, changes in general market, economic and political conditions in domestic and foreign economies or financial markets, including fluctuation in stock markets resulting from, among other things, trends in the economy and inflation, as are being currently experienced, may adversely impact our cash runway as well as our ability to raise funds.

Risks Specifically Related to Our Financial Position, Capital Requirements and Ownership of Our Common Stock

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

We are a clinical-stage biopharmaceutical company. To date, we have financed our operations primarily through equity financings and our research and development licensing agreements and have incurred significant operating losses since our inception in 1997. For the year ended December 31, 2023, we incurred a net loss of $126.1 million and as of December 31, 2023, we had an accumulated deficit of $464.4 million. We expect to incur additional net losses in future years as we execute our plan to continue our discovery, research and development activities, including the ongoing and planned clinical development of our antibody product candidates, and incur the additional costs of operating as a public company. We are unable to predict the extent of any future losses or when we will become profitable, if ever. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis which would adversely affect our business, prospects, financial condition, and results of operations.

Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. We 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 are still in the early stages of developing our product candidates, and we have not completed development of any of our wholly-owned products. Our revenue to date has been primarily revenue from the license of our proprietary XmAb technology platform and drug candidates for the development of product candidates by others or revenue from our partners. Our ability to generate revenue and achieve profitability depends in large part on our ability, alone or with partners, to achieve milestones and to successfully complete the development of, obtain the necessary regulatory approvals for, and commercialize and market, product candidates. We do not anticipate generating revenues from sales of our own products in the foreseeable future that will provide sufficient proceeds to fund our operations on an ongoing basis.

Our ability to generate future revenues from licensing our proprietary XmAb technologies and drug candidates depends heavily on our and our partners' success in advancing drug candidates that they have licensed from us or developed using one of our technologies. Our partners face the same development, regulatory and market risk for advancing their drug candidates and their ability to successfully advance these partnered programs will affect potential milestones and royalties we could earn under our collaboration agreements. Further, our partners may decide not to pursue, or decide to deprioritize our programs due to changing priorities which could affect our future potential revenue from such arrangements.

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 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' completion of clinical trials or delays in the development of any of our 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.

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.

As of December 31, 2023, we had $697.4 million in cash, cash equivalents, and marketable debt securities. We expect our expenses to increase in connection with our ongoing development activities, including the continued development of our pipeline of bispecific antibody drug candidates and other research activities. Identifying potential product candidates and conducting preclinical testing and clinical trials are time-consuming, expensive, and uncertain processes that take years to complete, and we or our partners may never generate the necessary data or results required to obtain regulatory approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success.

Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if at all. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We believe our existing cash, cash equivalents and marketable securities, together with interest thereon and expected milestones and royalty payments will be sufficient to fund our operations into 2027. 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. We do not have sufficient cash to complete the clinical development of any of our product candidates and will require additional funding to complete the development activities required for regulatory approval of our current product candidates or any other 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 market price of our common stock is likely to be highly volatile, and you could lose all or part of your investment.

Prior to our initial public offering (IPO), there was no public market for our common stock. The trading price of our common stock is likely to be volatile. Since our IPO, the trading price of our common stock has ranged from a low of approximately $5.75 to a high of approximately $58.345. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

1. adverse results or delays, or cancellations of clinical trials by us or our partners;
2. inability to obtain additional funding;
3. changes in laws or regulations applicable to our products;
4. inability to obtain adequate product supply for our product candidates, or the inability to do so at acceptable prices;

5. adverse regulatory decisions;
6. changes in the structure of healthcare payment systems;
7. introduction of new products or technologies by our competitors;
8. failure to meet or exceed product development or financial projections we provide to the public;
9. the perception of the pharmaceutical and biotechnology industry by the public, legislatures, regulators and the investment community;
10. announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
11. disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
12. additions or departures of key scientific or management personnel;
13. significant lawsuits, including patent or stockholder litigation;
14. changes in the market valuations of similar companies;
15. sales of our common stock by us or our stockholders in the future; and
16. trading volume of our common stock.

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

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

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

Based on information available to us as of December 31, 2023 our executive officers, management, directors, 5% stockholders and their affiliates beneficially owned, as a group, approximately 64.8% of our voting stock.

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

Raising additional funds through debt or equity financing may be dilutive 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. 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.

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. 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 2023 equity incentive plan (2023 plan), subject to board approval, our management is authorized to grant stock options and other equity-based awards to our employees, directors and consultants. As of December 31, 2023, we had options to purchase 11,142,986 shares outstanding under our equity compensation plans. In addition, we are also authorized to grant equity awards, including stock options, to our employees, directors, and consultants, covering up to 19,434,971 shares of our common stock, pursuant to our equity compensation plans. We plan to register the number of shares available for issuance or subject to outstanding awards under our equity compensation plans.

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. If we fail to adequately staff our accounting and finance function to address the additional 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, it 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.

As a large accelerated filer, we are subject to additional internal control requirements of the Sarbanes-Oxley Act of 2002.

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

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

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

Our net operating loss (NOL) carryforwards generated in tax years ending on or prior to December 31, 2017, are only permitted to be carried forward for 20 years under applicable U.S. tax law. Under the Tax Cuts and Jobs Act of 2017 (TCJA), our federal NOLs generated in tax years ending after December 31, 2017, may be carried forward indefinitely, but the deductibility of such federal NOLs generated in tax years beginning after December 31, 2021, is limited. It is uncertain if and to what extent various states will conform to the TCJA. In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is 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 NOL carryforwards and other pre-change U.S. tax attributes (such as research tax credits) to offset its post-change income or taxes may be limited. It is also possible that we have in the past

undergone, and in the future may undergo, ownership changes that could result in additional limitations on our net operating loss and tax credit carryforwards.

As a result, our pre-2018 NOL carryforwards may expire prior to being used. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. As a result, if we earn net taxable income, we may be unable to use all or a material portion of our NOLs and other tax attributes, which could potentially result in increased future tax liability to us and adversely affect our future cash flows.

New federal and state income tax legislation may affect our current and future income tax liabilities.

The TCJA changed the income tax treatment of research and development expenses which may result in additional federal and state tax liabilities. For tax years ended in December 31, 2022 and subsequent years, research and development costs must be capitalized and amortized over a period of years; this has resulted in additional federal tax expense and liabilities to us in 2022 and 2023. Currently, there is proposed legislation in Congress that would retroactively restore the deduction of research and development expenses, which if enacted, would reduce our 2023 federal tax expense and liabilities by a material amount.

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

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

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

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

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

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

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

We have been subject to the reporting requirements of the Exchange Act and the other rules and regulations of the Securities and Exchange Commission (SEC) since December 2013. Effective for the year-ended December 31, 2016, we became a large accelerated filer and are subject to additional internal control and SEC reporting obligations. Compliance with the various reporting and other requirements applicable to public reporting companies requires considerable time, attention of management, and financial resources.

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

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

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

Investors' expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, employees, regulators and other stakeholders concerning corporate responsibility, specifically related to environmental, social and governance (ESG) factors. Some investors may use these factors to guide investment strategies and decisions. Complying with ESG standards and expectations may impose additional costs and expose us to new risks for not meeting investor and third-party expectations in meeting published ESG guidelines.

Risks Related 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. The value of many of our partnered licensing arrangements is based on the underlying intellectual property and related patents. If we are unable to obtain, maintain and enforce intellectual property protection covering our products or underlying technologies, others may be able to make, use or sell products that are substantially the same as ours without incurring the sizeable development and licensing costs that we have incurred, which would adversely affect our ability to compete in the market. As of December 31, 2023, we held over 1,500 issued patents and pending patent applications. We file patent applications in the United States, Canada, Japan, Europe and other major markets either directly or via the Patent Cooperation Treaty. Our ability to stop third parties from making, using, selling, offering to sell or importing our product candidates is dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities. However, the patent positions of biopharmaceutical companies, including ours, can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in patents in these fields has emerged to date in the United States. The U.S. patent laws have recently changed, there have been changes regarding how patent laws are interpreted, and the U.S. Patent and Trademark Office (the PTO) has also implemented changes to the

patent system. Some of these changes are currently being litigated, and we cannot accurately determine the outcome of any such proceedings or predict future changes in the interpretation of patent laws or changes to patent laws which might be enacted into law. Those changes may materially affect our patents, our ability to obtain patents or the patents and applications of our collaborators and licensors. The patent situation in the biopharmaceutical industry outside the United States is even more uncertain. Therefore, there is no assurance that our pending patent applications will result in the issuance of patents or that we will develop additional proprietary products which are patentable. Moreover, patents issued or to be issued to us may not provide us with any competitive advantage. Our patent position is subject to numerous additional risks, including the following:

1. we may fail to seek patent protection for inventions that are important to our success;
2. our pending patent applications may not result in issued patents;
3. 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;
4. we may be required to disclaim part or all of the term of certain patents or all of the term of certain patent applications;
5. 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;
6. 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;
7. the claims of our issued patents or patent applications when issued may not cover our product candidates;
8. 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;
9. 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;
10. 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;
11. there may be dominating patents relevant to our product candidates of which we are not aware;
12. 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;
13. 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;
14. 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
15. we may not develop additional proprietary technologies that are patentable.

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

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

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

We 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.

We have in-licensed, and may in the future in-license, a portion of our intellectual property, and, if we fail to comply with our obligations under these arrangements, we could lose such intellectual property rights or owe damages to the licensor of such intellectual property.

We currently rely, and may in the future rely, on certain intellectual property rights licensed from third parties to protect our technology and certain product candidates, and we may enter into additional license agreements in the future. As part of our discovery and development activities, we routinely evaluate in-licenses from academic and research institutions. We have sublicensed certain intellectual property rights related to our CD3 bispecific technology from a third party. We also license certain rights to the underlying cell lines for all our product candidates from third parties. Under these licenses, we have no right to control patent prosecution of the intellectual property or to enforce the patents, and as such the licensed rights may not be adequately maintained by the licensors. The termination of these or other licenses could also prevent us from commercializing product candidates covered by the licensed intellectual property.

Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, milestone payment, royalty and other obligations on us. If there is any conflict, dispute, disagreement or issue of non-performance between us and our licensing partners regarding our rights or obligations under the license agreements, including any such conflict, dispute or disagreement arising from our failure to satisfy payment obligations under any such agreement, we may owe damages, our licensor may have a right to terminate the affected license, and our and our partners' ability to utilize the affected intellectual property in our drug discovery and development efforts, and our ability to enter into collaboration or marketing agreements for an affected product or therapeutic candidate, may be adversely affected.

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, changes in U.S. patent law under the America Invents Act allows for post-issuance challenges to U.S. patents, including ex parte reexaminations, inter parte reviews and post-grant review. There is significant uncertainty as to how the new laws will be applied and if our U.S. patents are challenged using such procedures, we may not prevail, possibly resulting in altered or diminished claim scope or loss of patent rights altogether. Similarly, some countries, notably members of the European Union, also have post grant opposition proceedings that can result in changes in scope and/or cancellation of patent claims.

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

Our commercial success depends upon our ability, and the ability of our collaborators, to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the patents and other proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries. For example, we are aware of issued patents owned by Merus B.V. (Merus) that may relate to and claim components of our bispecific antibody product candidates and partnered bispecific product candidates, including plamotamab, vudalimab and XmAb819 will putatively expire in 2033. It is possible that the patent 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. We believe there exists reasonable arguments of invalidity for the Merus patents; however, we cannot assure that if challenged in litigation 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.

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.

If we do not obtain patent term extension and data exclusivity for any therapeutic candidates we develop, our business may be materially harmed.

Depending upon the timing, duration, and specifics of any FDA marketing approval of any therapeutic candidates we may develop, one or more of our owned or licensed U.S. patents may be eligible for limited patent term extension under the Hatch-Waxman Act. Similar extensions as compensation for patent term lost during regulatory review processes are also available in certain foreign countries and territories, such as in Europe under a Supplementary Patent Certificate. However, we may not be granted an extension in the United States and/or foreign countries and territories because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is shorter than what we request or we fail to choose the most optimal patents to extend, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations and prospects could be materially harmed.

Risks Related to Our Dependence on Third Parties

Our patent protection and prosecution for some of our product candidates is dependent on third parties.

While we normally seek and gain the right to fully prosecute the patents relating to our product candidates, there may be times when patents relating to our product candidates are controlled by our licensors.

We rely on third-party manufacturers to manufacture our product candidates and provide supplies for our studies. If any of our third-party manufacturers, encounter problems or loss of drug material during production or otherwise fail to comply with their contractual obligations, the development of our product candidates could be delayed or stopped.

The manufacture of biopharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and our contract

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

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

We cannot assure you that any stability or other issues relating to the manufacture of any of our product candidates or products will not occur in the future. Additionally, our manufacturer may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide any product candidates to patients in clinical trials and products to patients, once approved, would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely. Any adverse developments affecting clinical or commercial manufacturing of our product candidates or products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our product candidates or products. We may also have to take inventory write-offs and incur other charges and expenses for product candidates or products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay or impede the development and commercialization of any of our product candidates or products and could have a material adverse effect on our business, prospects, financial condition and results of operations.

Certain of our third-party manufactures are located outside the United States, and our ability to continue to receive drug material for our development candidates would be at-risk in the event of instability or geopolitical problems between the United States and the country's where these manufacturers are located.

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

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

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

1. collaborators have significant discretion in determining the efforts and resources that they will apply to these partnerships;
2. our Janssen Agreement provides for cost-sharing on development costs for the bispecific candidate, plamotamab. Such an arrangement may require us to incur substantial costs in excess of our available resources;
3. 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;

4. 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;
5. 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;
6. 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;
7. 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;
8. 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;
9. collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability;
10. collaborators may learn about our technology and use this knowledge to compete with us in the future;
11. results of collaborators' preclinical or clinical studies could produce results that harm or impair other products using our XmAb technology platform;
12. there may be conflicts between different collaborators that could negatively affect those partnerships and potentially others; and
13. the number and type of our partnerships could adversely affect our attractiveness to future collaborators or acquirers.

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

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

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

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

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

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

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

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

We do not currently have nor do we plan to acquire the infrastructure or capability internally to manufacture our clinical drug supplies for use in the conduct of our clinical trials, and we lack the resources and the capability to manufacture any clinical candidates on a clinical scale. Instead, we rely on our third-party manufacturing partners to manufacture our clinical drug supply. Any of our contract manufacturers may not perform as agreed, may be unable to comply with cGMP requirements and with FDA, state and foreign regulatory requirements or may terminate their respective agreements with us.

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

Risks Related to Our Industry

Clinical trials are expensive and take years to conduct and the outcome of such clinical trials is uncertain. Clinical trials may fail to prove our product candidates are safe and effective.

Each product candidate must receive regulatory approval and therefore must undergo rigorous and extensive preclinical studies and clinical trials to demonstrate safety and efficacy in patients. Clinical trials at any stage in development may fail to demonstrate the safety, efficacy or pharmacologic properties needed to be a viable product candidate in patients. Early clinical trials may fail to demonstrate the safety and pharmacokinetic characteristics needed to invest in larger later stage clinical studies. Later clinical studies that are larger may not demonstrate the desired safety and efficacy profile needed to be of benefit to patients. Additionally, regulatory authorities may determine that the data provided is not sufficient to grant marketing approval for our product candidates and may request additional data including additional clinical trials or reject product approval.

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 and abandon product candidates.

Conducting early clinical trials is complex and the outcomes are uncertain. Preclinical studies are performed to help inform human clinical trials, but human and animal studies are not comparable. Expected or unexpected 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.

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.

Our inability to enroll a sufficient number of patients for any of our clinical trials could result in significant delays and could require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates and in delays to commercially launching our product candidates, if approved, which would cause the value of our company to decline and limit our ability to obtain additional financing.

Our industry is subject to competition for skilled personnel and the challenges we face to identify and retain key personnel could impair our ability to effectively conduct and grow our operations.

Attracting and retaining the highly qualified management, scientific and medical personnel necessary for us to successfully implement our business strategy is extremely competitive in the biotechnology industry. Our industry is experiencing an increasing rate of competition in hiring and retaining employees and in turnover of management personnel. We depend heavily on our current management team, whose services are critical to the successful implementation of our product candidate development and regulatory strategies. In order to induce valuable employees to continue their employment with us, we have provided equity incentives that vest over time. The value to employees of this equity is significantly affected by movements in our stock price that are beyond our control and may at any time be insufficient to counteract more lucrative offers from other companies.

Despite our efforts to retain valuable employees, members of our management team may terminate their employment with us at any time, with or without notice. Further, we do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of any of our executive officers and our inability to find suitable replacements could harm our business, financial condition, prospects and ability to achieve the successful development or

commercialization of our product candidates. Our success also depends on our ability to continue to attract, retain and motivate highly skilled scientific and medical personnel at all levels.

Since 2016 we have been increasing the number of our employees and expanding the scope of our operations with a goal of advancing multiple clinical candidates into development. The increase in our number of employees places a significant strain on our management, operations, and financial resources, and we may have difficulty managing this growth. As we continue to grow our operations and advance our clinical programs into later stages of development, it will require us to recruit and retain employees with additional knowledge and skill sets and no assurance can be provided that we will be able to attract employees with the necessary skill set to assist in our growth. Many of the other biotechnology 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.

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 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 and outside the US as biologics.

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.

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.

Competition in autoimmune disease and cancer drug development is intense, with hundreds of compounds in clinical trials by large multinational pharmaceutical companies. In addition, many currently marketed drugs are undergoing clinical testing in new indications in order to expand their use to new patient populations. Other companies, including many large international companies, are developing bispecific antibody technologies and checkpoint inhibitors. This includes products in preclinical and clinical development. Some of these agents have received marketing approval, and companies continue to conduct clinical trials to expand their currently approved indications. Alternative technologies, such as standard chemotherapy, cellular therapies and cancer vaccines, may also compete with our products for patients to conduct clinical trials and future potential market share.

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

1. discover and develop products that are superior to other products in the market;
2. attract qualified scientific, product development and commercial personnel;
3. obtain and maintain patent and/or other proprietary protection for our products and technologies;
4. obtain required regulatory approvals; and

5. successfully collaborate with pharmaceutical companies in the discovery, development and commercialization of new products.

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.

Our current and future relationships with healthcare professionals, principal investigators, consultants, customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to penalties.

Healthcare providers, physicians and third-party payors in the United States and elsewhere will play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our current and future arrangements with healthcare professionals, principal investigators, consultants, customers and third-party payors may require us to comply with broadly applicable fraud and abuse and other healthcare laws, including, without limitation, the federal Anti-Kickback Statute and the federal civil False Claims Act, that may constrain the business or financial arrangements and relationships through which we sell, market and distribute any product candidates for which we obtain marketing approval. In addition, we may be subject to physician payment transparency laws and patient privacy and security regulation by the federal government and by the states and foreign jurisdictions in which we conduct our business.

Efforts to ensure that our future business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, disgorgement, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, additional reporting requirements and/or oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations, as well as reputational harm, which could significantly harm our business.

Present and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

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. Healthcare reform measures, if approved, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that may be charged for any of our product candidates.

Even if we are able to commercialize any product candidates, our product candidates may be subject to unfavorable pricing regulations, third-party coverage and reimbursement policies or healthcare reform initiatives.

Our ability to commercialize any product candidates successfully will depend, in part, on the extent to which coverage and adequate reimbursement for our product candidates will be available from government payor programs at the federal and state levels, including Medicare and Medicaid, private health insurers, managed care plans and other third-party payors. If coverage and adequate reimbursement are not available or reimbursement is available only to limited levels, we may not be able to successfully commercialize any product candidates for which marketing approval is obtained.

The regulations that govern marketing approvals, pricing, coverage and reimbursement for new drugs and biological products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. Some countries

require approval of the sale price of a product before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues able to be generated from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain marketing approval.

There can be no assurance that our product candidates, if they are approved for sale in the United States or in other countries, will be considered medically reasonable and necessary for a specific indication, that they will be considered cost-effective by third-party payors, that coverage or an adequate level of reimbursement will be available, or that third-party payors' reimbursement policies will not adversely affect our ability to sell our product candidates profitably if they are approved for sale.

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.

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.

General Risk Factors

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 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 at least $10.0 million in product liability insurance, which we believe is appropriate for our current clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. We may also need to expand our insurance coverage as our business grows or if any of our product candidates is commercialized. We may not be able to maintain or increase insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our employees' former employers.

Many of our employees were previously employed at universities or other life sciences companies, including our competitors or potential competitors. Although no claims against us are currently pending, we or our employees may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. A loss of key research personnel work product could hamper or prevent our ability to commercialize certain potential products, which could severely harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Our business could be negatively impacted by cybersecurity threats and other disruptions, including the theft of our intellectual property, and could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

We are increasingly dependent on information technology systems and infrastructure, including mobile technologies, to operate our business. In the ordinary course of our business, we use our data centers and our networks to store and access confidential and proprietary business information. The information includes, among other things, our intellectual property and proprietary information, the confidential information of our collaborators and licensees and the personally identifiable information of our employees, and the individually identified health information of patients participating in our clinical trials. It is important to our operations and business strategy that this electronic information remains secure and is perceived to be secure. The size and complexity of our information technology systems, and those of our partners and third-party vendors with whom we contract together with the volume of data we retain, make such systems potentially vulnerable to breakdown, malicious intrusion, security breaches and other cybersecurity attacks.

Information security risks have significantly increased in recent years in part due to the proliferation of new technologies and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state actors. We face various cybersecurity threats, including cybersecurity attacks to our

information technology infrastructure and attempts by others to gain access to our proprietary or sensitive information. A security breach or privacy violation that leads to disclosure or modification of or prevents access to personally identifiable information or other protected information could harm our reputation, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenue. Similarly, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Moreover, a security breach that exposes our confidential intellectual property could compromise our patent portfolio. Additionally, theft of our intellectual property or proprietary business information could require substantial expenditures to remedy. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

The procedures and controls we use to monitor these threats and mitigate our exposure may not be sufficient to prevent cybersecurity incidents. The result of these incidents could have a material adverse effect on our business, financial condition and results of operations including disrupted operations, lost opportunities, misstated financial data, liability for stolen assets or information, increased costs arising from the implementation of additional security protective measures, litigation and reputational damage. Any remedial costs or other liabilities related to cybersecurity incidents may not be fully insured or indemnified by other means.

The increasing use of social media platforms presents new risks and challenges.

Social media is increasingly being used to communicate about our products, technologies and programs, and the diseases our product or product candidates are designed to treat. Social media practices in the biopharmaceutical industry continue to evolve and regulations relating to such use are not always clear. This evolution creates uncertainty and risk of noncompliance with regulations applicable to our business. For example, patients may use social media channels to comment on the effectiveness of a product or to report an alleged adverse event. When such disclosures occur, there is a risk that we fail to monitor and comply with applicable adverse event reporting obligations or we may not be able to defend ourselves or the public's legitimate interests in the face of the political and market pressures generated by social media due to restrictions on what we may say about our product or product candidates. There is also a risk of inappropriate disclosure of sensitive information or negative or inaccurate posts or comments about us on any social networking website. If any of these events were to occur or we otherwise fail to comply with applicable regulations, we could incur liability, face overly restrictive regulatory actions or incur other harm to our business.

Compliance with global privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data globally, and the failure to comply with such requirements could have a material adverse effect on our business, financial condition or results of operations.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. For example, the EU's General Data Protection Regulation (GDPR), imposes strict obligations on the processing of personal data, including personal health data, and the free movement of such data. The GDPR applies to any company established in the EU as well as any company outside the EU that processes personal data in connection with the offering of goods or services to individuals in the EU or the monitoring of their behavior.

As such, the GDPR will apply to us in connection with any clinical trials we conduct in the EU. The GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, obligations relating to: processing health and other sensitive data; obtaining consent of individuals; providing notice to individuals regarding data processing activities; responding to data subject requests; taking certain measures when engaging third-party processors; notifying data subjects and regulators of data breaches; implementing safeguards to protect the security and confidentiality of personal data; and transferring personal data to countries outside the EU, including the U.S. The GDPR imposes substantial fines for breaches of data protection requirements, which can be up to four percent of global revenue or

20 million euros, whichever is greater, and it also confers a private right of action on data subjects for breaches of data protection requirements.

Transfers of personal information out of the European Union face a constantly shifting set of requirements, as courts in Europe have invalidated intergovernmental agreements and European regulators have required changes to standard contracting terms, which themselves do not fit all situations. As a result, significant uncertainty exists with respect to GDPR compliance and the attendant obligations going forward as the regulatory environment is rapidly developing. In addition, from January 1, 2021, companies have had to comply with both the GDPR and the GDPR as incorporated into United Kingdom national law, the latter regime having the ability to separately fine up to the greater of £17.5 million or 4% of global turnover. The EC has adopted an adequacy decision in favor of the United Kingdom, enabling data transfers from EU member states to the United Kingdom without additional safeguards. However, the UK adequacy decision will automatically expire in June 2025 unless the EC re-assesses and renews/extends that decision. Outside Europe, significant data privacy regulatory regimes exist in major markets including Brazil, India, China, and elsewhere. The ever-shifting landscape of global data privacy regulation requires significant investment and attention to avoid significant noncompliance liabilities. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information from our clinical trials, could require us to change our business practices or lead to government enforcement actions, private litigation or significant penalties against us and could have a material adverse effect on our business, financial condition or results of operations.

Additionally, the California Consumer Privacy Act (CCPA), which took effect in January 2020, created new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households and requires covered companies to provide new disclosures to California consumers, and provides such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Further, the California Privacy Rights Act (CPRA) revised and expanded the CCPA, adding additional data protection obligations on covered businesses, including additional consumer rights processes, limitations on data uses, new audit requirements for higher risk data, and opt outs for certain uses of sensitive data. It also created a new California data protection agency authorized to issue substantive regulations and could result in increased privacy and information security enforcement. The CPRA is in full effect as of January 1, 2023, and similar laws passed in Virginia, Colorado, Connecticut, and Utah took effect in 2023. Additionally, Delaware, Indiana, Iowa, Montana, Oregon, Tennessee and Texas have adopted privacy laws, which take effect from July 1, 2024 through 2026. Further, Washington's My Health My Data Act, taking effect July 1, 2024, imposes similar requirements specific to consumer health data. As a result, additional compliance investment and potential business process changes may be required. In the event that we are subject to or affected by HIPAA, the CCPA, the CPRA or other domestic privacy and data protection laws, any liability from failure to comply with the requirements of these laws could adversely affect our financial condition. Additional legislation proposed at the federal level and in other states, along with increased regulatory action, reflect a trend toward more stringent privacy legislation in the United States.

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 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 civil, criminal, and administrative sanctions, and our reputation.

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

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

The Company's Board of Directors, in coordination with the Audit Committee of the Board of Directors (the Audit Committee), is responsible for overseeing the Company's risk management and information technology programs of which cybersecurity is a critical element. Management is responsible for the administration of the Company's cybersecurity policies, standards, procedures and practices. The Company's cybersecurity policies, standards, procedures, and practices are based on the Center for Internet Security (CIS) Critical Security Controls, a framework for companies to establish and evaluate cybersecurity policies, procedures and practices. The Company seeks to address material cybersecurity threats through a company-wide approach that addresses the confidentiality, integrity, and availability of the Company's information systems or the information that the Company collects and stores, by assessing, identifying and managing cybersecurity issues as they arise.

Cybersecurity Risk Management and Strategy

The Company's cybersecurity risk management strategy focuses on several issues:

Identification and Reporting: The Company has implemented a comprehensive approach to assessing, identifying and managing material cybersecurity threats and incidents. The Company's program includes controls and procedures to timely identify, classify and escalate certain cybersecurity incidents to provide management visibility and allow for direction from management as to the public disclosure and reporting of material incidents in a timely manner.

Technical Safeguards: The Company implements current information technologies to support its cybersecurity practices. These technologies are designed to protect the Company's information systems from cybersecurity threats and include: email and internet protection, firewall and network security, intrusion detection and prevention systems, anti-malware endpoint detection and response, security event monitoring and alerting, high availability and replication, system configuration and asset management , backup and restoration processes, vulnerability and patch management, identity and access management and data encryption. These technologies and controls are continuously evaluated and improved through vulnerability assessments and cybersecurity threat intelligence, as well as audits by third party specialists and certifications.

Incident Response and Recovery Planning: The Company has established and maintains a comprehensive incident response plan, designed to address the Company's response to a cybersecurity incident. Cross-functional members of the Company comprise the Incident response team to respond and disclose material incidents. The incident response plan

defines pre-incident activities and preparation, classification of incidents, response team internal and external contacts, process flow of the response team, escalation of incidents to outside entities and law enforcement and frequency of review of the incident response plan. The Company conducts regular tabletop exercises to test these plans and ensure personnel are familiar with their roles in a response scenario.

Third-Party Risk Management: The Company maintains a comprehensive, risk-based approach to identifying and overseeing material cybersecurity threats presented by third parties, including vendors, service providers, contractors, consultants and other external users of the Company's systems, as well as the systems of third parties that could adversely impact our business in the event of a material cybersecurity incident affecting those third-party systems, including any outside auditors or consultants who advise on the Company's cybersecurity systems. Third parties are regularly assessed to determine the need for cybersecurity auditing based on risk evaluation.

Education and Awareness: The Company provides regular, mandatory training and assessment for all levels of employees regarding cybersecurity threats as a means to equip the Company's employees with effective tools to address cybersecurity threats, and to communicate the Company's evolving information security policies, standards, processes, and practices.

The Company conducts periodic assessment and testing of the Company's policies, standards, processes, and practices including audits by independent third party specialists in a manner intended to address cybersecurity threats and events. Policies are reviewed and revised on a frequent basis for relevance and to maintain compliance. The results of such assessments, audits, and reviews are evaluated by management and reported to the Audit Committee, and the Company adjusts its cybersecurity policies, standards, processes, and practices as necessary based on the information provided by these assessments, audits, and reviews.

Governance

The Board, in coordination with the Audit Committee, oversees the Company's risk management and information technology programs, including the management of cybersecurity threats. The Audit Committee receives regular presentations and reports on developments in the cybersecurity space, including risk management practices, recent developments, evolving standards, vulnerability assessments, third-party and independent reviews, the threat environment, technological trends, and information security issues encountered by the Company's peers and third parties. The Audit Committee also receive prompt and timely information regarding any cybersecurity risk that meets pre-established reporting thresholds, as well as ongoing updates regarding any such risk. On an annual basis, the Audit Committee discusses the Company's approach to overseeing cybersecurity threats with the Company's head of Information Technology and other members of senior management.

The head of IT, in coordination with senior management, including the CFO, works collaboratively across the Company to implement a program designed to protect the Company's information systems from cybersecurity threats and to promptly respond to any material cybersecurity incidents in accordance with the Company's incident response and recovery plans. To facilitate the success of the Company's cybersecurity program, cross-functional teams throughout the Company address cybersecurity threats and respond to cybersecurity incidents. Through ongoing communications with these teams, the head of IT and senior management are informed about and monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time, and report such threats and incidents to the Audit Committee when appropriate.

Material Affects of Cybersecurity Incidents

Risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected and are not reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition.

Item 2. Properties.

Our principal laboratory and administrative facilities are currently located in Pasadena, California, which is located in the greater Los Angeles region. We currently lease 83,083 square feet of laboratory and office space in Pasadena, California (the initial lease). The lease became effective on August 1, 2022 and is for a term of 13 years. An additional 46,460 square feet of space adjacent to the existing space, is subject to a lease that begins on July 1, 2025 (the second lease). The second lease is for a term of 10 years and expires at the same time as the initial lease.

We also continue to lease 24,000 square feet of office and lab at our previous facility in Monrovia, California pursuant to a lease that expires December 31, 2025.

In August 2023, we entered into a lease for 9,400 square feet of office space in San Diego, California. The term of the lease agreement began in September 2023 and expires in December 2027.

We previously leased 24,000 square feet of office space in San Diego, California pursuant to a lease which expired on December 31, 2023 and a 7,000-square floor office space in Monrovia, California pursuant to a lease that began August 1, 2021 and expired on January 31, 2023.

We believe that our existing facilities are adequate to meet our current and future needs.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock began trading on The Nasdaq Global Market on December 3, 2013 under the symbol "XNCR." Prior to such time, there was no public market for our common stock. On February 15, 2024, the closing price for our common stock as reported on the Nasdaq Global Market was $21.30.

Holders of Record

As of February 15, 2024, we had 61,120,272 shares of common stock outstanding held by approximately 170 stockholders of record. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

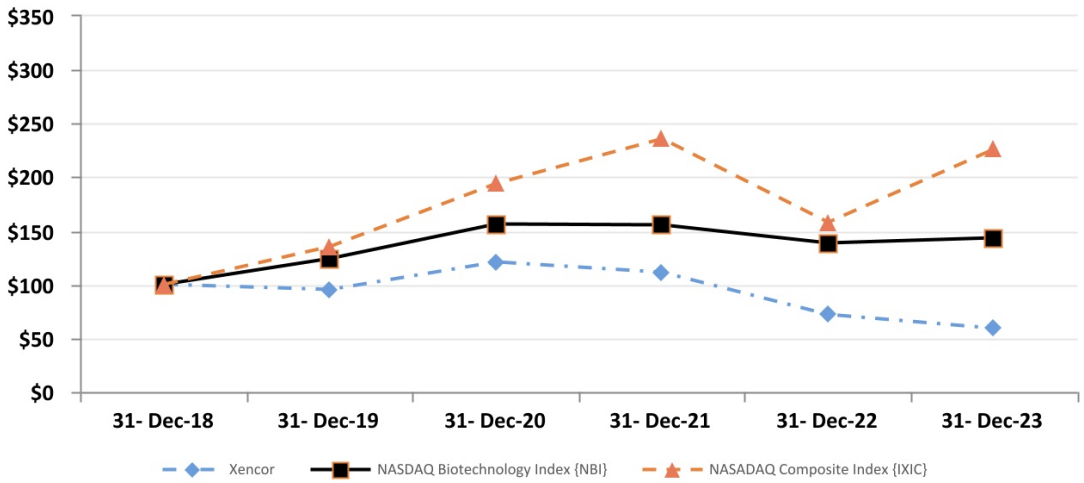
We have never declared or paid any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable 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.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about our equity compensation plans is incorporated herein by reference to Item 12 of Part III of this Annual Report.

Performance Graph

The following graph shows a comparison from December 31, 2018 through December 31, 2023 of the cumulative total return for our common stock, the Nasdaq Biotechnology Index (NBI) and the Nasdaq Composite Index (CCMP). The graph assumes an initial investment of $100 on December 31, 2018 and assumes reinvestment of the full amount of all dividends, if any. The comparisons in the graph are not intended to forecast or be indicative of possible future performance of our common stock.



The performance graph shall not be deemed to be incorporated by reference by means of any general statement incorporating by reference this Form 10-K into any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that we specifically incorporate such information by reference, and shall not otherwise be deemed filed under such acts.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis together with our financial statements and related notes included elsewhere in this Annual Report. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those expressed or implied in any forward-looking statements as a result of various factors, including those set forth under the caption "Risk Factors" in Item 1A, and other documents we file with the Securities and Exchange Commission. Historical results are not necessarily indicative of future results.

Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered antibody therapeutics to treat patients with cancer and other serious diseases, who have unmet medical needs. We are advancing a broad portfolio of clinical-stage XmAb® drug candidates from our proprietary Fc technology platforms. We also use our protein engineering capabilities to increase our understanding of protein structure and interactions and to design new Fc technologies and XmAb development candidates with improved properties. In addition to engineering protein-target interactions, our approach to protein design includes engineering Fc domains, the parts of antibodies that interact with multiple segments of the immune system and control antibody structure. The Fc domain is constant and interchangeable among antibodies, and our engineered Fc domains can be readily substituted for natural Fc domains.

Our protein engineering capabilities and Fc technologies enable us and our partners to develop XmAb antibodies and other types of biotherapeutic drug candidates with improved properties and functionality, which can provide innovative approaches to treating disease and potential clinical advantage over other treatment options. For example, we developed an antibody scaffold to rapidly create novel multi-specific antibodies that bind two or more different targets simultaneously, creating entirely new biological mechanisms. Other applications of our protein engineering technologies enhance antibody performance by increasing immune inhibitory activity, improving cytotoxicity, extending circulating half-life and

stabilizing novel protein structures, such as engineered cytokines. Three marketed XmAb medicines have been developed with our protein engineering technologies.

Refer to Part I, Item 1, "XmAb Bispecific Technologies" and "Other XmAb Fc Technologies" in the description of our business included in this Annual Report on Form 10-K for a discussion of our core Fc technology platforms.

Strategic Portfolio Prioritization

We are focused on developing targeted T cell-engaging bispecific antibodies, which we believe hold great potential for the treatment of patients with solid tumors, and beginning in the third quarter of 2023, we began aligning our portfolio to prioritize these programs, which include XmAb819 (ENPP3 x CD3), XmAb808 (B7-H3 x CD28) and XmAb541 (CLDN6 x CD3). We have also narrowed the clinical development plan for our dual checkpoint inhibitor, vudalimab (PD-1 x CTLA-4), in treating patients with advanced prostate and non-small lung cell cancers. In the first half of 2024, we plan to conclude the Phase 1 studies evaluating our XmAb564 and XmAb662 cytokines and pause further development of both programs, pending review of data emerging from competitive programs.

We also have implemented measures to align resources with our strategic plan for a focused pipeline and to strengthen our financial position. In November 2023, we entered into a royalty transaction with OMERS Life Sciences, through which we received $215.0 million for selling portions of financial interests on sales of marketed XmAb medicines. In the fourth quarter of 2023, we agreed with Genentech to convert our current development cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement. Our cost-sharing obligations will continue to June 1, 2024, and Genentech will be responsible for all development thereafter. To align our internal resources with our focused development pipeline and current plans, we have implemented reductions in our workforce, which have impacted approximately 10% of positions at the company.

As of December 31, 2023, we had $697.4 million in cash, cash equivalents and marketable debt securities, and based on our current plans and projections, we estimate this will provide necessary funding into 2027.

Advancements in Our Clinical Portfolio of XmAb Drug Candidates

Our modular XmAb bispecific technology and protein engineering capabilities enable us to rapidly advance multiple drug candidates into clinical development. We and our partners are currently enrolling Phase 1 or Phase 2 studies for ten wholly owned or co-development candidates to treat patients with many different types of cancer and autoimmune diseases, and an eleventh, to be developed for patients with advanced ovarian cancer and other solid tumors, is planned to enter clinical development in the first half of 2024.

Vudalimab (PD-1 x CTLA-4): Vudalimab is a bispecific antibody that targets PD-1 and CTLA-4, two immune checkpoint receptors, to selectively activate the tumor microenvironment, and it is being developed for patients with metastatic castration-resistant prostate cancer (mCRPC) and patients with locally advanced or metastatic non-small cell lung cancer. Data from a Phase 1 study that enrolled heavily pretreated patients with multiple solid tumor types indicated that vudalimab was generally well-tolerated with encouraging clinical activity.

We are conducting a Phase 2 study of vudalimab in patients with mCRPC, as a monotherapy or in combination with chemotherapy for patients with aggressive variant prostate cancer, as these patients represent a high unmet medical need.

We are also conducting a second Phase 2 study in patients with clinically-defined high-risk mCRPC. As previously disclosed, in the fourth quarter of 2023, cohorts for patients with advanced gynecologic malignancies were closed to enrollment, and we do not intend further development in advanced gynecologic malignancies. In the mCRPC cohort, vudalimab monotherapy has been generally well tolerated and associated with response to treatment in multiple patients who have visceral or lymph node metastases. As of a data cutoff of February 7, 2024, 14 patients with clinically defined high-risk mCRPC have been enrolled into the vudalimab monotherapy cohort for treatment. Vudalimab has been administered every 3 weeks at a 1000 mg (<80 kg) or 1200 mg (> 80 kg) flat dose. As of the data cutoff, 3 of 12 evaluable patients have a confirmed partial response per RECIST 1.1 guidelines, and 1 patient has an unconfirmed partial response. Of the evaluable patients, 3 patients have experienced greater than 90% reductions in prostate specific antigen (PSA) from baseline. Treatment emergent adverse events have led to dose modifications for 8 patients and treatment discontinuation for 2 patients. One Grade 5 adverse event of autoimmune hepatitis was deemed treatment related; there have been no known

additional cases of Grade 5 autoimmune hepatitis among three clinical studies of vudalimab with more than 230 patients treated.

In the fourth quarter of 2023, we dosed the first patient in a Phase 1b/2 study evaluating vudalimab as a first-line treatment in patients with locally advanced or metastatic non-small cell lung cancer.

XmAb819 (ENPP3 x CD3): XmAb819 is a first-in-class, tumor-targeted, T-cell engaging XmAb 2+1 bispecific antibody in development for patients with renal cell carcinoma (RCC). XmAb819 engages the immune system and activates T cells for highly potent and targeted tumor cells expressing ENPP3, an antigen highly expressed on kidney cancers. ENPP3 is a differentially expressed target, with high level expression in RCC and low level expression on normal tissues. With two tumor-antigen binding domains and one T-cell binding domain, our XmAb 2+1 format enables antibodies to bind more avidly to, and selectively kill, tumor cells with higher antigen density, potentially sparing normal cells. We are conducting a Phase 1 study evaluating XmAb819 in patients with advanced clear cell RCC.

XmAb808 (B7-H3 x CD28): XmAb808 is a tumor-selective, co-stimulatory XmAb 2+1 bispecific antibody designed to bind to the broadly expressed tumor antigen B7-H3 and selectively to the CD28 T-cell co-receptor, only when bound to tumor cells. We are conducting a Phase 1 study of XmAb808 in combination with pembrolizumab in patients with advanced solid tumors.

XmAb541 (CLDN6 x CD3): XmAb541 is a bispecific antibody that targets Claudin-6 (CLDN6) and CD3. CLDN6 is a tumor-associated antigen in ovarian cancer and other solid tumors. The XmAb 2+1 multivalent format used in XmAb541 enables greater selectivity for CLDN6 over similar Claudin family members, such as CLDN9, CLDN3 and CLDN4. The investigational new drug (IND) application for XmAb541 has been allowed to proceed by the FDA, and we plan to initiate a Phase 1 study in the first half of 2024.

XmAb564 (IL2-Fc Cytokine): XmAb564 is a wholly owned, monovalent, interleukin-2 Fc (IL-2-Fc) fusion protein engineered to selectively activate and expand regulatory T cells (Tregs) for the potential treatment of patients with autoimmune diseases. XmAb564 is engineered with reduced binding affinity for IL-2's beta receptor and increased binding affinity for its alpha receptor. Results from a Phase 1a clinical study of XmAb564, presented at the European Congress of Rheumatology (EULAR) in May 2023, indicate a single dose of XmAb564, administered subcutaneously in healthy volunteers, was well tolerated and generated durable, dose-dependent and selective expansion of Tregs. We have been conducting a randomized, double-blind, placebo-controlled Phase 1b clinical study to evaluate the safety and tolerability of multiple ascending doses of XmAb564, administered subcutaneously in patients with atopic dermatitis or psoriasis. We plan to conclude the Phase 1b study in the first half of 2024 and pause further development of XmAb564 until after assessment of future data from competitor programs in this class and review of safety and biomarker data in the Phase 1b study.

XmAb662 (IL12-Fc Cytokine): XmAb662 is a potency-reduced interleukin-12 Fc (IL12-Fc) fusion protein engineered to increase anti-tumor activity and immunogenicity in the tumor microenvironment by promoting high levels of interferon gamma secretion from T cells and NK cells. In preclinical testing, Xencor’s engineered IL12-Fc fusions demonstrated an improved pharmacokinetic profile and therapeutic window compared to a native IL12-Fc fusion, with superior exposure, a more gradual dose response and more sustained interferon gamma response. XmAb662 demonstrated significant anti-tumor activity, along with increases in NK cells, T cells, serum IP-10 and interferon gamma, which were further enhanced when combined with an anti-PD-1 antibody. We have been conducting a Phase 1 study to evaluate XmAb662 in patients with advanced solid tumors. We plan to conclude the Phase 1 study in the first half of 2024 and pause further development of XmAb662 until after assessment of future data from competitor programs in this class and review of safety and biomarker data in the Phase 1 study.

Co-development Programs

Plamotamab (CD20 x CD3): Plamotamab is a bispecific antibody that targets CD20, an antigen on B-cell tumors, and CD3, an activating receptor on T cells. In October 2021, we entered a global collaboration and license agreement with Janssen Biotech, Inc., a Johnson & Johnson company, to advance plamotamab and XmAb CD28 bispecific antibody combinations for the treatment of patients with B-cell malignancies, which expands our strategy to develop multiple highly active chemotherapy-free regimens across B-cell cancers. J&J received worldwide exclusive development and commercial rights, and we will collaborate with Janssen on further clinical development of plamotamab, with us paying 20% of costs. Under the collaboration, we will develop B-cell targeted CD28 bispecific antibodies to selectively enhance T-cell cytotoxic activity in combination with plamotamab.

In a Phase 1 study, intravenous plamotamab monotherapy was well tolerated and demonstrated encouraging clinical activity in heavily pretreated patients at the recommended intravenous Phase 2 dose. In the fourth quarter of 2023, we completed enrolling patients in subcutaneous dose escalation cohorts of this study.

Efbalropendekin alfa (IL15/IL15Rα-Fc Cytokine): Efbalropendekin alfa (XmAb306) is a reduced-potency IL15/IL15Rα-Fc fusion protein that incorporates our Xtend extended half-life technology, and we are co-developing this program in collaboration with Genentech, a member of the Roche Group. Genentech is conducting a Phase 1 study of efbalropendekin as a single agent and in combination with atezolizumab in patients with advanced solid tumors and is also conducting Phase 1 studies, evaluating efbalropendekin in patients with relapsed/refractory multiple myeloma, either in combination with daratumumab (anti-CD38 antibody) or in combination with cevostamab (FcRH5 x CD3 bispecific antibody). In the fourth quarter of 2023, we agreed with Genentech to convert our current development cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement. Pursuant to the terms of the amended agreement with Genentech, effective June 1, 2024, Genentech will assume sole responsibility over all clinical, regulatory and commercial activities. We will be eligible for up to $600.0 million in milestones and tiered royalties on approved sales from low double-digit to mid-teen percentages range.

Advancements Expanding XmAb Bispecific Platforms

We conduct further research into the function and application of antibody Fc domains in order to expand the scope of our XmAb technology platforms and identify additional XmAb drug candidates.

We use the modularity of our XmAb bispecific Fc technology to build antibody-based therapeutics in a variety of formats, such as T cell engaging bispecific antibodies of a mixed valency format, the XmAb 2+1 bispecific antibody. XmAb 2+1 bispecific antibodies may preferentially kill tumor cells with high target expression, which may be especially beneficial in designing antibodies that target solid tumors. This selectivity potentially empowers T cell engaging bispecifics (e.g., CD3, CD28) to address an expanded set of tumor antigens. Four clinical-stage programs utilize our XmAb 2+1 format: XmAb819, XmAb808, xaluritamig and ASP2138. We plan to initiate a Phase 1 study for an additional XmAb 2+1 bispecific antibody candidate, XmAb541 (CLDN6 x CD3), which we are developing for patients with ovarian cancer and other solid tumors, in the first half of 2024.

Additionally, we have engineered CD28 bispecific antibodies to provide conditional CD28 co-stimulation of T cells, activating them when bound to tumor cells. Targeted CD28 bispecific antibodies may provide conditional co-stimulation of T cells, for example, to T cells recognizing neoantigens or in concert with CD3 T-cell engaging bispecific antibodies. In addition to our first clinical-stage CD28 program, XmAb808, our CD28 platform is the subject of two collaborations with J&J. JNJ-9401 and JNJ-1493 are clinical-stage XmAb bispecific antibodies that J&J is developing in prostate cancer and B-cell malignancies, respectively, and both entered clinical development during the fourth quarter of 2023.

In April 2023, we presented emerging data from research-stage engineered CD28 bispecific antibodies targeting the solid tumor antigens CEACAM5, ENPP3, mesothelin, STEAP1 and Trop-2 in a poster at the American Association for Cancer Research (AACR) Annual Meeting.

In November 2023, we presented emerging data from research-stage programs that highlighted several of our platform technologies at the Annual Meeting of the Society for Immunotherapy of Cancer, with poster presentations with data from IL18-Fc and PD1 x IL18-Fc cytokine programs and data from our multi-specific NK cell engager platform.

Progress Across Partnerships

A key part of our business strategy is to leverage our protein engineering capabilities, XmAb technologies and drug candidates with partnerships, collaborations and licenses. Through these arrangements we generate revenues in the form of upfront payments, milestone payments and royalties. For partnerships for our drug candidates, we aim to retain a major economic interest in the form of keeping major geographic commercial rights; profit-sharing; co-development options; and the right to conduct studies with drug candidates developed in the collaboration. The types of arrangements that we have entered with partners include product licenses, novel bispecific antibody collaborations, technology licensing agreements and strategic collaborations.

Product Licenses

Product licenses are arrangements in which we have internally developed drug candidates and, based on a strategic review, licensed partial or full rights to third parties to continue development and potential commercialization. We seek partners that can provide infrastructure and resources to successfully develop our drug candidates, have a track record of successfully developing and commercializing medicines, or have a portfolio of development-stage candidates and commercialized medicines which could potentially be developed in rational combinations with our drug candidates.

The FDA approved Monjuvi® (tafasitamab-cxix) under accelerated approval in July 2020. Monjuvi is a CD19-directed cytolytic antibody indicated in combination with lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for autologous stem cell transplant (ASCT). This indication is approved under accelerated approval based on overall response rate. Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial(s). In August 2021, the European Commission granted conditional marketing authorization for Minjuvi® (tafasitamab) in combination with lenalidomide, followed by tafasitamab monotherapy, for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) who are not eligible for autologous stem cell transplantation (ASCT). Tafasitamab was created and initially developed by us. Tafasitamab is marketed by Incyte Corporation under the brand name Monjuvi in the U.S. and under the brand name Minjuvi in Europe and Canada. Incyte has exclusive commercialization rights to tafasitamab outside the U.S. Monjuvi® and Minjuvi® are registered trademarks of Incyte. In February 2024, Incyte acquired exclusive global development and commercialization rights to tafasitamab. In November 2023, we entered into a royalty purchase agreement (Monjuvi Royalty Sale Agreement) with OCM Life Sciences Portfolio LP (OMERS). Under the terms of the Monjuvi Royalty Sale Agreement, we received $22.5 million upon closing in exchange for royalties earned from our MorphoSys license after July 1, 2023. The aggregate Monjuvi royalties to be received by OMERS have a fixed cap of 130% of the purchase price after which the royalties revert to us. In 2023, we recognized royalty revenue of $8.7 million on net sales of Monjuvi.

In November 2021, we entered into an agreement with Zenas BioPharma (Cayman) Limited (Zenas), to which we licensed the exclusive worldwide rights to develop and commercialize obexelimab, a bifunctional antibody that targets CD19 with its variable domain and uses our XmAb Immune Inhibitor Fc Domain. Zenas issued a warrant giving us the right to acquire additional Zenas equity, such that our total equity in Zenas would be 15% of its fully diluted capitalization following the closing of Zenas' next round of equity financing, subject to certain requirements. In November 2022, Zenas completed a financing transaction and we received additional shares in Zenas in exchange for the warrant. The total shares received increases our ownership in Zenas to 15% of the fully diluted shares outstanding. We are eligible to receive up to $470.0 million based on the achievement of certain clinical development, regulatory and commercial milestones and are eligible to receive tiered, mid-single digit to mid-teen percent royalties upon commercialization of obexelimab, dependent on geography. In January 2023, Zenas initiated a Phase 3 study of obexelimab in patients with immunoglobulin G4-related disease (IgG4-RD) and dosed the second patient in the study in April 2023, and we received additional preferred stock in Zenas as a development milestone in the second quarter of 2023. The additional preferred stock has a fair market value of $10.0 million, and we recorded the milestone payment as revenue for the nine months ended September 30, 2023. In 2023, Zenas also initiated a Phase 2 study of obexelimab in patients with warm autoimmune hemolytic anemia (wAIHA).

Novel Bispecific Antibody Collaborations

Novel bispecific antibody collaborations are arrangements in which our partner seeks to create a bispecific antibody using one or more of our XmAb bispecific technologies. Our partners provide an antibody or a tumor-associated antigen, and we conduct limited research and development to create potential bispecific antibody candidates for further development and commercialization by our partners.

Xaluritamig (AMG 509) is a STEAP1 x CD3 2+1 bispecific antibody that our partner Amgen is advancing for the treatment of patients with prostate cancer. The XmAb 2+1 multivalent format enables higher binding capability for STEAP1 expressing cells. Amgen is currently completing enrollment in a Phase 1 study of xaluritamig in patients with mCRPC. In October 2023 at the European Society for Medical Oncology (ESMO) Congress, encouraging interim clinical results from the study were presented during an oral proffered paper session, which we believe validates the potential of the XmAb 2+1 format.

In November 2020, we entered an agreement with J&J, focused on the discovery of XmAb bispecific antibodies against CD28, an immune co-stimulatory receptor on T cells, and PSMA, a prostate tumor target, for the potential treatment of patients with prostate cancer. Additionally, we have a right to access select, predefined agents from J&J's

portfolio of clinical-stage drug candidates and commercialized medicines to evaluate potential combination therapies in prostate cancer with agents in our own pipeline, subject to some limitations. J&J has the same right with our portfolio to evaluate potential combination therapies in prostate cancer, as well. The ability to study combinations of therapies from both companies' prostate cancer portfolios leverages our broad clinical pipeline and J&J's prostate cancer therapeutics portfolio. In the third quarter of 2023, J&J submitted an IND for JNJ-9401, a PSMA x CD28 bispecific antibody developed under the collaboration, and we received a $7.5 million development milestone. In the fourth quarter of 2023, J&J dosed the first patient in a Phase 1 study of JNJ-9401, and we received a $10.0 million development milestone.

In October 2021, we entered into a second collaboration agreement with J&J to create and characterize CD28 bispecific antibody candidates against B-cell targets. In the first quarter of 2023, J&J selected a bispecific CD28 candidate under the agreement for further development, and we received a $5.0 million research milestone. In the third quarter of 2023, J&J submitted a CTA for JNJ-1493, a CD20 x CD28 bispecific antibody developed under the collaboration, and we received a $7.5 million development milestone. In the fourth quarter of 2023, J&J began dosing patients in a Phase 1 study of JNJ-1493 and selected two additional CD28 bispecific antibody candidates under the agreement, and we received a $10.0 million development milestone and $7.5 million in research milestones.

Other XmAb bispecific antibodies being developed by our partners include Astellas' ASP2138, a CLDN18.2 x CD3 XmAb 2+1 bispecific antibody, which is in Phase 1 studies to treat patients with gastric/GEJ adenocarcinomas and pancreatic adenocarcinoma and an undisclosed candidate being developed by Novartis, which is also in Phase 1 development.

Technology License Agreements

We enter into technology licensing agreements in which we license access to one or more of our XmAb Fc technologies on a restricted basis, typically to an XmAb Cytotoxic Fc Domain and/or the Xtend Fc Domain. Our partners are responsible for all research, development and commercialization activities of the drug candidates. The plug-and-play nature of XmAb technologies allows us to license access to our platforms with limited or no internal research and development activities.

Alexion's Ultomiris® uses Xtend Fc technology for longer half-life. Ultomiris has received marketing authorizations in global markets for the treatment of patients with paroxysmal nocturnal hemoglobinuria (PNH), for certain patients with atypical hemolytic uremic syndrome (aHUS) and for certain patients with generalized myasthenia gravis (gMG). Alexion is also evaluating Ultomiris in a broad development program across additional hematology and neurology indications. In May 2023, Ultomiris was approved in the EU and Japan for the treatment of certain adult patients with neuromyelitis optica spectrum disorder (NMOSD). In November 2023, we entered into a royalty purchase agreement (Ultomiris Royalty Sale Agreement) with OMERS. Under the terms of the Ultomiris Royalty Sale Agreement, we received $192.5 million upon closing in exchange for a portion of royalties and the milestone earned from our Alexion license after July 1, 2023. In 2023, we earned $38.6 million in royalties and a $20.0 million sales milestone from Alexion.

In January 2020, we entered into a Technology License Agreement with Gilead Sciences, Inc. (Gilead) in which we provided Gilead an exclusive license to our Cytotoxic Fc and Xtend Fc technologies for antibody candidates. In the third quarter, Gilead initiated a Phase 2 study including two antibody candidates developed with our Fc technologies, teropavimab and zinlirvimab, and we received $6.0 million in milestones.

In August 2020, we entered into a Technology License Agreement with Omeros Corporation (Omeros) in which we provided Omeros a non-exclusive license to our Xtend Fc technology. In the third quarter of 2023, Omeros initiated a Phase 2 study of OMS906, which incorporates Xtend Fc technology, and we received a $5.0 million milestone.

In March 2020, we entered a second agreement with Vir Biotechnology, Inc., under which Vir has non-exclusive access to our Xtend Fc technology to extend the half-life of novel antibodies Vir investigated as potential treatments for patients with COVID-19. In May 2021, the FDA granted EUA to sotrovimab for the early treatment of mild-to-moderate COVID-19 in adults and pediatric patients (12 years of age and older weighing at least 40 kg) with positive results of direct severe SARS-CoV-2 viral testing, and at high risk for progression to severe COVID-19, including hospitalization or death. Sotrovimab has also obtained emergency authorization, temporary authorization or marketing approval (under the brand name Xevudy®) for early treatment of COVID-19 in more than 30 countries. In March 2022, the FDA deauthorized sotrovimab's use in all U.S. regions due to increases in the proportion of COVID-19 cases caused by non-susceptible new variants. As the SARS-CoV-2 virus has mutated, our royalty revenue from the sales of sotrovimab has diminished significantly. In 2023, we earned $2.2 million in royalties from Vir.

In December 2020, we entered into an agreement with Viridian Therapeutics, Inc., (Viridian) in which we provided Viridian a non-exclusive license to our Xtend Fc technology and an exclusive license to apply our Xtend Fc technology to antibodies targeting IGF-1R. We received common stock in Viridian as an upfront payment. Xtend Fc technology was not applied to Viridian antibodies, and in 2023 the agreement was terminated.

In December 2021, we entered into a second agreement with Viridian for a non-exclusive license to certain antibody libraries developed by us, for which the term has ended. We received additional common stock in Viridian as an upfront payment. Under the agreement, Viridian received a one-year research license to review the antibodies and the agreement expired in 2023.

Refer to Part IV, Item 15, Note 10, "Collaboration and Licensing Agreements" of the notes to our financial statements included in this Annual Report on Form 10-K for a description of the key terms of our arrangements.

Financial Operations Overview

Revenues

Our revenues to date have been generated primarily from our collaboration agreements, our product licensing agreements, and our technology licensing agreements. Revenue recognized from our collaboration and product licensing agreements includes non-refundable upfront payments, milestone payments and royalties on net sales of approved products while revenue from our technology licensing agreements includes upfront payments, option payments to obtain commercial licenses, milestone payments and royalties on net sales of approved products. Since our inception through December 31, 2023, we have generated $1.2 billion in revenues under the various product development partnership and technology license arrangements. Several of our product development partnership and technology license agreements provide us the opportunity to earn future milestone payments, royalties on product sales and option exercise payments. In 2023, we sold a portion of the rights to received royalties under our MorphoSys and Alexion arrangements for $215.0 million.

Summary of Collaboration and Licensing Revenue by Partner

The following is a comparison of collaboration, product licensing, and technology licensing revenue for the years ended December 31, 2023 and 2022 (in millions):

	Year Ended December 31,	
	2023	**2022**
Alexion	$ 58.6	$ 29.4
Astellas	—	5.0
Gilead	6.0	—
Janssen	77.8	7.0
MorphoSys	8.7	7.8
Omeros	5.0	—
Vir	2.2	115.4
Zenas	10.0	—
Total	$ 168.3	$ 164.6

Research and Development Expenses

The following is a comparison of research and development expenses for the years ended December 31, 2023 and 2022 (in millions):

	Year Ended December 31,	
	2023	**2022**
External research and development expenses	$ 119.7	$ 89.0
Internal research and development expenses	99.4	79.0
Stock-based compensation	34.5	31.6
Total	$ 253.6	$ 199.6

Internal research and development expenses consist primarily of salaries, benefits, related personnel costs, supplies, and allocated overhead including facility costs. External research and development expenses include preclinical testing costs, clinical trial costs and fees paid to external service providers. External service providers include CROs and contract manufacturing organizations (CMOs) 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 contract manufacturing, preclinical study and clinical trial expenses based on the services performed pursuant to the contracts with manufacturing, research institutions and clinical research organizations that manufacture and conduct and manage preclinical studies and clinical trials on our behalf based on the actual time and expenses incurred by them. We accrue expenses related to clinical trials based on the level of patient enrollment and activity according to the related agreement. We monitor patient enrollment levels and related activity to the extent reasonably possible and adjust estimates accordingly. Our estimates of clinical trial expense have fluctuated on a period-to-period basis due to changes in the stage of the clinical trials and patient enrollment levels. We expect to experience a continuing pattern of fluctuations in clinical trial expenses as current clinical trials are completed and as we initiate additional and later stage clinical trials. To date, we have not experienced significant differences between our periodic estimates of clinical trial expense and the actual costs incurred. We expect changes in future clinical trial expenses to be driven by changes in service provider costs and changes in clinical stage and patient enrollment.

We expect that our future research and development expenses will increase overspending levels in recent years if we are successful in advancing our current clinical-stage drug candidates or any of our preclinical programs into later 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 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 percentage of time of full-time research personnel efforts on each program.

The following is a comparison of research and development expenses for the years ended December 31, 2023 and 2022 (in millions):

	Year Ended December 31,	
	2023	2022
Product programs:		
Bispecific programs:		
CD3 programs:		
*Plamotamab**	*$ 16.5*	*$ 19.8*
XmAb819 (ENPP3 x CD3)	*18.2*	*10.5*
XmAb541 (CLDN6 X CD3)	*20.4*	*7.1*
Total CD3 programs	55.1	37.4
CD28 program:		
XmAb808 (B7H3 x CD3)	*16.7*	17.7
Tumor micro environment (TME) activator programs:		
Vudalimab	*44.2*	*22.8*
XmAb104	*24.2*	*21.3*
Total TME activators programs	68.4	44.1
Subtotal bispecific programs	140.2	99.2
Cytokine programs:		
*XmAb306/RG6323 programs**	*14.1*	*13.2*
XmAb564	*24.1*	*17.2*
XmAb662 (IL-12-Fc)	*12.8*	*15.5*
Total cytokine programs	51.0	45.9
Other, research and early stage programs	*51.7*	*30.8*
Wind down costs of terminated programs [(1)]	*10.7*	*23.7*
Total research and development expenses	$ 253.6	$ 199.6

*Includes net reimbursements to and from our partners pursuant to agreements that include cost-sharing arrangements.

(1) Research and development expenses include wind down costs of programs that terminated in prior periods including the vibecotamab, tidutamab, and XmAb841 programs.

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 intellectual property costs, facility costs, and professional fees for auditing, tax and legal services.

Other Income, Net

For the year ended December 31, 2023, other income, net, consists primarily of interest income from marketable debt securities during the year, while for the year ended December 31, 2022, other income, net, consists primarily of unrealized gains on equity securities during the year.

Critical Accounting Policies, 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 have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of our financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. Our management believes judgment is involved in determining revenue recognition, the fair value-based measurement of stock-based compensation, the fair value estimate of marketable securities, the capitalization and recoverability of intellectual property costs, valuation of deferred tax assets and accruals. Our management evaluates estimates and assumptions as facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates and assumptions, and those differences could be material to the financial statements. If our assumptions change, we may need to revise our estimates, or take other corrective actions, either of which may also have a material adverse effect on our statements of operations, liquidity and financial condition.

While our significant accounting policies are described in more detail in Note 1 to our financial statements included elsewhere in this Annual Report, 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 and development collaborations, which may include research and development services, licenses of our internally developed technologies, licenses of our internally developed drug candidates, or combinations of these.

The terms of our license and research and development and collaboration agreements generally include non-refundable upfront payments, research funding, co-development reimbursements, license fees, and 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, contractual payment obligations 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.

In certain transactions for licensing of our technologies or our product candidates, we may receive an equity interest from our partners as full or partial consideration for an upfront payment due under the arrangement. We record the initial equity at its fair value and mark the value to market quarterly for publicly traded securities and review for impairment for equity that is not publicly traded on a national exchange.

Sale of Future Royalties

In November 2023, we entered into the sale of a portion of our royalties due us under the Alexion Agreement (the Ultomiris Royalty Sale Agreement) and a portion of our royalties due us under the MorphoSys Agreement (the Monjuvi Royalty Sale Agreement) and received upfront proceeds of $192.5 million and $22.5 million, respectively.

We evaluated the Ultomiris Royalty Sale Agreement under Accounting Standards Codification (ASC) 470 - *Deb*t (ASC 470) and determined that the upfront payment should be accounted for as deferred income as none of the criteria for classification as debt had been met. We apply the "unit-of-revenue" method of recognizing income in the consolidated statements of income (loss) and such amounts are included in royalty revenue. For the three months ended December 31, 2023, we recorded $6.2 million of non-cash royalty revenue related to the royalty sale.

We evaluated the Monjuvi Royalty Sale Agreement under ASC 470 and determined that the upfront payment should be accounted for as a liability in the consolidated balance sheet. The upfront proceeds will be amortized using the effective interest rate method over the estimated life of the related expected royalty stream. The liability and related interest expense are based on our current estimates of future royalties to be paid over the life of the agreement. We will periodically assess the expected royalty payments and to the extent the future estimates or timing of such payments are materially different than the previous estimates, we will prospectively recognize related interest expense. Royalty revenue will be recognized as earned on net sales of Monjuvi/Minjuvi and payments made to the purchaser will be a reduction to the liability when paid. For the three months ended December 31, 2023, we recorded $2.1 million of non-cash royalty revenue related to the royalty sale. For further discussion, refer to Note 11 - Sale of Future Royalties in the accompanying notes to the consolidated financial statements included in Part II, Item 8. Consolidated Financial Statements and Supplementary Data.

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 where the technology has alternative uses. The net capitalized patents, licenses, and other intangible assets as of December 31, 2023 and 2022 were $18.7 million and $18.5 million, respectively. We believe that these costs should be capitalized as the intellectual property portfolio creates the underlying property right to our technologies and product candidates and supports the upfront payments, licensing fees, milestone payments and royalties 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 recorded as general and administrative expenses.

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 the write-off of 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 should be amortized. We recorded a charge for abandoned intangible assets of $1.3 million and $1.5 million for the years ended December 31, 2023 and 2022, respectively. Such charges are reflected as general and administrative expenses.

We 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.

Accrued Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued research and development expenses. This process involves reviewing contracts and purchase orders, reviewing the terms of our license agreements, communicating with our applicable personnel to identify services that have been performed on our behalf, and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost. The majority of our service providers invoice us monthly in arrears for services performed. We make estimates of our accrued expenses as of each balance sheet date based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. Examples of estimated accrued research and development expenses include fees to:

- CROs and other service providers in connection with clinical studies;

- contract manufacturers in connection with the production of and testing of clinical trial materials; and
- vendors in connection with preclinical development activities.

We base our expenses related to clinical studies on our estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and CROs that conduct and manage clinical studies on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract, and may result in uneven payment flows and expense recognition. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing these costs, we estimate the time period over which services will be performed for which we have not been invoiced and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual accordingly. Our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in our reporting changes in estimates in any particular period.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that such tax rate changes are enacted. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Financial statement recognition of a tax position taken or expected to be taken in a tax return is determined based on a more-likely-than not threshold of that position being sustained. If the tax position meets this threshold, the benefit to be recognized is measured as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Our policy is to record interest and penalties related to uncertain tax positions as a component of income tax expense. We have concluded that there are no material uncertain tax positions and have not recorded an income tax expense or liability for uncertain tax positions as of December 31, 2023.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was enacted into law, which beginning in 2018, made several changes to U.S. corporate income tax provisions including a reduction in the U.S. corporate rate from a maximum rate of 35% to 21% effective January 1, 2018. The TCJA also allowed net operating losses (NOLs) incurred after January 1, 2018 to be carried forward indefinitely subject to limitations on the amount of NOLs that could be applied against taxable income each year. The TCJA also requires capitalization of certain research and development expenses beginning effective January 1, 2022.

We recorded net deferred tax assets of $158.1 million as of December 31, 2023, which was fully offset by a valuation allowance due to uncertainties surrounding our ability to realize these tax benefits. The deferred tax assets are primarily comprised of deferred revenue, capitalized research and development expenses, federal and state tax net operating loss (NOL) carryforwards and research and development tax credit carryforwards. As of December 31, 2023, we had cumulative net operating loss carryforwards for federal income tax purposes of approximately $54.2 million; all of such losses were incurred prior to December 31, 2017. We also had available tax credit carryforwards of $33.6 million for federal tax purposes. We had cumulative state tax loss carryforwards at December 31, 2023 of $158.8 million, and available state tax credit carryforwards of approximately $24.8 million, which can be carried forward to offset future taxable income, if any.

Our federal net operating loss carryforwards incurred prior to January 1, 2018 expire starting in 2027; state net operating loss carryforwards expire starting in 2035; and federal tax credit carryforwards expire starting in 2034.

We recorded a federal income tax expense of $5.8 million and $0.7 million for the years ended December 31, 2023 and 2022, respectively.

Valuation of Stock-Based Compensation

We record the fair value of stock options and shares issued under our Employee Stock Purchase Plan (ESPP) to employees as of the grant date as compensation expense over the service period, which is generally 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.

Common Stock Options Fair Value

We recognize stock-based compensation expense in accordance with the provisions of ASC Topic 718, *Compensation—Stock Compensation*. The use of a Black-Scholes model requires us to apply judgment and make assumptions and estimates that include the following:

- *Expected Volatility*—Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period.
- *Expected Dividend Yield*—We have never declared or paid dividends and have no plans to do so in the foreseeable future.
- *Risk-Free Interest Rate*—This is the U.S. Treasury rate for the week of each option grant during the year, having a term that most closely resembles the expected life of the option.
- *Expected Term*—This is the period of time that the options granted are expected to remain unexercised. Options granted have a maximum term of ten years and we have estimated the expected life of the option term to be between six and eight years. We use a simplified method to calculate the average expected term for employee awards.

Results of Operations

The discussion that follows includes a comparison of our results of operations and liquidity and capital resources for the years ended December 31, 2023 and 2022. For a comparison of our results of operations and financial condition for the years ended December 31, 2022 and 2021. see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual report on Form 10-K, filed with the SEC on February 27, 2023.

Comparison of the Years Ended December 31, 2023 and 2022

The following table summarizes our results of operations for the years ended December 31, 2023 and 2022 (in millions):

	Year ended December 31,		
	2023	**2022**	**Change**
Revenues:			
Research collaboration	$ 30.3	$ 7.0	$ 23.3
Milestone	88.5	5.5	83.0
Royalties	49.5	152.1	(102.6)
Total revenues	168.3	164.6	3.7
Operating expenses:			
Research and development	253.6	199.6	54.0
General and administrative	53.4	47.5	5.9
Total operating expenses	307.0	247.1	59.9
Other income, net	18.2	28.0	(9.8)
Income tax expense	5.8	0.7	5.1
Net loss	(126.3)	(55.2)	(71.1)
Net loss attributable to non-controlling interest	(0.2)	—	(0.2)
Net loss attributable to Xencor, Inc.	$ (126.1)	$ (55.2)	$ (70.9)

Revenues

Research collaboration revenues in 2023 and 2022 are primarily revenue recognized under our second Janssen agreement. Milestone payments increased by $83.0 million in 2023 from 2022 amounts primarily due to milestones received from Alexion, Gilead, J&J, Omeros, and Zenas in 2023, compared to milestones received from Astellas in 2022. Royalty revenues for 2023 are lower than royalty revenues in 2022 primarily due to a decrease in royalty revenue from Vir.

Research and Development Expenses

The following table summarizes our research and development expenses for the years ended December 31, 2023 and 2022 (in millions):

	Year Ended December 31,		
	2023	**2022**	**Change**
Product programs:			
Bispecific programs:			
CD3 programs:			
*Plamotamab**	*$ 16.5*	*$ 19.8*	*$ (3.3)*
XmAb819 (ENPP3 x CD3)	*18.2*	*10.5*	*7.7*
XmAb541 (CLDN6 X CD3)	*20.4*	*7.1*	*13.3*
Total CD3 programs	55.1	37.4	17.7
CD28 program:			
XmAb808 (B7H3 x CD3)	*16.7*	17.7	(1.0)
Tumor micro environment (TME) activator programs:			
Vudalimab	*44.2*	*22.8*	*21.4*
XmAb104	*24.2*	*21.3*	*2.9*
Total TME activators programs	68.4	44.1	24.3
Subtotal bispecific programs	140.2	99.2	41.0
Cytokine programs:			
*XmAb306/RG6323 programs**	*14.1*	*13.2*	*0.9*
XmAb564	*24.1*	*17.2*	*6.9*
XmAb662 (IL-12-Fc)	*12.8*	*15.5*	*(2.7)*
Total cytokine programs	51.0	45.9	5.1
Other, research and early stage programs	*51.7*	*30.8*	*20.9*
Wind down costs of terminated programs [(1)]	*10.7*	*23.7*	*(13.0)*
Total research and development expenses	$ 253.6	$ 199.6	$ 54.0

*Includes net reimbursements to and from our partners pursuant to agreements that include cost-sharing arrangements.

(1) Research and development expenses include wind down costs of programs that terminated in prior periods including the vibecotamab, tidutamab, and XmAb841 programs.

Research and development expenses increased by $54.0 million in 2023 over 2022 amounts primarily due to increased spending on our bispecific development programs including XmAb541, vudalimab, and early research and development programs.

General and Administrative Expenses

General and administrative expenses increased by $5.9 million in 2023 over 2022 amounts primarily due to increases in general and administrative compensation costs and additional spending on professional fees.

Other Income, Net

Other income, net decreased by $9.8 million in 2023 from 2022 amounts due to a net decrease in unrealized gain from equity securities, partially offset by an increase in interest income from our investment in marketable debt securities.

Liquidity and Capital Resources

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

We have incurred substantial operating losses since our inception, and we expect to continue to incur operating losses into the foreseeable future as we advance the ongoing development of our bispecific antibody and cytokine product candidates, evaluate opportunities for the potential clinical development of our other preclinical programs, and continue our research efforts.

In November 2023, we entered into the Monjuvi Royalty Sale Agreement and Ultomiris Royalty Sale Agreement and received total proceeds from the transactions of $215.0 million. For further discussion of the sale of future royalties, refer to Note 11 - Sale of Future Royalties in the accompanying notes to the consolidated financial statements included in Part II, Item 8. Consolidated Statements and Supplementary Data of this Annual Report on Form 10-K.

In 2023, we received a total of $111.7 million in milestone payments and royalties in connection with licensing of our technologies and products.

At December 31, 2023, we had $697.4 million of cash, cash equivalents, and marketable debt securities compared to $584.5 million at December 31, 2022. We expect to continue to receive additional payments from our collaborators for research and development services rendered, additional milestone, contingent payments, opt-in and royalty payments. Our ability to receive milestone payments and contingent payments from our partners is dependent upon either our ability or our partners' abilities to achieve certain levels of research and development activities and is therefore uncertain at this time.

Funding Requirements

We have not generated any revenue from product sales and do not expect to do so until we obtain regulatory approval and commercialize one or more of our product candidates. At the current stage of our clinical development programs, it will be some time before we expect to achieve this, and it is uncertain that we ever will. We expect that our operating expenses will continue to increase in connection with ongoing as well as additional planned clinical and preclinical development of product candidates in our pipeline. We expect to continue our collaboration arrangements and will look for additional collaboration and licensing opportunities.

Although it is difficult to predict our funding requirements, based upon our current operating plan, we believe that our existing cash, cash equivalents and marketable securities, together with interest thereon and expected milestone and royalty payments will be sufficient to fund our operations into 2027. 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.

Cash Flows

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

	Year ended December 31,	
	2023	**2022**
Net cash provided by (used in):		
Operating activities	$ 85,111	$ 24,485
Investing activities	(111,065)	(119,725)
Financing activities	26,182	5,702
Net increase (decrease) in cash and cash equivalents	$ 228	$ (89,538)

Operating Activities

Net cash provided by operating activities for the year ended December 31, 2023 and 2022 reflects milestone and royalty payments, including sale of a portion of future royalties under the Ultomiris Royalty Sale Agreement in 2023, received during the year in excess of operating expenses.

Investing Activities

Investing activities consist primarily of proceeds from maturities of marketable securities offset by purchases of marketable securities available-for-sale, acquisition of intangible assets and purchases of property and equipment. In 2023, we purchased $89.8 million of marketable securities, net of $693.1 million of proceeds from sales and maturities. In 2022, we purchased $81.3 million of marketable securities, net of $306.6 million of proceeds from sales and maturities. We acquired $2.8 million and $4.9 million of intangible assets in the years ended December 31, 2023 and 2022, respectively. We purchased $18.4 million and $38.5 million of capital equipment for the years ended December 31, 2023 and 2022, respectively. We also converted a $5.0 million convertible note to equity investment for the year ended December 31, 2022.

Financing Activities

Net cash provided by financing activities during the year ended December 31, 2023 consists primarily of cash from the sale of future royalties under the Monjuvi Royalty Sale Agreement. Net cash provided by financing activities during the year ended December 31, 2022 consists primarily of cash from stock option exercises and the sales of shares under the Employee Stock Purchase Plan (ESPP). Net cash provided by financing activities increased during 2023 from amounts reported for 2022 primarily from proceeds received from the sale of future royalties.

Contractual Obligations and Commitments

We are obligated to make future payments to third parties under in-license agreements, including sublicense fees, royalties, and payments that become due and payable on the achievement of certain development and commercialization milestones. We have also entered into agreements with third-party vendors which will require us to make future payments upon the delivery of goods and services in future periods.

In April 2021, we entered into a license agreement with BIO-TECHNE Corporation (BIO-TECHNE) for a non-exclusive license to a certain recombinant monoclonal antibody reactive with human Claudin-6 protein (CLDN6). This antibody is being developed in our XmAb541 program. Under this license agreement, we may be required to make $30.6 million in additional contingent payments which include $1.8 million of clinical milestones, $4.8 million of regulatory milestones and milestones on the achievement of certain sales of $24.0 million, in addition to royalties upon commercial sales of products of 0.5%. We made an upfront payment in connection with this license in 2021 and have not made any additional payments under this license agreement.

In February 2016, we entered into a worldwide exclusive commercial license agreement with Selexis SA to develop and commercialize products produced from the Selexis cell line that was manufactured in connection with our plamotamab drug candidate. In connection with the license, we may be required to make CHF 1.7 million in additional contingent obligations which include CHF 500,000 in development milestones, CHF 400,000 in regulatory milestones and

CHF 800,000 in sales milestones, in addition to royalties upon commercial sales of products of less than 1%. In 2022, we recorded a milestone of CHF 200,000 upon initiation of Phase 2.

In December 2017, we entered into worldwide exclusive commercial license agreements with Selexis to develop and commercialize products produced from the Selexis cell line that was manufactured for each of our bispecific antibody and cytokine drug candidates: vudalimab, XmAb306, XmAb564 and XmAb819. The terms for each agreement are identical and for each licensed cell line we may be required to make up to CHF 1.4 million in total development, regulatory and sales milestones which include CHF 425,000 in development milestones, CHF 340,000 in regulatory milestones and CHF 680,000 in sales milestones. In addition, we may be obligated to pay royalties upon commercial sales of approved products of less than 1%. In 2019, we made a milestone payment of CHF 75,000 in connection with an IND submission, and in 2020, we recorded a milestone payment due of CHF 75,000 in connection with an IND submission. In 2021, we recorded a milestone payment due of CHF 170,000 upon an initiation of Phase 2.

In September 2020, we entered into an agreement with MD Andersen in which we agreed to provide up to $10.0 million in funding over a five-year period in exchange for MD Andersen conducting clinical studies with our drug candidates. In December 2021, we amended the agreement to extend it an additional year at the same level of funding.

In August 2022 and in December 2022, we entered into agreements with Caris to license novel targets identified from their technology platform. The terms for the agreements provide that we may be obligated to pay development, regulatory and sales milestones for each target we elect to license in addition to royalties on net sales of approve products.

As the amount and timing of sublicense fees and the achievement and timing of these milestones are not probable and estimable, such commitments have not been included on our balance sheet or in the contractual obligations and commitment tables above.

New Accounting Pronouncements

See Note 1 - Recent Accounting Pronouncements in the accompanying financial statements for information regarding recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures 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 marketable securities have significant risk of default or illiquidity. While we believe our cash, cash equivalents and marketable securities 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.

Item 8. Financial Statements and Supplementary Data

Xencor, Inc.
Financial Statements

Audited Financial Statements for the Years Ended December 31, 2021, 2020 and 2019:

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Xencor, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Xencor, Inc. and its subsidiary (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 28, 2024, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating 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.

Critical Audit Matter
The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements; and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matter did not alter in any way our opinion on the financial statements taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Judgement and Complexity of Accounting for the Sale of Future Royalty Streams
As described in Note 11 to the financial statements, the Company evaluated the up-front payment received from the sale of the Ultomiris (Alexion) Agreement classified as deferred revenue and evaluated the up-front payment received from the sale of the Monjuvi (Morphosys) Agreement classified as debt under ASC 470. When the sale of future revenue is accounted for as debt, the company continues to recognize revenue based on the terms of the contract with the licensee. When the sale is accounted for as deferred revenue, the company recognizes revenue using the units of revenue method. We identified the related audit effort in evaluating management's judgements in determining the factors that would indicate whether the transaction should be recorded as debt or deferred revenue as a critical audit matter.

The principal consideration for our determination that the judgement and complexity of accounting for the sale of future royalty streams under the Ultomiris and Monjuvi agreements was a critical audit matter is that the related audit effort in evaluating management's judgements in determining the factors that would indicate whether the transaction should be recorded as debt or deferred revenue required significant audit effort and a high degree of auditor judgment and subjectivity to perform our audit procedures and evaluate the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our procedures included, among others (i) obtaining an understanding of the relevant controls related to the evaluation of the classification of up front payments and tested such controls for design and operating effectiveness (ii) obtaining information regarding the nature and extent of the Royalty Purchase Agreement; (iii) obtaining an understanding detailing the transaction and accounting treatment; and (iv) assessing management's classification under both agreements, including utilization of a subject matter expert.

/s/ RSM US LLP

We have served as the Company's auditor since 2015.

Los Angeles, California
February 28, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Xencor, Inc.

Opinion on the Internal Control Over Financial Reporting
We have audited Xencor, Inc. and its subsidiary (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively, the financial statements) of the Company and our report dated February 28, 2024 expressed an unqualified opinion.

Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Los Angeles, California
February 28, 2024

Xencor, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 31,	
	2023	**2022**
Assets		
Current assets		
Cash and cash equivalents	$ 53,790	$ 53,942
Marketable debt securities	497,725	526,689
Marketable equity securities	42,210	42,431
Accounts receivable	11,290	28,997
Prepaid expenses and other current assets	18,145	23,283
Total current assets	623,160	675,342
Property and equipment, net	66,124	59,183
Patents, licenses, and other intangible assets, net	18,663	18,500
Restricted cash	380	—
Marketable debt securities - long term	145,512	3,826
Equity securities	64,210	54,383
Right of use asset	33,995	34,419
Other assets	648	613
Total assets	$ 952,692	$ 846,266
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 13,914	$ 10,088
Accrued expenses	23,564	18,728
Income tax payable	5,782	—
Lease liabilities	3,435	4,708
Deferred revenue	—	30,320
Deferred income	31,682	—
Debt	6,332	—
Total current liabilities	84,709	63,844
Lease liabilities, net of current portion	59,025	54,926
Deferred income, net of current portion	125,183	—
Debt, net of current portion	14,642	—
Total liabilities	283,559	118,770
Commitments and contingencies (see note 9)		
Stockholders' equity		
Preferred stock, $0.01 par value: 10,000,000 authorized shares; -0- issued and outstanding shares at December 31, 2023 and 2022	—	—
Common stock, $0.01 par value: 200,000,000 authorized shares; 60,998,191 issued and outstanding shares at December 31, 2023 and 59,997,713 issued and outstanding at December 31, 2022	611	601
Additional paid-in capital	1,131,266	1,072,132
Accumulated other comprehensive income	1,291	(6,952)
Accumulated deficit	(464,372)	(338,285)
Total stockholders' equity attributable to Xencor, Inc.	668,796	727,496
Non-controlling interest	337	—
Total stockholders' equity	669,133	727,496
Total liabilities and stockholders' equity	$ 952,692	$ 846,266

See accompanying notes to the financial statements.

Xencor, Inc.

Consolidated Statements of Income (Loss)

(in thousands, except share and per share data)

	Year ended December 31,		
	2023	**2022**	**2021**
Revenue			
Collaborations, licenses, milestones, and royalties	$ 168,338	$ 164,579	$ 275,111
Operating expenses			
Research and development	253,598	199,563	192,507
General and administrative	53,379	47,489	38,837
Total operating expenses	306,977	247,052	231,344
Income (loss) from operations	(138,639)	(82,473)	43,767
Other income (expense)			
Interest income, net	18,626	4,817	849
Other expense, net	(31)	(286)	(1,274)
Gain (loss) on equity securities, net	(395)	23,434	39,289
Total other income, net	18,200	27,965	38,864
Income (loss) before income tax	(120,439)	(54,508)	82,631
Income tax expense	5,811	673	—
Net income (loss)	(126,250)	(55,181)	82,631
Net loss attributable to non-controlling interest	(163)	—	—
Net income (loss) attributable to Xencor, Inc.	$ (126,087)	$ (55,181)	$ 82,631
Net income (loss) per common share attributable to Xencor, Inc.:			
Basic	$ (2.08)	$ (0.93)	$ 1.42
Diluted	$ (2.08)	$ (0.93)	$ 1.37
Weighted average common shares used to compute net income (loss) per share attributable to Xencor, Inc.			
Basic	60,503,283	59,652,461	58,379,641
Diluted	60,503,283	59,652,461	60,495,455

See accompanying notes to the financial statements.

Xencor, Inc.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

	Year ended December 31,		
	2023	**2022**	**2021**
Net income (loss)	$ (126,250)	$ (55,181)	$ 82,631
Other comprehensive income (loss):			
Net unrealized gain (loss) on marketable debt securities available-for-sale	8,243	(5,442)	(1,584)
Comprehensive income (loss)	(118,007)	(60,623)	81,047
Comprehensive income (loss) attributable non-controlling interest	(163)	—	—
Comprehensive income (loss) attributable to Xencor, Inc.	$ (117,844)	$ (60,623)	$ 81,047

Xencor, Inc.

Consolidated Statements of Stockholders' Equity

(in thousands, except share data)

Stockholders' Equity	Common Stock Shares	Common Stock Amount	Additional Paid in-Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
Balance, December 31, 2020	57,873,444	$ 580	$ 937,525	$ 74	$ (365,735)	—	$ 572,444
Sale of common stock	748,062	7	28,913	—	—	—	28,920
Issuance of common stock upon exercise of stock awards	520,240	5	12,276	—	—	—	12,281
Issuance of common stock under the Employee Stock Purchase Plan	62,257	1	1,836	—	—	—	1,837
Issuance of restricted stock units	151,555	2	(2)			—	—
Comprehensive income (loss)	—	—	—	(1,584)	82,631	—	81,047
Stock-based compensation	—	—	36,975	—	—	—	36,975
Balance, December 31, 2021	59,355,558	595	1,017,523	(1,510)	(283,104)	—	733,504
Issuance of common stock upon exercise of stock awards	195,485	2	3,608	—	—	—	3,610
Issuance of common stock under the Employee Stock Purchase Plan	105,597	1	2,091	—	—	—	2,092
Issuance of restricted stock units	341,073	3	(3)	—	—	—	—
Comprehensive loss	—	—	—	(5,442)	(55,181)	—	(60,623)
Stock-based compensation	—	—	48,913	—	—	—	48,913
Balance, December 31, 2022	59,997,713	601	1,072,132	(6,952)	(338,285)	—	727,496
Issuance of common stock upon exercise of stock awards	344,383	3	3,409	—	—	—	3,412
Issuance of common stock under the Employee Stock Purchase Plan	98,029	1	1,976	—	—	—	1,977
Issuance of restricted stock units	558,066	6	(6)	—	—	—	—
Contribution from non-controlling interest owners	—	—	—	—	—	500	500
Comprehensive income (loss)	—	—	—	8,243	(126,087)	(163)	(118,007)
Stock-based compensation	—	—	53,755	—	—	—	53,755
Balance, December 31, 2023	**60,998,191**	**$ 611**	**$ 1,131,266**	**$ 1,291**	**$ (464,372)**	**$ 337**	**$ 669,133**

See accompanying notes to the financial statements.

Xencor, Inc.

Consolidated Statements of Cash Flows

(in thousands)

	Year ended December 31,		
	2023	2022	2021
Cash flows from operating activities			
Consolidated net income (loss)	$ (126,250)	$ (55,181)	$ 82,631
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	11,498	8,799	7,491
Amortization of premium (accretion of discount) on marketable securities	(13,635)	127	3,160
Stock-based compensation	53,755	48,913	36,975
Abandonment of capitalized intangible assets	1,267	1,510	934
Loss on disposal of assets	1,379	145	462
Equity received in connection with license agreement	(10,000)	(5,397)	(22,379)
Equity received in connection with sale of financial assets	—	—	(3,300)
Change in fair value of equity securities	395	(23,434)	(20,988)
Equity securities impairment	—	138	762
Noncash interest expense	681	—	—
Changes in operating assets and liabilities:			
Accounts receivable and contract assets	17,707	37,387	(42,441)
Interest receivable from marketable debt securities	(1,028)	(530)	655
Prepaid expenses and other assets	5,103	634	(13,592)
Income tax	5,782	—	—
Accounts payable	3,826	(3,913)	5,047
Accrued expenses	4,836	(715)	1,840
Lease liabilities and ROU assets	3,250	22,976	1,211
Deferred revenue	(30,320)	(6,974)	(55,321)
Deferred income	156,865	—	—
Net cash provided by (used in) operating activities	85,111	24,485	(16,853)
Cash flows from investing activities			
Proceeds from sale and maturities of marketable debt securities available-for-sale	693,090	306,607	485,152
Proceeds from sale of property and equipment	1	—	19
Purchase of marketable securities	(782,905)	(387,928)	(509,597)
Purchase of intangible assets	(2,803)	(4,910)	(2,682)
Purchase of property and equipment	(18,448)	(38,494)	(13,299)
Conversion (purchase) of convertible note	—	5,000	(5,000)
Exercise of stock options	—	—	(842)
Net cash used in investing activities	(111,065)	(119,725)	(46,249)
Cash flows from financing activities			
Proceeds from issuance of common stock upon exercise of stock awards	3,412	3,610	12,281
Proceeds from issuance of common stock from Employee Stock Purchase Plan	1,977	2,092	1,837
Proceeds from issuance of common stock	—	—	28,920
Proceeds from sale of future royalties	20,293	—	—
Proceeds from non-controlling interest	500	—	—
Net cash provided by financing activities	26,182	5,702	43,038
Net increase (decrease) in cash, cash equivalents, and restricted cash	228	(89,538)	(20,064)
Cash, cash equivalents, and restricted cash, beginning of year	53,942	143,480	163,544
Cash, cash equivalents, and restricted cash, end of year	$ 54,170	$ 53,942	$ 143,480
Supplemental disclosures of cash flow information			
Cash paid for:			
Interest	$ 22	$ 13	$ 14
Taxes	—	700	—
Supplemental schedule of noncash activities			
Net unrealized gain (loss) on marketable securities available-for-sale	$ 8,243	$ (5,442)	$ (1,584)
Addition of right-of-use asset	2,462	$ 6,155	$ 24,047

See accompanying notes to the 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 bispecific antibody and cytokine therapeutics to treat patients with cancer and autoimmune diseases who have unmet medical needs. We create our product candidates using our proprietary XmAb technology platforms, which focus on the portion of an 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, can increase antibody immune inhibition, improve cytotoxicity, extend half-life and most recently are used to create bispecific antibodies and cytokines.

Our operations are based in Pasadena, California and San Diego, California.

Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of Xencor, Inc. and its subsidiary Gale Therapeutics Inc., which was incorporated in December 2023. Since we own less than 100% of Gale, the Company records net loss attributable to non-controlling interests in its consolidated statements of income (loss) equal to the percentage of the economic or ownership interests retained in Gale by the non-controlling party.

The Company's consolidated financial statements as of December 31, 2023, 2022, and 2021 and for the years then ended have been prepared in accordance with accounting principles generally accepted in the United States (U.S.).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, other comprehensive gain (loss) and the related disclosures. On an ongoing basis, management evaluates its estimates, including estimates related to its accrued clinical trial and manufacturing development expenses, stock-based compensation expense, evaluation of intangible assets, investments, leases and other assets for evidence of impairment, fair value measurements, and contingencies. Significant estimates in these financial statements include estimates made for royalty revenue, accrued research and development expenses, stock-based compensation expenses, intangible assets, incremental borrowing rate for right-of-use asset and lease liability, estimated standalone selling price of performance obligations, estimated time for completing delivery of performance obligations under certain arrangements, the likelihood of recognizing variable consideration, the carrying value of equity instruments without a readily determinable fair value, and recoverability of deferred tax assets.

Recent Accounting Pronouncements

Pronouncements Not yet Effective

In June 2022, the Financial Accounting Standards Board (FASB) issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restriction*s, which is effective for fiscal years beginning on and after December 15, 2023, and interim periods within those fiscal years. The standard clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and is not considered in measuring fair value. The Company does not anticipate that the standard will have a significant impact on its financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*, which is effective for fiscal years beginning on and after December 15, 2024, and interim periods within those fiscal years. The standard provides more transparency about income tax information through improvements to income tax

disclosures primarily related to the rate reconciliation and income taxes paid information.The Company does not anticipate that the standard will have a significant impact on its financial statements.

Variable Interest Entity

A Variable Interest Entity (VIE) is a legal entity that, by design, 1) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, 2) has equity investors that lack the power to direct the entity's activities, 3) has investors with limited obligation to absorb expected losses, or 4) has investors who do not have the right to receive the residual returns of the entity. The primary beneficiary of a VIE is the party with the controlling financial interest and has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and has the obligation to absorb losses of the VIE, or the right to receive benefits of the VIE that could be potentially significant to the VIE.

On December 19, 2023 we entered into the Gale License and Gale Services Agreements. See Note 10, We consolidated Gale's financial statements in which we have direct controlling financial interest based on the VIE model.

We consider all the facts and circumstances, including our role in establishing Gale and our ongoing rights and responsibilities to assess where we have the power to direct the activities of Gale. In general, the parties that make the most significant decisions affecting the VIE and have the right to remove those decision-makers unilaterally or by majority vote are deemed to have the power to direct the activities of a VIE.

At Gale's inception, we determined whether we were the primary beneficiary and if Gale should be consolidated based on facts and circumstances. Under the rules of determining whether an entity is a VIE, we determined that Gale is a VIE and we are the primary beneficiary.

Liability Related to the Sale of Future Royalties

We record a liability related to the sale of future Monjuvi royalties as debt, amortized under the effective interest rate method over the estimated life of the Monjuvi Royalty Sale Agreement. See Note 11. The amortization of the liability related to the sale of future royalties is based on our current estimate of future royalty payments. Royalty revenue will be recognized as earned, and the payments made will be a reduction of the liability when paid.

Non-Cash Interest Expense on the Liability Related to the Sale of Future Royalties

The total expected royalty payments less the net proceeds received will be recorded as non-cash interest expense over the life of the liability. Interest is imputed on the unamortized portion using the effective interest method and expense is recorded based on the timing of the payments received over the term of the Monjuvi Royalty Sale Agreement. The actual interest rate will be affected by the timing of royalty payments made and changes in the forecasted revenue.

Deferred Income Related to the Sale of Future Royalties

We record a liability related to the sale of future Ultomiris royalties as deferred income, amortized under the units-of-revenue method by computing a ratio of the proceeds received to the total expected payments over the term of the Ultomiris Royalty Sale Agreement. See Note 11. The amortization of the liability related to the sale of future royalties is based on our current estimate of future royalty payments. Royalty revenue will be recognized as earned and the payments made will be a reduction of the liability when paid.

Revenue Recognition

We have, to date, earned revenue from research and development collaborations, which may include research and development services, licenses of our internally developed technologies, licenses of our internally developed drug candidates, or combinations of these.

The terms of our license, research and development, and collaboration agreements generally include non-refundable upfront payments, research funding, co-development payments and reimbursements, license fees, and 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 contractual payment obligations 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.

We recognize revenue through the five-step process in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Deferred Revenue

Deferred revenue arises from payments received in advance of the culmination of the earnings process. We have classified deferred revenue for which we stand ready to perform 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. There was no deferred revenue reported at December 31, 2023. The total amount reported as deferred revenue was $30.3 million at December 31, 2022.

Accounts Receivable

Accounts receivable primarily consists of royalty and milestone revenues receivable from our license and collaboration agreements, as well as receivables arising from cost-sharing development activities. Pursuant to the Ultomiris and Monjuvi Royalty Sale Agreements, a portion of the proceeds we received from the purchasers related to the sale of accounts receivable on royalty and milestone revenue earned at September 30, 2023. Payments for these receivables were paid directly to the purchasers prior to the year-ended December 31, 2023. We did not record an allowance for doubtful accounts at December 31, 2023 or 2022 due to an immaterial allowance as a result of our evaluation of credit risk under ASC 326. We expect to collect all receivables within the terms, which are generally between 30 and 60 days.

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 and 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 they incurred. 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 capitalize acquired research and development technology licenses and third-party contract rights where such assets have an alternative use 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.

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.

Restricted Cash

As of December 31, 2023, we had an outstanding letter of credit (LOC) collateralized by a money market account of $0.4 million, to the benefit of the landlord related to the Company's San Diego facility lease. The terms of the lease provide that the amount of the LOC will be reduced on a ratable basis over the term of the lease. The original amount of the LOC was classified as long-term restricted cash as of December 31, 2023.

Marketable Debt and Equity Securities

The Company has an investment policy that includes guidelines on acceptable investment securities, minimum credit quality, maturity parameters, and concentration and diversification. The Company invests its excess cash primarily in marketable debt securities issued by investment grade institutions.

The Company considers its marketable debt securities to be available-for-sale and does not intend to sell these securities, and it is not more likely than not the Company will be required to sell the securities before recovery of the amortized cost basis. These assets are carried at fair value and any impairment losses and recoveries related to the underlying issuer's credit standing are recognized within other income (expense), while non-credit related impairment losses and recoveries are recognized within accumulated other comprehensive income (loss). There were no impairment losses or recoveries recorded for the years ended in December 31, 2023 and 2022, respectively. Accrued interest on marketable debt securities is included in marketable securities' carrying value. Accrued interest was $2.3 million and $1.3 million at December 31, 2023 and 2022, respectively. Each reporting period, the Company reviews its portfolio of marketable debt securities, using both quantitative and qualitative factors, to determine if each security's fair value has declined below its amortized cost basis. During the years ended December 31, 2023 and 2022, the Company recorded an unrealized gain of $8.2 million and an unrealized loss of $5.4 million, respectively, in its portfolio of marketable debt securities. The unrealized loss was due to the changing interest rate environment and is not due to changes in the credit quality of the underlying securities. The unrealized gain and loss were recorded in other comprehensive income (loss) for the years then ended.

The Company receives equity securities in connection with certain licensing transactions with its partners. These investments in an equity security are carried at fair value with changes in fair value recognized each period and reported within other income (expense). For equity securities with a readily determinable fair value, the Company remeasures these equity investments at each reporting period until such time that the investment is sold or disposed. If the Company sells an investment, any realized gains or losses on the sale of the securities will be recognized within other income (expense) in the Statement of Comprehensive Income (Loss) in the period of sale.

The Company also has investments in equity securities without a readily determinable fair value, where the Company elects the measurement alternative to record at their initial cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company did not record an impairment charge for the year ended December 31, 2023. During the year ended December 31, 2022, the Company recorded an impairment charge of $0.1 million in connection with equity securities without a readily determinable fair value.

During the years ended December 31, 2023 and 2022, the Company recorded a net loss of $0.4 million and net gain of $23.4 million, respectively, in connection with its equity investments.

Concentrations of Risk

Cash, cash equivalents, restricted cash, and marketable debt securities are financial instruments that potentially subject the Company to concentrations of risk. We invest our cash in corporate debt securities and U.S. sponsored agencies with strong credit ratings. We have established guidelines relative to diversification and maturities that are designed to help ensure safety and liquidity. These guidelines are periodically reviewed to take advantage of trends in yields and interest rates.

Cash, cash equivalents, and restricted cash are maintained at financial institutions, and at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2023 and 2022 approximated $53.8 million and $53.6 million, respectively.

We have payables with two service providers that represent 38% of our total payables and with two service providers that represented 45% of our total payables at December 31, 2023 and 2022, respectively. We rely on six critical suppliers for the manufacture of our drug product for use in our clinical trials. While we believe that there are alternative vendors available, a change in manufacturing vendors could cause a delay in the availability of drug product and result in a delay of conducting and completing our clinical trials. No other vendor accounted for more than 10% of total payables at December 31, 2023 or 2022.

We have receivables with three customers and service providers that represent 76% of our total receivables and with four customers and service providers that represent 91% of our total receivables at December 31, 2023 and 2022,

respectively. The receivables are related to cost share reimbursement and royalty revenues from our licensing and collaboration agreements. No other customer accounted for more than 10% of total receivables at December 31, 2023 or 2022.

Fair Value of Financial Instruments

Our financial instruments primarily consist of cash and cash equivalents, marketable debt securities, accounts receivable, accounts payable, and accrued expenses. Marketable debt securities and cash equivalents are carried at fair value. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. The fair value of the other financial instruments closely approximate their fair value due to their short maturities.

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

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

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

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

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

	December 31, 2023		
	Total Fair Value	Level 1	Level 2
Money Market Funds in Cash and Cash Equivalents	$ 25,520	$ 25,520	$ —
Corporate Securities	228,723	—	228,723
Government Securities	414,514	—	414,514
	$ 668,757	$ 25,520	$ 643,237

	December 31, 2022		
	Total Fair Value	Level 1	Level 2
Money Market Funds in Cash and Cash Equivalents	$ 40,967	$ 40,967	$ —
Corporate Securities	200,626	—	200,626
Government Securities	329,889	—	329,889
	$ 571,482	$ 40,967	$ 530,515

Our policy is to record transfers of assets between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2.

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. 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

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 1 to 20 years. Third-party costs incurred for acquiring patents are capitalized. Capitalized costs are accumulated until the earlier of the period that a patent is issued, or we abandon the patent claims. Cumulative capitalized patent costs are amortized on a straight-line basis from the date of issuance over the shorter of the patent term or the estimated useful economic life of the patent, ranging from 2 to 27 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 period of the decision to abandon. During 2023, 2022, and 2021, we abandoned previously capitalized patent and licensing related charges of $1.3 million, $1.5 million, and $0.9 million, respectively.

The carrying amount and accumulated amortization of patents, licenses, and other intangibles is as follows (in thousands):

	December 31,	
	2023	**2022**
Patents, definite life	$ 15,340	$ 14,535
Patents, pending issuance	9,723	9,328
Licenses and other amortizable intangible assets	4,007	3,908
Nonamortizable intangible assets (trademarks)	399	399
Total gross carrying amount	29,469	28,170
Accumulated amortization—patents	(8,663)	(7,781)
Accumulated amortization—licenses and other	(2,143)	(1,889)
Total intangible assets, net	$ 18,663	$ 18,500

Amortization expense for patents, licenses, and other intangible assets was $1.3 million, $1.4 million, and $1.2 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Future amortization expense for patents, licenses, and other intangible assets recorded as of December 31, 2023, and for which amortization has commenced, is as follows:

	Year ended December 31,
	(in thousands)
2024	$ 1,076
2025	1,059
2026	961
2027	908
2028	776
Thereafter	3,760
Total	$ 8,540

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, 2023, the Company has $9.7 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 assets which include fixed assets and amortizable 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.

We did not recognize a loss from impairment for the years ended December 31, 2023, 2022, or 2021.

Income Taxes

We account for income taxes in accordance with accounting guidance which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where there is greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is a 50% or less likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. We did not have any material uncertain tax positions at December 31, 2023 or 2022.

Our policy is to recognize interest and penalties on taxes, if any, as a component of income tax expense.

The Tax Cuts and Jobs Act of 2017 (TCJA) enacted on December 22, 2017 included several key provisions impacting the accounting for and reporting of income taxes. The most significant provisions reduced the U.S. corporate statutory tax rate from 35% to 21%, eliminated the corporate Alternative Minimum Tax (AMT) system, and made changes to the carryforward of net operating losses beginning on January 1, 2018. The TCJA changed the income tax treatment of research and development expenses requiring such costs to be capitalized and amortized over several years beginning

effective January 1, 2022. We recorded a federal tax expense of $5.8 million and $0.7 million for the years ended December 31, 2023 and 2022, respectively.

Stock-Based Compensation

We recognize compensation expense using a fair-value-based method for costs related to all share-based payments, including stock options, restricted stock units (RSUs), and shares issued under our Employee Stock Purchase Plan (ESPP). 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 account for forfeitures when they occur. We recorded stock-based compensation and expense for stock-based awards to employees, directors, and consultants of approximately $53.8 million, $48.9 million, and $37.0 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Net Income (Loss) Per Share

Basic net income (loss) per common share attributable to Xencor is computed by dividing the net income (loss) attributable to Xencor by the weighted-average number of common shares outstanding during the period without consideration of common stock equivalents. Diluted net income (loss) per common share attributable to Xencor is computed by dividing the net income (loss) attributable to Xencor by the weighted-average number of common stock equivalents outstanding for the period. Potentially dilutive securities consisting of stock issuable pursuant to outstanding options and restricted stock units (RSUs), and stock issuable pursuant to the 2013 Employee Stock Purchase Plan (ESPP) are not included in the per common share calculation in periods when the inclusion of such shares would have an anti-dilutive effect.

Basic and diluted net income (loss) per common share attributable to Xencor is computed as follows:

Basic net income (loss) per common share is computed by dividing the net income or loss attributable to Xencor by the weighted-average number of common shares outstanding during the period.

Potentially dilutive securities were included in the calculation of diluted net income per common share attributable to Xencor for 2021. In 2023 and 2022, we excluded all options and awards from the calculations because we reported net losses in the period, and the inclusion of such shares would have had an antidilutive effect.

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except share and per share data)		
Basic			
Numerator:			
Net income (loss) attributable to Xencor, Inc.	$ (126,087)	$ (55,181)	$ 82,631
Denominator:			
Weighted-average common shares outstanding	60,503,283	59,652,461	58,379,641
Basic net income (loss) per common share attributable to Xencor, Inc.	$ (2.08)	$ (0.93)	$ 1.42
Diluted			
Numerator:			
Net income (loss) attributable to Xencor, Inc.	$ (126,087)	$ (55,181)	$ 82,631
Denominator:			
Weighted average number of common shares outstanding used in computing basic net income (loss) per common share	60,503,283	59,652,461	58,379,641
Dilutive effect of employee stock options, RSUs, and ESPP	—	—	2,115,814
Weighted-average number of common shares outstanding used in computing diluted net income (loss) per common share	60,503,283	59,652,461	60,495,455
Diluted net income (loss) per common share attributable to Xencor, Inc.	$ (2.08)	$ (0.93)	$ 1.37

For the years ended December 31, 2023 and 2022, all outstanding potentially dilutive securities were excluded from the calculation as the effect of including such securities would have been anti-dilutive. For the year ended December 31, 2021, we excluded 1,196,268 shares of options and RSUs from the calculation of diluted net income per common share because the inclusion of such shares would have had an anti-dilutive effect.

Segment Reporting

The Company determines its segment reporting based upon the way the business is organized for making operating decisions and assessing performance. The Company has only one operating segment related to the development of pharmaceutical products.

2. Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). For the years ended December 31, 2023, 2022, and 2021, the only component of other comprehensive income (loss) is net unrealized gain (loss) on marketable debt securities. There were no material reclassifications out of accumulated other comprehensive loss during the year ended December 31, 2023.

3. Marketable Debt and Equity Securities

The Company's marketable debt securities held as of December 31, 2023 and 2022 are summarized below:

	December 31, 2023			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	$ 25,520	$ —	$ —	$ 25,520
Corporate Securities	228,382	342	(1)	228,723
Government Securities	413,553	1,037	(76)	414,514
	$ 667,455	$ 1,379	$ (77)	$ 668,757
Reported as				
Cash and cash equivalents				$ 25,520
Marketable securities				643,237
Total investments				$ 668,757

	December 31, 2022			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	$ 40,967	$ —	$ —	$ 40,967
Corporate Securities	201,752	—	(1,126)	200,626
Government Securities	335,705	3	(5,819)	329,889
	$ 578,424	$ 3	$ (6,945)	$ 571,482
Reported as				
Cash and cash equivalents				$ 40,967
Marketable securities				530,515
Total investments				$ 571,482

The maturities of the Company's marketable debt securities as of December 31, 2023 are as follows:

(in thousands)	Amortized Cost	Estimated Fair Value
Mature in one year or less	$ 497,326	$ 497,725
Mature within two years	144,609	145,511
	$ 641,935	$ 643,236

The unrealized losses on available-for-sale investments and their related fair values as of December 31, 2023 and 2022 are as follows:

	December 31, 2023			
	Less than 12 months		12 months or greater	
(in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate Securities	$ 8,073	$ (1)	$ —	$ —
Government Securities	66,546	(77)	—	—
	$ 74,619	$ (78)	$ —	$ —

	December 31, 2022			
	Less than 12 months		12 months or greater	
(in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate Securities	$ 132,658	$ (1,121)	$ 3,826	$ (5)
Government Securities	324,933	(5,819)	—	—
	$ 457,591	$ (6,940)	$ 3,826	$ (5)

The unrealized losses from the listed securities are due to a change in the interest rate environment and not a change in the credit quality of the securities.

The Company's equity securities include securities with a readily determinable fair value. These investments are carried at fair value with changes in fair value recognized each period and reported within other income (expense). Equity securities with a readily determinable fair value and their fair values (in thousands) as of December 31, 2023 and 2022 are as follows:

	Fair Value December 31, 2023	Fair Value December 31, 2022
Astria Common Stock	$ 5,360	$ 9,529
INmune Common Stock	21,231	11,954
Viridian Common Stock	15,619	20,948
	$ 42,210	$ 42,431

The Company also has an investment in an equity security without a readily determinable fair value. The Company elects the measurement alternative to record these investments at their initial cost and evaluates such investments at each reporting period for evidence of impairment or observable price changes in orderly transactions for the identical or a similar investment of the same issuer. During the year ended December 31, 2022, the Company recorded an impairment

charge of $0.1 million related to the Astria preferred stock. Equity securities without a readily determinable fair value and their carrying values (in thousands) as of December 31, 2023 and 2022 are as follows:

	Carrying Value December 31, 2023	Carrying Value December 31, 2022
Astria Preferred Stock	$ —	$ 174
Zenas Preferred Stock	64,210	54,209
	$ 64,210	$ 54,383

In 2018, the Company received common and preferred stock in Astria (formerly Quellis Biosciences, Inc.) in connection with a licensing transaction. In January 2023, the Company exchanged its preferred shares for additional shares of common stock in Astria. The common stock has a readily determinable fair value, and difference in the fair value of the common stock and the carrying value of the preferred stock has been recorded as a gain in equity securities for the year ended December 31, 2023. The Company accounts for the shares in Astria common stock at their fair value each reporting period and the adjustment in the fair value of the Astria common stock has been recorded in unrealized gain (loss) on equity securities for the year ended December 31, 2023.

The Company records its investment in the shares of Astria preferred stock as an equity interest without a readily determinable fair value. The Company elected to record the original shares of preferred stock at their initial cost and to review the carrying value for impairment or other changes in carrying value at each reporting period. The Company subsequently recorded impairment charges of $0.1 million and $0.8 million related to its investment in Astria's preferred stock in 2022 and 2021, respectively.

In 2017, the Company received shares of common stock of INmune Bio, Inc. (INmune) and an option to acquire additional shares of INmune's common stock in connection with a licensing transaction. In June 2021, the Company entered into an Option Cancellation Agreement with INmune and received $15.0 million in proceeds and an additional shares of INmune common stock in exchange for the initial option. During 2021, the Company determined that it should no longer account for its investment in INmune under the equity method. In September 2021, the Company exercised its second option to purchase 108,000 shares of INmune common stock for $0.8 million and the Company recorded a gain of $0.9 million on the purchase. The Company's current share holdings, which consist of common stock of INmune, have a readily determinable fair value, and the adjustment in the fair value of the shares of INmune common stock was recorded in gain (loss) on equity securities for the year ended December 31, 2023.

In December 2021, the Company received shares of common stock of Viridian Therapeutics, Inc. (Viridian) in connection with the Viridian Agreement. In December 2022, the Company received additional shares of common stock of Viridian in connection with the Second Viridian Agreement (defined below). The shares of Viridian common stock are classified as equity securities with a readily determinable fair value and the adjustment in the fair value of the shares of Viridian common stock was recorded in gain (loss) on equity securities for the year ended at December 31, 2023.

In 2020, the Company received an equity interest in Zenas BioPharma (Cayman) Limited (Zenas), in connection with the Zenas Agreement (defined below). The Company elected the measurement alternative to carry the Zenas equity at cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or a similar investment of the same issuer. In 2021, the Company received a warrant to receive equity from Zenas in connection with the Second Zenas Agreement (defined below). In 2021, the Company purchased a convertible promissory note from Zenas. In 2022, the Zenas warrant was exchanged for additional equity in Zenas. In 2022, the convertible note and accrued interest through the conversion date were exchanged for equity shares in Zenas. During 2022, the Company recognized an unrealized gain of $21.9 million from the warrant exchange and the conversion of the promissory note. In 2023, Zenas initiated a Phase 3 trial and we received a milestone of additional equity in Zenas with a fair value of $10.0 million. The Company recorded the additional equity at its fair value. During the year ended December 31, 2023, there was no impairment related to this investment.

Unrealized gains and losses recognized on equity securities (in thousands) during the year ended December 31, 2023 and 2022 consist of the following:

	Year Ended December 31,		
	2023	2022	2021
Net (losses) gains recognized on equity securities	$ (395)	$ 23,434	$ 39,289
Less: net gains recognized on equity securities redeemed	—	—	18,301
Unrealized (losses) gain recognized on equity securities	$ (395)	$ 23,434	$ 20,988

4. Sale of Additional Common Stock

Under the terms of the Stock Purchase Agreement (defined below), Johnson & Johnson Innovation, JJDC, Inc. (JJDC), purchased $25.0 million of newly issued unregistered shares of the Company's common stock, priced at a 30-day volume-weighted average price of $33.4197 per share as of October 1, 2021. The Company issued 748,062 shares of common stock to JJDC on November 12, 2021. The issued shares are subject to customary resale restrictions pursuant to Rule 144 of the Securities Act of 1933.

5. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2023	2022
	(in thousands)	
Computers, software and equipment	$ 49,782	$ 45,159
Furniture and fixtures	158	539
Leasehold and tenant improvements	52,410	41,774
Total gross carrying amount	102,350	87,472
Less accumulated depreciation and amortization	(36,226)	(28,289)
Total property and equipment, net	$ 66,124	$ 59,183

Leasehold and tenant improvements consist primarily of leasehold construction at our new Pasadena headquarters.

Depreciation expense related to property and equipment in 2023, 2022, and 2021 was $10.1 million, $7.4 million, and $6.3 million, respectively.

6. Income Taxes

Our effective tax rate differs from the statutory federal income tax rate, primarily as a result of the changes in valuation allowance. The provision for current federal income taxes for the years ended December 31, 2023 and 2022 were $5.8 million and $0.7 million, respectively. There was no provision for taxes for the years ended December 31, 2021. There is no state income tax provision for the years ended December 31, 2023, 2022 and 2021, respectively.

A reconciliation of the federal statutory income tax to our effective income tax is as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Federal statutory income tax	$ (25,258)	$ (11,447)	$ 17,352
State and local income taxes	(569)	(615)	783
Research and development credit	(15,821)	(9,366)	(10,492)
Stock-based compensation	3,131	3,384	2,424
Foreign-derived intangible income	(1,188)	(1,449)	—
Other	417	(74)	95
Change in state rate	234	44	2,599
Net change in valuation allowance	44,865	20,196	(12,761)
Income tax provision	$ 5,811	$ 673	$ —

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at December 31, 2023 and 2022 is presented below (in thousands):

	December 31,	
	2023	2022
Deferred income tax assets		
Net operating loss carryforwards	$ 22,466	$ 32,898
Research credits	53,198	54,825
Unrealized (gain) loss on securities	(278)	1,573
Capitalized lease assets	6,161	5,564
Accrued compensation	18,172	14,484
Deferred revenue	34,405	3,225
Capitalized research and development costs	45,783	21,338
Gross deferred income tax assets	179,907	133,907
Valuation allowance	(158,099)	(115,010)
Net deferred income tax assets	21,808	18,897
Deferred income tax liabilities		
Patent costs	(2,218)	(2,885)
Licensing costs	(136)	(124)
Capitalized legal costs	(6)	(9)
Depreciation	(10,664)	(6,532)
Unrealized gain on securities	(8,784)	(9,347)
Gross deferred income tax liabilities	(21,808)	(18,897)
Net deferred income tax asset	$ —	$ —

The Tax Cuts and Jobs Act of 2017 (TCJA) was enacted in December 2017 and made substantial changes in the U.S. tax system. The significant changes made by the TCJA include a reduction in the maximum corporate income tax rate and the requirement that research and development costs incurred after December 31, 2021 to be capitalized and amortized over several years. We have recorded a deferred asset for each year ended December 31, 2023 and 2022, respectively. for such capitalized research and development costs. We have net deferred tax assets relating primarily to capitalized research and development costs, net operating loss carryforwards and research and development tax credit carryforwards. Due to the uncertainty surrounding the realization of the benefits of our deferred tax assets in future tax periods, we have placed a valuation allowance against our deferred tax assets at December 31, 2023 and 2022. The Company recognizes valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company's net deferred income tax asset is not more likely than not to be realized due to the lack of sufficient sources of future taxable

income and cumulative losses that have resulted over the years. During the year ended December 31, 2023, the valuation allowance increased by $43.1 million. The Company's tax years starting in 2019 through 2022 remain open to potential examination by the U.S. and state taxing authorities due to carryforwards of net operating losses and income tax credits.

As of December 31, 2023, we had cumulative net operating loss carryforwards for federal and state income tax purposes of $54.2 million and $158.8 million, respectively, and available tax credit carryforwards of approximately $33.6 million for federal income tax purposes and $24.8 million for state income tax purposes, which can be carried forward to offset future taxable income, if any. All of the federal net operating loss carryforwards were incurred prior to January 1, 2018, which are subject to carryforward limitations. To the extent allowed by law, taxing authorities may examine prior periods where net operating losses were carried forwards and were claimed and offset against current year taxable income, and make adjustments up to the amount of the net operating loss carryforward amount.

Our federal net operating loss carryforwards expire starting in 2027, state net operating loss carryforwards expire starting in 2035, and federal tax credit carryforwards begin to expire in 2034. Utilization of our net operating loss and tax credit carryforwards are subject to a substantial annual limitation under Section 382 of the Code due to the fact that we have experienced ownership changes. As a result of these changes, certain of our net operating loss and tax credit carryforwards may expire before we can use them.

7. Stock-Based Compensation

In 2013 , our Board of Directors and our stockholders approved the 2013 Equity Incentive Plan (the 2013 Plan). The 2013 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards, performance cash awards, and other stock awards. The 2013 Plan had a ten-year term and would expire on December 3, 2023.

In June 2023, the Board and shareholders approved the 2023 Equity Incentive Plan (the 2023 Plan), which became effective as of June 14, 2023. We suspended the 2013 Plan, and no additional award may be granted under the 2013 Plan. The 2023 Plan reserve consists of 3,000,000 shares and the remaining available shares from the 2013 Plan as of the effective date of the 2023 Plan. In addition, any shares of common stock covered by awards granted under the 2013 Plan that terminate on or after June 14, 2023 by expiration, forfeiture, cancellation, or other means without the issuance of such shares will be added to the 2023 Plan reserve.

The 2013 Plan provided for an automatic increase in the number of shares annually on January 1 by 4% of the total number of issued and outstanding shares of common stock as of December 31 of the immediately preceding year. On January 1, 2023, pursuant to approval by the Board, the total number of shares of common stock available for issuance under the 2013 Plan was increased by 2,399,908 shares. The 2023 Plan does not include a provision for an automatic increase in shares, also known as an Evergreen provision.

As of December 31, 2023, the total number of shares of common stock available for issuance under the 2023 Plan was 19,434,971, which includes 16,932,548 shares of common stock that were available for issuance under the Prior Plans as of the effective date of the 2023 Plan. As of December 31, 2023, a total of 16,616,038 options have been granted under the 2013 Plan and 2023 Plan.

As of December 31, 2023, the Company has awarded 2,994,168 RSUs to certain employees pursuant to the 2013 Plan and 2023 Plan. Vesting of these awards will be annually over equal installments, either a two or three-year vesting period, and is contingent on continued employment terms. The fair value of these awards is determined based on the intrinsic value of the stock on the date of grant and will be recognized as stock-based compensation expense over the requisite service period.

In November 2013, our Board of Directors and stockholders approved the 2013 Employee Stock Purchase Plan (2013 ESPP), which became effective as of December 5, 2013. Under the ESPP our employees may elect to have between 1-15% of their compensation withheld to purchase shares of the Company's common stock at a discount. The ESPP had an initial two-year term that included four six-month purchase periods, and employee withholding amounts could be used to purchase Company stock during each six-month purchase period. The initial two-year term ended in December 2015 and, pursuant to the provisions of the ESPP, subsequent two-year terms began automatically upon the end of the previous term. The total number of shares that can be purchased with the withholding amounts are based on the lower of 85% of the Company's common stock price at the initial offering date or 85% of the Company's stock price at each purchase date.

As of December 31, 2023, the total number of shares of common stock available for issuance under the ESPP is 1,041,340. Under the 2013 ESPP, the total number shares of common stock available for issuance under the ESPP will automatically increase annually on January 1 by the lesser of (i) 1% of the total number of issued and outstanding shares of common stock as of December 31 of the immediately preceding year, or (ii) 621,814 shares of common stock. Pursuant to approval by our board, the total number of shares of common stock available for issuance under the ESPP was increased by 599,977 shares on January 1, 2023.

As of December 31, 2023, we have issued a total of 733,478 shares of common stock under the ESPP.

Total employee, director and non-employee stock-based compensation expense recognized was as follows:

	Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
General and administrative	$ 19,239	$ 17,281	$ 12,813
Research and development	34,516	31,632	24,162
	$ 53,755	$ 48,913	$ 36,975

	Year Ended December 31,		
(in thousands)	**2023**	**2022**	**2021**
Stock options	$ 29,345	$ 29,758	$ 27,909
ESPP	1,243	1,174	992
RSUs	23,167	17,981	8,074
	$ 53,755	$ 48,913	$ 36,975

Information with respect to stock options outstanding is as follows:

	December 31,		
	2023	**2022**	**2021**
Exercisable options	7,761,829	6,679,948	5,576,430
Weighted average exercise price per share of exercisable options	$ 28.79	$ 26.99	$ 24.15
Weighted average grant date fair value per share of options granted during the year	$ 15.98	$ 15.45	$ 21.65
Options available for future grants	6,801,945	3,622,319	3,597,371
Weighted average remaining contractual life	6.03	6.30	6.65

The following table summarizes stock option activity for the years ended December 31, 2023 and 2022:

	Number of Shares	Weighted-Average Exercise Price (Per Share)[1]	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)[2]
Balances at December 31, 2020	7,751,789	$ 26.23	7.00	$ 134,941
Options granted	1,827,234	41.22		
Options forfeited	(382,454)	36.15		
Options exercised[3]	(520,240)	23.61		
Balances at December 31, 2021	8,676,329	29.11	6.65	$ 100,057
Options granted	2,135,233	29.45		
Options forfeited	(533,435)	34.09		
Options exercised[3]	(195,485)	18.46		
Balances at December 31, 2022	10,082,642	29.12	6.30	$ 27,141
Options granted	2,080,732	30.02		
Options forfeited	(676,005)	33.19		
Options exercised[3]	(344,383)	9.91		
Balances at December 31, 2023	11,142,986	$ 29.60	6.03	$ 9,977
As of December 31, 2023				
Options vested and expected to vest	11,142,986	$ 29.60	6.03	$ 9,977
Exercisable	7,761,829	$ 28.79	4.90	$ 9,907

(1) The weighted average exercise price per share is determined using exercise price per share for stock options.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the option and the fair value of our common stock for in-the-money options at December 31, 2023 and 2022.

(3) The total intrinsic value of stock options exercised was $4.8 million, $1.6 million, and $9.2 million for the years ended December 31, 2023, 2022 and 2021 respectively.

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. Management estimates the probability of non-employee awards being vested based upon an evaluation of the non-employee achieving their specific performance goals.

Options are issued at the fair market value of our stock on the date of grant.

The fair value of employee stock options was estimated using the following weighted average assumptions for the years ended December 31, 2023, 2022 and 2021:

	Options		
	2023	2022	2021
Common stock fair value per share	$20.14 - 36.02	$19.74- 38.08	$30.65 - 49.47
Expected volatility	49.75% - 52.48%	51.51% - 54.36%	53.91% - 56.82%
Risk-free interest rate	3.50% - 4.55%	1.57% - 4.34%	0.47% - 1.33%
Expected dividend yield	—	—	—
Expected term (in years)	6.00 - 6.59	6.00 - 7.65	6.00 - 7.65

	ESPP		
	2023	2022	2021
Expected term (years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	38.24% - 55.72%	43.19% - 55.72%	46.08% - 66.37%
Risk-free interest rate	0.13% - 5.39%	0.13% - 4.72%	0.04% - 1.65%
Expected dividend yield	—	—	—

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, 2023, 2022, and 2021 was determined using a blended volatility by examining the historical volatility for industry peer companies and the volatility of our stock from the effective date that our shares were publicly traded on a national stock exchange.

We determined the average expected life of stock options based on the anticipated time period between the measurement date and the exercise date by examining the option holders' past exercise patterns.

The risk-free interest rate assumption is based on the U.S. Treasury instruments, for which the 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. We have not paid dividends and did not have any dividend payout at December 31, 2023.

The following table summarizes RSU activity for the years ended December 31, 2023:

	Number of Shares		Weighted-Average Grant Date Fair Value (Per Unit)
Unvested at December 31, 2020	358,825	$	33.04
Granted	670,700		39.11
Vested	(151,555)		32.76
Forfeited	(51,822)		36.68
Unvested at December 31, 2021	826,148	$	37.79
Granted	875,330		29.45
Vested	(341,073)		37.37
Forfeited	(127,854)		33.66
Unvested at December 31, 2022	1,232,551	$	32.41
Granted	994,351		30.33
Vested	(558,066)		33.61
Forfeited	(178,796)		31.64
Unvested at December 31, 2023	1,490,040	$	30.66

As of December 31, 2023 and 2022, the unamortized compensation expense related to unvested stock options was $49.2 million and $52.6 million, respectively. The remaining unamortized compensation expense will be recognized over the next 2.39 years. At December 31, 2023 and 2022, the unamortized compensation expense was $1.8 million and $1.2 million respectively under our ESPP. The remaining unamortized expense will be recognized over the next 1.94 years. At December 31, 2023 and 2022, the unamortized compensation expense related to unvested restricted stock units was $29.6 million and $28.3 million, respectively. The remaining unamortized compensation expense will be recognized over the next 1.90 years.

8. Leases

The Company leases office and laboratory space in Monrovia, California under two separate leases; one lease expired in January 2023, and a second lease will expire in December 2025. The second lease includes an option to renew

for an additional five years at then market rates. The initial lease expired in January 2023, and the Company has assessed that it is unlikely to exercise the lease term extension option for the second lease that will expire in December 2025. For the year ended December 31, 2023, there were no ROU assets obtained in exchange for new operating lease liabilities.

The Company leases additional office space in San Diego, California under a lease that expired December 31, 2023.

In August 2023, the Company entered into a Sublease Agreement for office space in San Diego, California. The term of the Sublease Agreement begins in September 2023 and ends in December 2027. For the year ended December 31, 2023, ROU assets obtained in exchange for new operating lease liabilities were $2.5 million. In connection with the Sublease Agreement, the Company provided a $0.4 million Letter of Credit (LOC) to the landlord. The Letter of Credit will decline ratably over the term of the lease. In connection with the LOC, Company entered into a Cash Collateral Agreement for $0.4 million, which is classified as restricted cash in the Consolidated Balance Sheets.

In June 2021, the Company entered into an 18-month lease for office space in Monrovia, California. The lease began August 1, 2021 and terminated January 31, 2023. For the year ended December 31, 2023, there were no ROU assets obtained in exchange for new operating lease liabilities.

In June 2021, the Company entered into an Agreement of Lease (the Halstead Lease) relating to 129,543 rentable square feet, for laboratory and office space, in Pasadena, California. The term of the Halstead Lease became effective in two phases. The first phase commenced on July 14, 2021 and encompasses 83,083 square feet while the second phase commences no later than July 1, 2025 and encompasses an additional 46,460 square feet. The term of the Halstead Lease is 13 years from the first phase commencement date. The Company received delivery of the first phase premises on July 1, 2021 and completed construction of office, laboratory, and related improvements in 2023. The Company placed the new facility into service in February 2023. The Halstead Lease provides the Company with improvement allowances of up to $17.0 million and $3.3 million in connection with the Phase 1 and Phase 2 building improvements, respectively. The initial base monthly rent is $386,336, or $4.65 per square foot, and includes increases of three percent annually. The Company will also be responsible for its proportionate share of operating expenses, tax expense, and utility costs.

In July 2021, the Halstead Lease was amended to clarify the start date of the new lease to August 1, 2022 and to amend other provisions of the Halstead Lease to reflect the new start date of the lease. In August 2022, the Halstead lease was amended to increase the amount of the tenant allowance by $5.0 million with a corresponding increase in total rental payments. The Company is eligible to receive total tenant allowance under the lease for the phase 1 space of $22.0 million and the initial base rent is increased to $416,246, or $5.01 per square foot. The second phase premises was made available on December 1, 2022. For the year ended December 31, 2023, there were no ROU assets obtained in exchange for new operating lease liabilities.

The Company’s lease agreements do not contain any residual value guarantees or restrictive covenants.

The following table reconciles the undiscounted cash flows for the operating leases at December 31, 2023 to the operating lease liabilities recorded on the balance sheet (in thousands):

Years ending December 31,	
2024	$ 6,128
2025	8,022
2026	9,238
2027	9,560
2028	9,076
Thereafter	66,435
Total undiscounted lease payments	108,459
Less: Tenant allowance	(3,252)
Less: Imputed interest	(42,747)
Present value of lease payments	$ 62,460
Lease liabilities - short-term	$ 3,435
Lease liabilities - long-term	59,025
Total lease liabilities	$ 62,460

The following table summarizes lease costs, cash, and other disclosures for the years ended December 31, 2023, 2022, and 2021 (in thousands):

	Year Ended December 31,		
	2023	**2022**	**2021**
Operating lease cost	$ 8,459	$ 6,588	$ 4,342
Variable lease cost	906	506	58
Total lease costs	$ 9,365	$ 7,094	$ 4,400
Cash paid for amounts included in the measurement of lease liabilities	$ 3,253	$ 2,869	$ 2,773
Weighted-average remaining lease term —operating leases (in years)	11.0	12.0	12.3
Weighted-average discount rate —operating leases	8.9 %	8.9 %	5.8 %

9. Commitments and Contingencies

Contingencies

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

We are obligated to make future payments to third parties under in-license agreements, including sublicense fees, royalties, and payments that become due and payable on the achievement of certain development and commercialization milestones. As the amount and timing of sublicense fees and the achievement and timing of these milestones are not probable and estimable, such commitments have not been included on our balance sheet. We have also entered into agreements with third party vendors which will require us to make future payments upon the delivery of goods and services in future periods.

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. We 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 we did not record a liability as of December 31, 2023 and 2022.

10. Collaboration and Licensing Agreements

Following is a summary description of the material revenue arrangements, including arrangements that generated revenue in the period ended December 31, 2023, 2022, and 2021. The revenue reported for each agreement has been adjusted to reflect the adoption of ASC 606 for each period presented.

Alexion Pharmaceuticals, Inc.

In January 2013, the Company entered into an option and license agreement with Alexion Pharmaceuticals, Inc. (Alexion). Under the terms of the agreement, the Company granted to Alexion an exclusive research license, with limited sublicensing rights, to make and use our Xtend technology. Alexion exercised its rights to include our technology in ALXN1210, which is now marketed as Ultomiris.

The Company is eligible to receive royalties based on a percentage of net sales of such products sold by Alexion, its affiliates, or its sub licensees, 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.

In 2022 and 2021, the Company recorded royalty revenue of $29.4 million and $22.2 million, respectively in connection with reported net sales of Ultomiris by Alexion.

In 2023, Alexion completed certain sales milestones for Ultomiris, and the Company received a milestone payment of $20.0 million and recorded royalty revenue of $38.6 million on net sales.

On November 3, 2023, the Company entered into the Ultomiris Royalty Sale Agreement with OMERS, in which OMERS acquired the rights to certain royalties associated with the existing license relating to Ultomiris in exchange for an upfront payment of $192.5 million. Included in the proceeds is $29.5 million of accounts receivable the Company sold for royalties and milestone receivable recorded at September 30, 2023. For the year ended December 31, 2023, the Company earned and recognized $38.6 million in royalty revenue, $6.2 million of which was non-cash royalty revenue under the Ultomiris Royalty Sale Agreement

The total revenue recognized under this arrangement was $58.6 million, $29.4 million, and $22.2 million for the years ended December 31, 2023, 2022, and 2021, respectively. As of December 31, 2023, there is no receivable and no deferred revenue related to this agreement.

Astellas Pharma Inc.

Effective March 2019, the Company entered into a Research and License Agreement (Astellas Agreement) with Astellas Pharma Inc. (Astellas) pursuant to which the Company and Astellas conducted a discovery program to characterize compounds and products for development and commercialization. Under the Astellas Agreement, Astellas was granted a worldwide exclusive license, with the right to sublicense products in the field created by the research activities.

The Company received an upfront payment and is eligible to receive development, regulatory and sales milestones. If commercialized, the Company is eligible to receive royalties on net sales that range from the high-single to low-double digit percentages.

Astellas has advanced an antibody that was delivered into development, and we received a milestone related to the candidate in 2020. Astellas advanced the candidate into Phase 1 studies in 2022 and we received a $5.0 million milestone. No revenue was recognized for the year ended December 31, 2023 or 2021.The Company recognized $5.0 million of revenue for the year ended December 31, 2022 under the agreement. There is no deferred revenue as of December 31, 2023.

Astria Therapeutics, Inc.

In May 2018, the Company entered into an agreement with Quellis, pursuant to which the Company provided Quellis a non-exclusive license to its Xtend Fc technology. The Company received an equity interest in Quellis and is eligible to receive development, regulatory and sales milestones. The Company is also eligible to receive royalties in the mid-single digit percentage range on net sales of approved products.

In January 2021, Quellis merged into Astria (formerly Catabasis), and the Company received common stock and preferred stock of Aastria in exchange for its equity in Quellis. The Company recognized an increase in the fair value of its equity interest for the exchange of shares, which was recorded as unrealized gain for the three months ended March 31, 2021. In June 2021, a portion of the Company's preferred stock in Astria was converted to common stock. The remaining Astria preferred stock was converted to common stock in 2023. The Company recorded an impairment charge of $0.1 million and $0.8 million for its investment in Astria preferred stock for the year ended December 31, 2022 and 2021, respectively.

The Company recognized unrealized (loss) gain of $(4.3) million, $6.1 million, and $4.5 million related to its equity interest in Astria for the years ended December 31, 2023, 2022, and 2021 respectively. There is no deferred revenue as of December 31, 2023 related to this agreement.

Genentech, Inc., and F. Hoffmann-La Roche Ltd.

In February 2019, the Company entered into a collaboration and license agreement (the Genentech Agreement) with Genentech, Inc. and F. Hoffman-La Roche Ltd (collectively, Genentech) for the development and commercialization of novel IL-15 collaboration products (Collaboration Products), including XmAb306, the Company's IL-15/IL15Rα-Fc candidate.

Under the terms of the Genentech Agreement, Genentech received an exclusive worldwide license to XmAb306 and we share in 45% of development and commercialization costs of Collaboration Products, and we are eligible to share in 45% of net profits and losses from the sale of approved products. However, in the fourth quarter of 2023, we agreed with Genentech to convert our current development cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement. Pursuant to the terms of the amended agreement with Genentech, effective June 1, 2024, Genentech will assume sole responsibility over all clinical, regulatory and commercial activities. We are eligible to receive up to $600.0 million in milestones, including $115.0 million in development milestones, $185.0 million in regulatory milestones and $300.0 million in sales-based milestones and tiered royalties ranging from low double-digit to mid-teens percentages.

The Company determined that the transaction price of the Genentech Agreement at inception was $120.0 million consisting of the upfront payment, and allocated the transaction price to each of the separate performance obligations using the relative standalone selling price with $111.7 million allocated to the license to XmAb306, $4.1 million allocated to the additional program and $4.2 million allocated to the research services.

The Company recognized the $111.7 million allocated to the license when it satisfied its performance obligation and transferred the license to Genentech in March 2019, and the $8.3 million allocated to the research activities was recognized over a period of time through the end of the research term or the time that a program is delivered to Genentech. The research term expired in the first half of 2021, and the balance in deferred revenue related to the Genentech Agreement was recognized as the Company is no longer required to render services.

No revenue was recognized for the years ended December 31, 2023, and 2022. For the year ended December 31, 2021, we recognized $2.5 million of income from the Genentech Agreement. As of December 31, 2023, there was a $3.3

million payable related to cost-sharing development activities during the fourth quarter of 2023. There is no deferred revenue as of December 31, 2023.

Gilead Sciences, Inc.

In January 2020, the Company entered into a Technology License Agreement (the Gilead Agreement) with Gilead Sciences, Inc. (Gilead), in which the Company provided Gilead an exclusive license to its Cytotoxic Fc and Xtend Fc technologies for an initial identified antibody and options for up to three additional antibodies directed to the same molecular target. Gilead is responsible for all development and commercialization activities for all target candidates. The Company received an upfront payment and is eligible to receive development, regulatory and, sales milestones for each product incorporating the antibodies selected. In addition, the Company is eligible to receive royalties in the low-single digit percentage range on net sales of approved products.

The Company recognized $6.0 million in milestone revenue for the year ended December 31, 2023. No revenue was recognized for the years ended December 31, 2022 and 2021. There is no deferred revenue as of December 31, 2023 related to this agreement.

INmune Bio, Inc.

In October 2017, the Company entered into a License Agreement (the INmune Agreement) with INmune. Under the terms of the INmune Agreement, the Company provided INmune with an exclusive license to certain rights to a proprietary protein, XPro1595. In connection with the agreement the Company received shares of INmune common stock and an option to acquire additional shares of INmune. The Company also received a second option to acquire additional shares of INmune common stock with a designee appointed by us serving on the board of directors of INmune.

The Company initially recorded its equity interest in INmune, including its option to acquire additional INmune shares, at cost pursuant to ASC 323.

In June 2021, the Company entered into the First Amendment to License Agreement (the Amended INmune Agreement) and an Option Cancellation Agreement (the Option Agreement) with INmune.The Option Agreement provided for the sale of the initial option to INmune for the total consideration of $18.3 million which includes $15.0 million in cash and additional shares of INmune common stock. The Company recorded a realized gain of $18.3 million according to ASC 860, *Transfer and Servicing*, and recorded the additional shares of INmune common stock according to ASC 321, *Investments – Equity Securities*.

During 2021, the Company determined that it should no longer record its investment in INmune under the equity method and recorded its investment in INmune pursuant to ASC 321. The Company adjusted the carrying value of this investment by recognizing an unrealized gain of $27.8 million as other income during 2021.

During 2021, the Company exercised its second to purchase additional shares of INmune common stock for $0.8 million, and the Company recognized an unrealized gain of $2.0 million, which consists of $1.1 million of fair value of the option and $0.9 million gain on the purchase.

For the year ended December 31, 2023, the Company recorded $9.3 million of unrealized gain related to its investment in INmune. For the year ended December 31, 2022, the Company recorded $7.3 million of unrealized loss related to its investment in INmune. For the year ended December 31, 2021, the Company recorded $15.1 million of unrealized gain and $18.3 million of realized gain related to its investment in INmune. No revenue was recognized for the years ended December 31, 2023, 2022, or 2021.

Janssen Biotech, Inc., a Johnson & Johnson company

J&J Agreement

In November 2020, the Company entered into a Collaboration and License Agreement (the J&J Agreement) with Janssen Biotech, Inc., a Johnson & Johnson company, pursuant to which Xencor and J&J conducted research and development activities to discover novel CD28 bispecific antibodies for the treatment of prostate cancer. Xencor together with J&J conducted joint research activities to discover XmAb bispecific antibodies against CD28 and against an

undisclosed prostate tumor-target with J&J maintaining exclusive worldwide rights to develop and commercialize Licensed Products identified from the research activities.

Under the J&J Agreement, the Company conducted research activities and apply its bispecific Fc technology to antibodies targeting prostate cancer provided by J&J. Upon completion of the research activities Janssen will have a candidate selection option to advance an identified candidate for development and commercialization. The activities will be conducted under a research plan agreed to by both parties. J&J will assume full responsibility for development and commercialization of the CD28 bispecific antibody candidate. Pursuant to the J&J Agreement, the Company received an upfront payment and is eligible to receive development, regulatory and, sales milestones. If commercialized, the Company is eligible to receive royalties on net sales that range from the high-single to low-double digit percentages.

Pursuant to the J&J Agreement, upon development of a bispecific candidate by J&J through proof of concept, we have the right to opt-in to fund 20% of development costs and to perform 30% of detailing efforts in the U.S. If we exercise this right, we will be eligible to receive tiered royalties in the low-double digit to mid-teen percentage range.

The Company allocated the transaction price to the single performance obligation, delivery of CD28 bispecific antibodies to J&J.

The Company recognized the $50.0 million transaction price as it satisfied its performance obligation to deliver CD28 bispecific antibodies to J&J. The Company recognized revenue related to the performance obligation over the expected period of time to complete and deliver the CD28 bispecific antibodies to J&J using the expected input method which considers an estimate of the Company's efforts to complete the research activities outlined in the J&J Agreement.

In November 2021, the Company completed its performance obligations under the research activities and delivered CD28 bispecific antibodies to J&J. In December 2021, J&J selected a bispecific CD28 candidate for further development, and we received a milestone of $5.0 million. For the year ended December 31, 2021 the Company recognized as revenue the $50.0 million transaction price in connection with the completion of the research activities and the $5.0 million milestone for selection of an antibody candidate by J&J. No revenue was recognized under this agreement for the year ended December 31, 2022. In 2023, J&J completed filing of regulatory submission for a CD28 candidate and initiated Phase 1 clinical trial, and the Company received $17.5 million in milestone payments. For the year ended December 31, 2023, the Company recognized $17.5 million in milestones under the J&J Agreement. There is no deferred revenue related to the Agreement at December 31, 2023.

Second J&J Agreement

On October 1, 2021, the Company entered into a second Collaboration and License Agreement (the Second J&J Agreement) with J&J pursuant to which the Company granted J&J an exclusive worldwide license to develop, manufacture, and commercialize plamotamab, the Company's CD20 x CD3 development candidate, and pursuant to which Xencor and J&J will conduct research and development activities to discover novel CD28 bispecific antibodies. The parties will conduct joint research activities for up to a two-year period to discover XmAb bispecific antibodies against CD28 and undisclosed B cell tumor-targets with J&J receiving exclusive worldwide rights, subject to certain Xencor opt-in rights, to develop, manufacture and commercialize pharmaceutical products that contain one or more of such discovered antibodies (CD28 Licensed Antibodies). The Agreement became effective on November 5, 2021.

Pursuant to the Second J&J Agreement, the Company received an upfront payment of $100.0 million and is eligible to receive up to $1,187.5 million in milestones which include $289.4 million in development milestones, $378.1 million in regulatory milestones and $520.0 million in sales milestones. Under the terms of the Stock Purchase Agreement, Johnson & Johnson Innovation, JJDC, Inc. (JJDC), agreed to purchase $25.0 million of newly issued unregistered shares of the Company's common stock, priced at a 30-day volume-weighted average price of $33.4197 per share as of October 1, 2021. The Company issued JJDC 748,062 shares of its common stock which had a fair market value of $28.9 million when the shares were transferred.

The Company will collaborate with J&J on further clinical development of plamotamab with J&J and share development costs with J&J paying 80% and the Company paying 20% of certain development costs.

The Company is generally responsible for conducting research activities under the Second J&J Agreement, and J&J is generally responsible for all development, manufacturing, and commercialization activities for CD28 Licensed Antibodies that are advanced.

Under the Second J&J Agreement, the Company granted J&J an exclusive worldwide right to its plamotamab program and the Company will conduct research activities and apply its CD28 bispecific Fc technology to antibodies targeting B-cells. Upon completion of the research activities J&J will have options to advance up to four identified candidates for development and commercialization. The activities will be conducted under a research plan agreed to by both parties. J&J will assume full responsibility for development and commercialization of the CD28 bispecific antibody candidate. If commercialized, the Company is eligible to receive royalties on net sales that range from the high-single to low-double digit percentages.

The Company evaluated the Second J&J Agreement under the provisions of ASC 606. We have determined that J&J is a customer for purposes of the delivery of specific performance obligations under the Second Janssen Agreement and applied the provisions of ASC 606 to the transaction.

The Company identified the following performance obligations under the Second Janssen Agreement:

(i) the license to the plamotamab program, and

(ii) research services during a two-year period to create up to four CD28 bispecific candidates targeting B-cell antigens.

The Company determined that the license and the research services are separate performance obligations because they are capable of being distinct and are distinct in the context of the Second J&J Agreement.

The Company determined the standalone selling price of the license to be $58.5 million using the adjusted market assessment approach considering similar collaboration and license agreements and transactions. The standalone selling price for the research services to be performed during the research term was determined to be $37.6 million using the market approach which was derived from the Company's experience and information from providing similar research services.

The Company determined that the transaction price of the Second J&J Agreement at inception was $96.1 million consisting of the $100.0 million upfront payment reduced by the $3.9 million discount on the proceeds received from the sale of Company common stock to J&J. The potential milestones are not included in the transaction price as these are contingent on future events and the Company would not recognize these in revenue until it is not probable that these would not result in significant reversal of revenue amounts in future periods. The Company will re-assess the transaction price at each reporting period and when event outcomes are resolved or changes in circumstances occur.

The Company allocated the transaction price to each of the separate performance obligations using the relative standalone selling price with $58.5 million allocated to the license to the plamotamab program and $37.6 million allocated to the research services.

The Company recognized the $58.5 million allocated to the license when it satisfied its performance obligation and transferred the license to J&J in November 2021. The $37.6 million allocated to the research services is being recognized over a period of time through the end of the research term that services are rendered as we determine that the input method is the appropriate approach to recognize income for such services. The Company completed its performance obligations under the research agreement in December 2023.

During 2023, J&J exercised its options on three CD28 candidates developed under the collaboration, and it completed regulatory submissions for a selected candidate and initiated a Phase 1 study for it. During the year ended December 31, 2023, we received $30.0 million in milestone revenue and recognized $30.3 million in revenue related to completion of the research services. A total of $30.3 million, $7.0 million, and $0.3 million of revenue related to the research services was recognized in each of the years ended December 31, 2023, 2022, and 2021, respectively.

The Company recognized $77.8 million, $7.0 million, and $113.8 million of revenue related to the two J&J agreements for the years ended December 31, 2023, 2022, and 2021, respectively. As of December 31, 2023, there was a $2.9 million receivable related to cost-sharing development activities during the fourth quarter of 2023. There is no in deferred revenue as of December 31, 2023 related to our obligation to complete research activities and deliver CD28 bispecific antibodies under the Second J&J Agreement.

MorphoSys AG/Incyte Corporation

In June 2010, the Company entered into a Collaboration and License Agreement with MorphoSys AG (MorphoSys), which was subsequently amended in March 2012 and in 2020. The agreement provides MorphoSys with an exclusive worldwide license to the Company's patents and know-how to research, develop, and commercialize the Company's XmAb5574 product candidate (subsequently renamed MOR208 and tafasitamab) with the right to sublicense under certain conditions. If certain developmental, regulatory, and sales milestones are achieved, the Company is eligible to receive future milestone payments and royalties.

On November 3, 2023, the Company entered into the Monjuvi Royalty Sale Agreement with OMERS, pursuant to which OMERS acquired the rights to certain royalties earned after July 1, 2023 associated with the existing license relating to Monjuvi in exchange for an upfront payment of $22.5 million. The upfront payment included $2.2 million of accounts receivable we recorded as a royalty receivable at September 30, 2023. The payment for the receivable was received by OMERS.

In February 2024, Incyte Corporation acquired exclusive global development and commercialization rights to tafasitamab.

The Company recognized a total of $8.7 million and $7.8 million of royalty revenue on net sales of Monjuvi for the years ended December 31, 2023 and 2022. Of the $8.7 million royalty revenue earned in 2023, $2.1 million was non-cash royalty revenue from the Monjuvi Royalty Sale Agreement.The Company recognized a total of $12.5 million of milestone revenue related to clinical studies and royalties of $5.9 million on net sales of Monjuvi for the year ended December 31, 2021. As of December 31, 2023, the Company has no deferred revenue related to this agreement and has recorded a receivable of $2.1 million for royalties due.

Novartis Institute for Biomedical Research, Inc.

In June 2016, the Company entered into a Collaboration and License Agreement (Novartis Agreement) with Novartis Institutes for BioMedical Research, Inc. (Novartis), to develop and commercialize bispecific and other Fc engineered antibody drug candidates using the Company's proprietary XmAb technologies and drug candidates. Pursuant to the Novartis Agreement:

- The Company granted Novartis certain exclusive rights to research, develop and commercialize XmAb14045 (vibecotamab) and,
- The Company will provide Novartis with a non-exclusive license to certain of its Fc technologies to apply against up to ten targets identified by Novartis.

In August 2021, Novartis notified the Company it was terminating its rights with respect to the vibecotamab program, which became effective in February 2022. Under the Novartis Agreement, Novartis is responsible for its share of vibecotamab development costs through August 2022.

We completed delivery of two Global Discovery Programs under the Agreement.

Under ASC 606, revenue is recognized at the time that the Company's performance obligation for each Global Discovery is completed upon delivery of each discovery program to Novartis. The Company delivered two discovery programs to Novartis and recognized $40.1 million of revenue in the period that each program was delivered. The Company's obligations to provide research services under the Agreement for additional Global Discovery Programs expired in 2021, and we recognized $40.1 million of research revenue from deferred revenue.

In June 2021, Novartis selected an Fc candidate and received a non-exclusive license to the Company's Fc technology. Novartis will assume full responsibility for development and commercialization of the licensed Fc product candidate. The Company is eligible to receive development, clinical, and sales milestones and royalties on net sales of approved products for the licensed Fc candidate. During the year ended December 31, 2021, Novartis advanced the Fc candidate into development and initiated clinical studies and the Company recognized $3.0 million of revenue related to the milestones.

No revenue was recognized during the years ended December 31, 2023 and 2022. During the year ended December 31, 2021, the Company recognized $43.1 million of revenue. There is no receivable and no deferred revenue as of December 31, 2023 related to the arrangement.

Omeros Corporation

In August 2020, the Company entered into a Technology License Agreement (the Omeros Agreement) with Omeros Corporation (Omeros), in which the Company provided Omeros a non-exclusive license to its Xtend Fc technology, an exclusive license to apply its Xtend technology to an initial identified antibody and options to apply its Xtend technology to three additional antibodies. Omeros is responsible for all development and commercialization activities for all target candidates. The Company received an upfront payment and is eligible to receive development, regulatory and, sales milestones for each product incorporating the antibodies selected. In addition, the Company is eligible to receive royalties in the mid-single digit percentage range on net sales of approved products.

During 2023, Omeros advanced a candidate that incorporates the Company's Xtend Fc technology into a Phase 2 study, and the Company received a $5.0 million milestone. The Company recognized $5.0 million of revenue related to the Omeros Agreement for the year ended December 31, 2023. There was no revenue recognized for the years ended December 31, 2022 and 2021. There is no deferred revenue as of December 31, 2023 related to this agreement.

Vir Biotechnology, Inc.

In 2019, the Company entered into a Patent License Agreement (the Vir Agreement) with Vir Biotechnology, Inc. (Vir) pursuant to which the Company provided a non-exclusive license to its Xtend technology for up to two targets.

In March 2020, the Company entered into a second Patent License Agreement (the Second Vir Agreement) with Vir pursuant to which the Company provided a non-exclusive license to its Xtend technology to extend the half-life of novel antibodies Vir developed as potential treatments for patients with COVID-19. Under the terms of the Second Vir Agreement, Vir is responsible for all research, development, regulatory and commercial activities for the antibody, and the Company is eligible to receive royalties on the net sales of approved products in the mid-single digit percentage range.Vir and its marketing partner, GSK, began recording sales for sotrovimab beginning in June 2021. In 2023, 2022, and 2021, we recognized royalty revenue of $2.2 million, $114.9 million, and $52.2 million, respectively related to this agreement.

In June 2021, Vir announced its plan to initiate a Phase 2 study for VIR-3434 and subsequently completed dosing of the first patient in such study in July 2021. The Company recorded a $0.5 million contract asset in connection with this milestone event, and the payment was received in August 2021. In October 2022, Vir completed dosing of the first patient in Phase 2 study for VIR-2482, and the Company recorded $0.5 million revenue in connection with this milestone event.

The Company recognized $2.2 million, $115.4 million, and $52.7 million of revenues related to the agreement for the years ended December 31, 2023, 2022, and 2021, respectively. There is no deferred revenue as of December 31, 2023 related to this agreement. As of December 31, 2023, the Company has recorded a receivable of $0.6 million for royalties due related to this agreement.

Viridian Therapeutics, Inc.

In December 2020, we entered into a Technology License Agreement (Viridian Agreement) with Viridian Therapeutics, Inc. (Viridian), in which we provided Viridian a non-exclusive license to our Xtend Fc technology and an exclusive license to apply our Xtend Fc technology to antibodies targeting IGF-1R. We received an upfront payment of shares of Viridian common stock originally valued at $6.0 million and are eligible to receive development, regulatory and sales milestones. We are also eligible to receive royalties in the mid-single digit percentage range on net sales of approved products.

The Company allocated $6.0 million of the transaction price to the licenses to the Xtend Fc technology and recognized income for the licenses at inception of the arrangement when Viridian began benefiting access to it.

During 2023, Viridian terminated the license agreement.

In December 2021, we entered into a second Technology License Agreement (Second Viridian Agreement) with Viridian for a non-exclusive license to certain antibody libraries developed by us. Under the Second Viridian Agreement,

Viridian received a one-year research license to review the antibodies and the right to select up to three antibodies for further development. We received an upfront payment shares of Viridian common stock originally valued at $7.5 million and are eligible to receive up to $24.8 million in milestones, which include $1.8 million in development milestones, $3.0 million in regulatory milestones and $20.0 million in sales milestones in addition to royalties on net sales of approved products under the Second Viridian Agreement.

The Company evaluated the Second Viridian Agreement under the revenue recognition standard ASC 606 and identified the following performance obligation that it deemed to be distinct at the inception of the contract:

- non-exclusive license to certain antibody libraries created by the Company

The Company considered the license as functional intellectual property as Viridian has the right to use the materials and license at the time that the Company transfers such rights.

The total transaction price is $7.5 million, which includes the upfront payment of Viridian common stock at their fair value at the date of the Agreement. The milestone payments are variable consideration to which the Company applied the "most likely amount" method and concluded at inception of the Viridian Agreement it is unlikely that the Company will collect such payments. The milestone payments were not included in the transaction price, and the Company will review this conclusion and update at each reporting period.

The Company allocated $7.5 million of the transaction price to the licenses to the antibody libraries and recognized income for the licenses at inception of the arrangement when Viridian received the materials and began accessing them.

In 2023, the research term under the second Viridian license expired.

No revenue related to the Viridian Agreement was recognized for the years ended December 31, 2023 and 2022. The Company recognized $7.5 million of revenue related to the Viridian Agreement for the year ended December 31, 2021. There is no deferred revenue as of December 31, 2023 related to this agreement.

Zenas BioPharma, Inc.

In November 2020, the Company entered into a License Agreement (Zenas Agreement) with Zenas BioPharma (Cayman) Limited, now Zenas BioPharma, Inc., (Zenas) pursuant to which the Company granted Zenas exclusive worldwide rights to develop and commercialize three preclinical-stage Fc-engineered drug candidates: XmAb6755, Xpro9523, and XmAb10171. The Company received an upfront payment in equity in Zenas with a fair value of $16.1 million and the Company is eligible to receive royalties on net sales of approved products in the mid-single digit to mid-teen percentage range.

In November 2021, the Company entered into a second License Agreement (Second Zenas Agreement) with Zenas, in which we licensed the exclusive worldwide rights to develop and commercialize the Company's obexelimab (XmAb5871) drug candidate. The Company received a warrant to acquire additional equity in Zenas with a fair value of $14.9 million, and the Company is eligible to receive royalties on net sales of approved products in the mid-single digit to mid-teen percentage range.

The total transaction price is $14.9 million, which includes the upfront payment of a warrant to acquire up to 15% of the equity of Zenas in connection with a future financing at its fair value at the date of the Second Zenas Agreement. The Second Zenas Agreement includes variable consideration for potential future royalties that were contingent on future success factors for the licensed programs. The Company used the "most likely amount" method to determine the variable consideration. None of the royalties were included in the transaction price. The Company will re-evaluate the transaction price in each reporting period as uncertain events are resolved or other changes in circumstances occur.

The Company determined the transaction price at inception of the Second Zenas Agreement and allocated it to the performance obligation, delivery of the obexelimab license.

The Company completed delivery of its performance obligations in December 2021. The licenses to obexelimab were transferred to Zenas at inception of the Second Zenas Agreement, and the related research data and documentation was transferred to Zenas in December 2021.

In 2021, the Company purchased a convertible promissory note from Zenas which would automatically convert to equity in a financing transaction.

In November 2022, Zenas completed a financing transaction, pursuant to which a warrant to purchase Zenas equity that was held by the Company was automatically exercised, and a convertible note issued to the Company by Zenas was automatically converted with both converting into shares of Zenas' preferred stock. After the financing transaction, we continued to record our investment in Zenas at fair value adjusted at each reporting period for impairment or other evidence of change in value. The equity shares in Zenas received from exercise of the warrant and conversion of the notes have an estimated fair value of $34.5 million and $7.7 million, respectively. As a result of the Zenas financing transaction, the estimated fair value of our investment in equity securities increased by $17.9 million. In 2022, this amount has been recorded in other income.

In 2023, Zenas initiated a Phase 3 study with obexelimab, and we received additional equity in Zenas as a milestone payment. We recorded milestone revenue of $10.0 million, which is the fair value of the equity shares at the date of issuance.

No revenue was recognized for the year ended December 31, 2022. The Company recognized $10.0 million and $14.9 million of revenue related to the two Zenas Agreements for the years ended December 31, 2023 and 2021, respectively. There is no deferred revenue as of December 31, 2023 related to this agreement.

Technology License Agreement and Services Agreement with Gale Therapeutics Inc.

In the fourth quarter of 2023, the Company formed a subsidiary, Gale Therapuetics Inc. (Gale), to develop novel drug candidates with its Fc technologies. On December 19, 2023, the Company entered into the Gale License Agreement and the Gale Services Agreement with Gale. Under the Gale License Agreement, Gale received an exclusive license to certain preclinical candidates and related Xencor technologies. The Company also has an option on future compounds Gale will develop. Under the Gale Services Agreement, the Company will provide research and development services as well as accounting and administrative support. Pursuant to the Gale Agreement, the Company acquired a majority stake in Gale. The Company is deemed to be the primary beneficiary of Gale, a VIE, and they are under common control; therefore, the assets, liabilities and non-controlling interests of Gale are initially recorded at their previous carrying amounts, with no adjustment to current fair values and no gain or loss is recognized. The value of the preclinical assets and technology had no value on Xencor's financial statements, and the license to Gale at inception had no carrying value. The Company would not recognize license revenue related to the transfer for the year ended December 31, 2023. Total charges under the Services Agreement during 2023 of $1.0 million have been eliminated in consolidation.

Revenue Earned

The $168.3 million, $164.6 million, and $275.1 million of revenue recorded for the years ended December 31, 2023, 2022, and 2021, respectively, were earned principally from the following licensees (in millions):

	Year Ended December 31,		
	2023	2022	2021
Alexion	58.6	29.4	22.2
Astellas	—	5.0	—
Genentech	—	—	2.5
Gilead	6.0	—	—
Janssen	77.8	7.0	113.8
MorphoSys	8.7	7.8	18.4
Novartis	—	—	43.1
Omeros	5.0	—	—
Vir	2.2	115.4	52.7
Viridian	—	—	7.5
Zenas	10.0	—	14.9
Total	$ 168.3	$ 164.6	$ 275.1

The table below summarizes the disaggregation of revenue recorded for the years ended December 31, 2023, 2022, and 2021 (in millions):

	Year Ended December 31,		
	2023	2022	2021
Research collaboration	$ 30.3	$ 7.0	$ 93.0
Milestone	88.5	5.5	21.0
Licensing	—	—	80.8
Royalties	49.5	152.1	80.3
Total	$ 168.3	$ 164.6	$ 275.1

Remaining Performance Obligations and Deferred Revenue

There is no remaining performance obligation under the Company's arrangements as of December 31, 2023. The Company's performance obligation as of December 31, 2022 was completing research activities pursuant to the Second J&J Agreement. As of December 31, 2022, we have deferred revenue of $30.3 million. All of the deferred revenue was classified as short term as of December 31, 2022, as the Company’s obligations to perform research services are due on demand when requested by J&J under the Second J&J Agreement.

11. Sale of Future Royalties

Ultomiris Royalty Sale Agreement

On November 3, 2023, the Company and OMERS entered into the Ultomiris Royalty Sale Agreement. Pursuant to the Ultomiris Royalty Sale Agreement, OMERS acquired the rights to a portion of royalties and milestones earned after July 1, 2023 associated with the existing license relating to Ultomiris® (ravulizumab) in exchange for an upfront payment of $192.5 million.

Pursuant to the Ultomiris Royalty Sale Agreement and subject to the Company’s existing license with Alexion, OMERS has acquired the right to receive: (i) 100% of royalties payable on past and potential sales related to Ultomiris® that occur from July 1, 2023 through December 31, 2025; (ii) up to $35.0 million annually in royalties on potential sales

related to Ultomiris® that occur from January 1, 2026 through December 31, 2028 with any royalties in excess of $35.0 million reverting to the Company; (iii) up to $12.0 million annually in royalties on potential sales related to Ultomiris® that occur from and after January 1, 2029, with any royalties in excess of $12.0 million reverting to the Company; and (iv) $18.0 million of a certain potential sales based milestone payment pursuant to the existing license with Alexion. OMERS will pay an additional $12.0 million in 2024 to the Company if certain potential sales based milestones have been reached.

The Company determined that $29.5 million of the upfront payment is for a recorded receivable for royalties and a milestone earned in the third quarter of 2023 and $163.0 million is for the sale of future royalties. The Company evaluated the arrangement and determined that the proceeds from the sale of future royalties should be recorded as deferred income on the balance sheets as none of the criteria for classification as debt had been met in accordance with ASC 470. The Company records the non-cash royalty revenue under the "units-of-revenue" method in the consolidated statements of income (loss). For the year ended December 31, 2023, the Company recognized $6.2 million of non-cash royalty revenue.

Monjuvi Royalty Sale Agreement

On November 3, 2023, the Company and OMERS entered into the Monjuvi Royalty Sale Agreement. Pursuant to the Monjuvi Royalty Sale Agreement, OMERS acquired the rights to a portion of royalties earned after July 1, 2023 associated with the existing license relating to Monjuvi®/Minjuvi® (tafasitamab-cxix) in exchange for an upfront payment of $22.5 million.

Pursuant to the Monjuvi Royalty Sale Agreement and subject to the Company's existing license with MorphoSys, OMERS has acquired the right to receive up to $29.3 million in royalties earned after July 1, 2023 related to sales of Monjuvi®/Minjuvi®, with any royalties in excess of $29.3 million paid to OMERS reverting to the Company.

The Company determined that $2.2 million of the upfront payment is for a recorded receivable for royalties earned in the third quarter of 2023 and $20.3 million is from the sale of future royalties. The Company evaluated the arrangement and determined that the proceeds from the sale of future royalties should be classified as debt according to ASC 470. As of December 31, 2023, the estimated effective rate under the agreement was 21.1%. The Company will reassess the estimate of total future royalty payment and prospectively adjust the imputed interest rate and related amortization if the estimate is materially different. For the year ended December 31, 2023, the Company recognized $2.1 million of non-cash royalty revenue and $0.7 million of non-cash interest expense.

The following table shows the activity within debt for the year ended December 31, 2023 (in thousands):

	December 31, 2023
Beginning balance of debt related to sale of future royalties	$ —
Proceeds from sale of future royalties	20,293
Royalties paid to OMERS	—
Non-cash interest expense recognized	681
Ending balance of debt related to sale of future royalties	$ 20,974
Debt - short-term	6,332
Debt - long-term	14,642
Total debt	$ 20,974

12. 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. Effective March 31, 2020, the Company contributes 100% of the first 1% of participating employees' contribution and 50% of the next 6% of participating employees' contribution, for a maximum of 4.0% of employer contribution. Participants are immediately vested in their employee contributions; employer contributions are vested over a three-year period with one-third for each year of a participating employee's service.

Employer contributions made for the years ended December 31, 2023, 2022, and 2021 were $1.7 million, $1.4 million, and $1.1 million, respectively.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2023. The term "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2023 at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our management, Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO) in Internal Control—Integrated Framework. Based on that assessment and using the COSO criteria, our management, Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2023, our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. Controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Attestation in Internal Control over Financial Reporting

RSM US LLP, our independent registered public accounting firm, has audited our financial statements for the year ended December 31, 2023 and has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, which is included in Item 8 of this Annual Report.

Item 9B. Other Information

During the fiscal quarter ended December 31, 2023, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We have adopted a code of ethics for directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics is available on our website at *https://www.xencor.com* under the Corporate Governance section of our Investor Relations page. We will promptly disclose on our website (i) the nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals that is required to be disclosed pursuant to SEC rules and regulations, the name of such person who is granted the waiver and the date of the waiver.

The other information required by this item and not set forth above will be set forth in our 2024 Annual Meeting of Stockholders (Proxy Statement) to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023 and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be set forth in the Proxy Statement and is incorporated herein by reference.

Item 15. Exhibits, Financial Statement Schedules

1. *Financial Statements.* We have filed the following documents as part of this Annual Report:

2. *Financial Statement Schedules.* All schedules have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Financial Statements or notes thereto included in Item 8 of this Annual Report on Form 10-K.

3. *Exhibits.*

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 11, 2013).
3.2	Second Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's 10-K filed with the SEC on February 27, 2023).
4.1	Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 25, 2013).
4.2*	Third Amended and Restated Investor Rights Agreement, dated June 26, 2013, among the Company and certain of its stockholders incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
4.3	Description of the Common Stock of the Company (incorporated by reference to Exhibit 4.3 to the Company's Form 10-K filed with the SEC on February 25, 2020).
10.1*	Form of Indemnity Agreement between the Company and its directors and officers (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.2*	Xencor, Inc. 2010 Equity Incentive Plan, as amended, and Form of Stock Option Grant Notice, Option Agreement and Form of Notice of Exercise (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.3*	Xencor, Inc. 2013 Equity Incentive Plan and Form of Stock Option Agreement and Form of Stock Option Grant Notice thereunder (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.4*	Xencor, Inc. 2013 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.5*	Second Amended and Restated Executive Employment Agreement, dated January 1, 2007, by and between the Company and Dr. Bassil I. Dahiyat (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.6*	Amended and Restated Executive Employment Agreement, dated September 4, 2013, by and between the Company and Dr. Bassil I. Dahiyat (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.7*	Amended and Restated Severance Agreement, dated September 5, 2013, by and between the Company and Dr. John R. Desjarlais (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.8*	Amended and Restated Change in Control Agreement, dated September 5, 2013, by and between the Company and John J. Kuch (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).

10.9†	Collaboration and License Agreement, dated June 27, 2010, by and between the Company and MorphoSys AG (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.10†	First Amendment to the Collaboration and License Agreement, dated March 23, 2012, by and between the Company and MorphoSys AG (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.11	Lease dated January 1, 2015 by and between the Company and BF Monrovia, LLC (incorporated by reference to Exhibit 99.1 to the Company's Form 8-K filed with the SEC on January 5, 2015).
10.12	Amendment to Lease dated January 27, 2015 by and between the Company and BF Monrovia, LLC. (incorporated by reference to Exhibit 10.27 to the Company's Form 10-K filed with the SEC on February 20, 2015).
10.13†	Research and License Agreement effective September 15, 2015 between the Company and Amgen Inc., (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on November 4, 2015).
10.14*	Severance Agreement, dated May 26, 2016 by and between the Company and Bassil Dahiyat (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on August 3, 2016).
10.15*	Severance Agreement, dated May 26, 2016 by and between the Company and John Kuch (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on August 3, 2016).
10.16*	Severance Agreement, dated May 26, 2016 by and between the Company and John Desjarlais (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed with the SEC on August 3, 2016).
10.17†	Collaboration and License Agreement, dated June 26, 2016, by and between the Company and Novartis Institutes for BioMedical Research, Inc. (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed with the SEC on August 3, 2016).
10.18†	Amendment No. 1, dated September 21, 2016, to the Collaboration and License Agreement by and between the Company and Novartis Institutes for BioMedical Research, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on November 2, 2016).
10.19	Office Lease, dated June 21, 2017, by and among the Company and PRII High Bluffs LLC and Collins Corporate Center Partners, LLC (incorporated by reference to Exhibit 99.1 to the Company's Form 8-K filed with the SEC on June 26, 2017).
10.20	Second Amendment to Lease, dated July 5, 2017, by and between the Company and 111 Lemon Investors LLC (incorporated by reference to Exhibit 99.1 to the Company's Form 8-K filed with the SEC on July 10, 2017).
10.21†	Collaboration and License Agreement, dated February 4, 2019, by and between the Company and Genentech, Inc. and F. Hoffman-La Roche LTD (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on May 9, 2019).
10.22*	Employment Agreement dated August 5, 2019 by and between the Company and Celia Eckert (incorporated by reference to Exhibit 10.33 to the Company's Form 10-K filed with the SEC on February 25, 2020).

10.23	Third Amendment to Lease, dated April 30, 2020, by and between the Company and 111 Lemon Investors LLC (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on August 5, 2020).
10.24	Fourth Amendment to Lease, dated September 30, 2020, by and between the Company and 111 Lemon Investors LLC (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on November 6, 2020).
10.25	First Amendment to the Research and License Agreement, dated November 22, 2019, by and between the Company and Amgen Inc. (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K filed with the SEC on February 23, 2021).
10.26	Second Amendment to the License Agreement, dated January 8, 2020, by and between the Company and MorphoSys AG (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K filed with the SEC on February 23, 2021).
10.27	Third Amendment to the License Agreement, dated July 13, 2020, by and between the Company and MorphoSys AG (incorporated by reference to Exhibit 10.32 to the Company's Form 10-K filed with the SEC on February 23, 2021).
10.28	Fifth Amendment to Lease, dated October 31, 2020, by and between the Company and 111 Lemon Investors LLC (incorporated by reference to Exhibit 10.33 to the Company's Form 10-K filed with the SEC on February 23, 2021).
10.29	Collaboration and License Agreement, dated December 4, 2020, by and between the Company and Janssen Biotech, Inc. (incorporated by reference to Exhibit 10.34 to the Company's Form 10-K filed with the SEC on February 23, 2021).
10.30	First Amendment to the Collaboration and License Agreement, dated March 10, 2021, by and between the Company and Genentech, Inc. and F. Hoffmann-La Roche LTD (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on May 5, 2021).
10.31*	Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 10, 2021).
10.32	Second Amendment to the Collaboration and License Agreement, dated June 30, 2021, by and between the Company and Genentech, Inc., and F. Hoffmann-La Roche LTD (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on August 4, 2021).
10.33	Agreement of Lease, dated April 30, 2021, by and between the Company and Angelo Gordon Real Estate, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on August 4, 2021).
10.34	First Amendment to Lease, dated July 13, 2021, by and between the Company and Angelo Gordon Real Estate, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed with the SEC on August 4, 2021).
10.35†	Collaboration and License Agreement, dated October 1, 2021, by and between the Company and Janssen Biotech, Inc. (incorporated by reference to Exhibit 10.39 to the Company's Form 10-K filed with the SEC on February 24, 2022).
10.36	First Amendment to Office Lease, dated May 19, 2022, by and between the Company and PRII High Bluffs LLC and Collins Corporate Center Partners, LLC (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on August 3, 2022).
10.37	Second Amendment to Lease, dated August 2, 2022, by and between the Company and AG-LC 465 North Halstead Owner, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on November 7, 2022).

10.38	Sixth Amendment to Lease, dated November 14, 2022, by and between the Company and 111 Lemon Investors LLC (incorporated by reference to Exhibit 10.39 to the Company's Form 10-K filed with the SEC on February 27, 2023).
10.39	Xencor, Inc. Amended and Restated Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.40 to the Company's Form 10-K filed with the SEC on February 27, 2023).
10.40	Option and License Agreement, dated January 28, 2013, by and between the Company and Alexion Pharmaceuticals, Inc. (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S 1, as amended (File No. 333 191689), originally filed with the SEC on October 11, 2013).
10.41†	First Amendment to Option and License Agreement dated June14, 2019 by and between the Company and Alexion Pharma Holding (as successor to Alexion Pharmaceuticals, Inc.) (incorporated by reference to Exhibit 10.42 to the Company's Form 10-K filed with the SEC on February 27, 2023).
10.42†	Second Amendment to Option and License Agreement dated November 28, 2022 by and between the Company and Alexion Pharma International Operations Limited (as successor to Alexion Pharmaceuticals, Inc.) (incorporated by reference to Exhibit 10.43 to the Company's Form 10-K filed with the SEC on February 27, 2023).
10.43	Sales Agreement dated February 27, 2023 by and between the Registrant and SVB Securities LLC (incorporated by reference in Exhibit 1.2 to the Company's Form S-3ASR filed with the SEC on February 27, 2023).
10.44*	Xencor, Inc. 2023 Equity Incentive Plan (incorporated herein by reference to Exhibit 99.1 to the Registrant's Definitive Proxy Statement on Schedule 14A for the 2023 Annual Meeting of Stockholders of the Registrant, filed with the SEC on April 26, 2023).
10.45	First Amendment to Collaboration and License Agreement, dated January 30, 2023, by and between the Company and Janssen Biotech, Inc. (incorporated by reference in Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on August 3, 2023).
10.46*	Executive Employment Agreement Addendum dated November 7, 2023 by and between the Company and Celia Eckert (incorporated by reference in Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on November 8, 2023).
10.47*	Executive Employment Agreement Addendum dated November 7, 2023 by and between the Company and Nancy Valente (incorporated by reference in Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on November 8, 2023).
10.48#	Amended and Restated Collaboration and License Agreement, executed on November 14, 2023 and effective as of June 1, 2024, by and between the Company and Genentech, Inc. and F. Hoffmann-La Roche Ltd.
23.1#	Consent of Independent Registered Public Accounting Firm (RSM US LLP).
31.1#	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2#	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.

32.1#**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97#	Xencor, Inc. Compensation Recovery Policy
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Schema Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Filed herewith

† We have received confidential treatment for certain portions of this agreement, which have been omitted and filed separately with the SEC pursuant to Rule 406 under the Securities Act of 1933, as amended.

* Indicates management contract or compensatory plan.

** These certifications are being furnished solely to accompany this annual report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Xencor, Inc.

Date: February 28, 2024

By: /s/ BASSIL I. DAHIYAT, PH.D.
Bassil I. Dahiyat, Ph.D.
President & Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN 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, his true and lawful attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ BASSIL I. DAHIYAT, PH.D. Bassil I. Dahiyat, Ph.D.	Director, President & Chief Executive Officer (Principal Executive Officer)	February 28, 2024
/s/ JOHN J. KUCH John J. Kuch	Sr. Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2024
/s/ A. BRUCE MONTGOMERY, M.D. A. Bruce Montgomery, M.D.	Director	February 28, 2024
/s/ KURT GUSTAFSON Kurt Gustafson	Director	February 28, 2024
/s/ KEVIN C. GORMAN, PH.D. Kevin C. Gorman, Ph.D.	Director	February 28, 2024
/s/ RICHARD RANIERI Richard Ranieri	Director	February 28, 2024
/s/ ELLEN G. FEIGAL, M.D. Ellen G. Feigal, M.D.	Director	February 28, 2024
/s/ DAGMAR ROSA-BJORKESON Dagmar Rosa-Bjorkeson	Director	February 28, 2024
/s/ BARBARA KLENCKE Barbara Klnecke	Director	February 28, 2024

Exhibit 10.47

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE XENCOR, INC. HAS DETERMINED THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO XENCOR, INC. IF PUBLICLY DISCLOSED.

CONFIDENTIAL EXECUTION COPY

AMENDED AND RESTATED

COLLABORATION AND LICENSE AGREEMENT

BY AND BETWEEN,

on the one hand,

XENCOR, INC.,

AND,

on the other hand,

GENENTECH, INC.

AND

F. HOFFMANN-LA ROCHE LTD,

EFFECTIVE AS OF JUNE 1, 2024

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COLLABORATION AND LICENSE AGREEMENT

This Amended and Restated Collaboration and License Agreement ("**Agreement**") is effective as of June 1, 2024 (the "**Royalty Conversion Effective Date**"), by and between, on the one hand, Xencor, Inc., a Delaware corporation, having its principal place of business at 465 North Halstead Street, Suite 200, Pasadena, CA 91107 ("**Xencor**"), and, on the other hand, Genentech, Inc., a Delaware corporation, having its principal place of business at 1 DNA Way, South San Francisco, California 94080 ("**GNE**"), and F. Hoffmann-La Roche Ltd, a corporation organized and existing under the laws of Switzerland, having its principal place of business at Grenzacherstrasse 124, CH 4070 Basel, Switzerland ("**Roche**") (GNE and Roche, collectively, "**Genentech**"). Xencor and Genentech are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

Background

WHEREAS, Xencor is a biotechnology company that is engaged in research and development of pharmaceutical products.

WHEREAS, Genentech is a biopharmaceutical company that is engaged in the research, development, manufacture and sale of pharmaceutical products.

WHEREAS, Genentech and Xencor wish to conduct research and development activities on the terms set forth herein to enable the commercialization of Collaboration Products.

WHEREAS, Genentech desires to obtain an exclusive license and other rights from Xencor to research Collaboration Constructs and develop and commercialize Collaboration Products, and Xencor agrees to grant Genentech such an exclusive license and other rights in accordance with the terms and conditions set forth below.

WHEREAS, Genentech and Xencor entered a Collaboration and License Agreement (the "**Original Agreement**") on February 4, 2019 (the "**Execution Date**"), which became effective as of March 8, 2019 (the "**Effective Date**") and was amended by the First Amendment to the Original Agreement (the "**First Amendment**") made as of March 10, 2021 (the "**Amendment Effective Date**") and the Second Amendment to the Original Agreement (the "**Second Amendment**") made as of June 30, 2021;

WHEREAS, on June 27, 2023, Xencor provided a Royalty Conversion Notice to Genentech pursuant to Section 8.4.3 of the Original Agreement, and as a result, the Parties now desire to amend and restate the Original Agreement, as provided herein.

NOW THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, Genentech and Xencor hereby agree as follows:

ARTICLE 1
DEFINITIONS

Capitalized terms used in this Agreement, whether used in the singular or plural, shall have the meanings set forth below, unless otherwise specifically indicated herein.

1.1 "**Accounting Standard**" means, with respect to a given Party, its Affiliate, or its sublicensee, either the (a) International Financial Reporting Standards (IFRS) or (b) United States generally accepted accounting principles (GAAP), in either case, as currently used at the applicable time by, and as consistently applied by, such applicable Party or its Affiliate or sublicensee.

1.2 "**Act**" is defined in Section ARTICLE 1.

1.3 "**Affiliate**" means any person that directly or indirectly (through one or more intermediaries) controls, is controlled by, or is under common control with, a Party. For purposes of this Section 1.3, "control" means (i) the direct or indirect ownership of more than fifty percent (50%) of the voting stock or other voting interests or interest in the profits of the Party or (ii) the ability to otherwise control or direct the decisions of the board of directors or equivalent governing body thereof. Notwithstanding the foregoing, for purposes of this Agreement, each of Chugai Pharmaceutical Co., Ltd ("**Chugai**"), Foundation Medicine, Inc., a Delaware corporation ("**FMI**"), and Flatiron Health Inc., a Delaware corporation ("**Flatiron**"), and all business entities directly or indirectly controlled by Chugai or FMI or Flatiron, shall not be considered Affiliates of Genentech, unless and until Genentech elects to include one or more of such business entities as an Affiliate of Genentech, by providing written notice to Xencor of such election.

1.4 "**Alliance Manager**" is defined in Section 2.1.

1.5 "**Annual Net Sales**" means, with respect to a Collaboration Product, all Net Sales of such Collaboration Product during a Calendar Year.

1.6 "**Applicable Law**" means applicable laws, rules, and regulations, including any rules, regulations, guidelines, or other requirements of the Regulatory Authorities, that may be in effect from time to time, including any updates and amendments thereto.

1.7 "**Arbitrator**" is defined in Section 8.11.

1.8 "**Authorized CDMO**" is defined in Section 15.4.

1.9 "**Business Day**" means a day, other than a Saturday, Sunday or day on which commercial banks located in California, United States are authorized or required by Applicable Law to close.

1.10 "**Calendar Quarter**" means each successive period of three (3) calendar months commencing on January 1, April 1, July 1 and October 1, except that the first Calendar Quarter of the Term shall commence on the Effective Date and end on the day immediately prior to the first to occur of January 1, April 1, July 1 or October 1 after the Effective Date, and the last Calendar Quarter shall end on the last day of the Term.

1.11 "**Calendar Year**" means each successive period of twelve (12) calendar months commencing on January 1 and ending on December 31, except that the first Calendar Year of the Term shall commence on the Effective Date and end on December 31 of the year in which the Effective Date occurs and the last Calendar Year of the Term shall commence on January 1 of the year in which the Term ends and end on the last day of the Term.

1.12 "**Cessation Notice**" is defined in Section 15.2.4(a).

1.13 "**CGL**" is defined in Section 14.6.1(a).

1.14 "**Change in Control**" means, with respect to a Party, (a) a merger or consolidation of such Party with a Third Party that results in the voting securities of such Party outstanding immediately prior thereto, or any securities into which such voting securities have been converted or exchanged, ceasing to represent greater than fifty percent (50%) of the combined voting power of the surviving entity or the parent of the surviving entity immediately after such merger or consolidation, or (b) a transaction or series of related transactions in which a Third Party, together with its Affiliates, becomes the beneficial owner of fifty percent (50%) or more of the combined voting power of the outstanding securities of such Party, or (c) the sale or other transfer to a Third Party of all or substantially all of such Party's business.

1.15 "**Change in Control Notice**" is defined in Section 17.15.

1.16 "**Claims**" is defined in Section 14.1.

1.17 "**Class of Agents**" means (i) all pharmaceutical products that intentionally and specifically bind the same Target, or all of the same Targets if such product intentionally and specifically binds multiple Targets, as a (a) Targeted Collaboration Construct that is Researched or Developed under a Research Plan or the GDP or (b) Combination Agent, and (ii) [***] (collectively and as a class unto themselves) as a Combination Agent. [***].

1.18 "**Clinical Data**" means, with respect to any Collaboration Product and any other drug included in the applicable Clinical Study, all information that is made, collected or otherwise generated pursuant to a Clinical Study under this Agreement, including real world data (claims data); baseline biomarker data; demographic, medical and histology data; immune monitoring data; and outcomes data (including safety, pharmacodynamics, activity and efficacy) with respect thereto.

1.19 "**Clinical Study**" means any and all tests and studies in human subjects that are required by Applicable Law, or otherwise requested or recommended by the Regulatory Authorities, to obtain, maintain or expand Regulatory Approvals for a Collaboration Product for an Indication, including Post-Approval Commitments, safety / efficacy studies, and pharmacoeconomic studies or Marketing Studies.

1.20 "**CMC**" means Chemistry, Manufacturing, and Controls information required by Applicable Law to be included or referenced in, or that otherwise support, an IND or Marketing Approval Application.

1.21 "**Code**" means the Internal Revenue Code of 1986, as amended.

1.22 "**Collaboration**" means the collaboration of the Parties with respect to the Research, Development, or Commercialization of Collaboration Constructs and Collaboration Products, as and to the extent set forth in this Agreement.

1.23 "**Collaboration Construct**" [***].

1.24 "**Collaboration Product**" means any product containing or comprising a Collaboration Construct. For clarity, a Collaboration Product does not include a Combination Agent.

1.25 "**Combination Agent**" means a chemical, biologic or other agent [***] that is being developed or commercialized for use in combination with a Collaboration Product, whether or not co-formulated or being developed or commercialized with one or more products other than a Collaboration Product. [***].

1.26 "**Commercialization**" means any and all activities directed to the preparation for sale of, offering for sale of, or sale of a Collaboration Product, including activities related to marketing, promoting, distributing, and importing such Collaboration Product. When used as a verb, "**to Commercialize**" and "**Commercializing**" means to engage in Commercialization, and "**Commercialized**" has a corresponding meaning.

1.27 "**Commercially Reasonable Efforts**" [***].

1.28 "**Competitive Change in Control**" means a Change in Control of Xencor involving one of the top twenty (20) biotechnology or pharmaceutical companies by sales revenue in the immediately preceding Calendar Year as of the effective date of such Change of Control.

1.29 "**Compulsory Sublicense**" means a sublicense granted to a Third Party, through the order, decree or grant of a governmental authority having competent jurisdiction, authorizing such Third Party to manufacture, use, sell, offer for sale, import or export a Collaboration Product in any country in the world for free or for a reduced cost.

1.30 "**Compulsory Sublicensee**" means a Third Party that was granted a Compulsory Sublicense.

1.31 "**Conduct**" means, with respect to any Clinical Study, to (a) sponsor or conduct, directly or indirectly through an Affiliate or Third Party, such Clinical Study; or (b) provide to an Affiliate or Third Party funding for, or clinical supplies for use in, such Clinical Study.

1.32 "**Confidential Information**" means proprietary Know-How (of whatever kind and in whatever form or medium, including copies thereof), tangible materials or other deliverables (a) disclosed by or on behalf of a Party in connection with this Agreement, whether prior to or during the Term and whether disclosed orally, electronically, by observation or in writing, or (b) created by, or on behalf of, either Party and provided to the other Party, or created jointly by the Parties, in the course of performing under this Agreement. For the avoidance of doubt, "Confidential Information" includes (i) Know-How regarding such Party's research, development plans, clinical trial designs, preclinical and clinical data (including Clinical Data), technology, products, business information or objectives and other information of the type that is customarily considered to be confidential information by entities engaged in activities that are substantially similar to the activities being engaged in by the Parties pursuant to this Agreement, (ii) information relating to any Collaboration Construct or Collaboration Product (including clinical trial data, Regulatory Materials, Regulatory Data and commercialization information); and (iii) Xencor Know-How, Genentech Know-How and Program Know-How. For clarity, Confidential Information includes Program Confidential Information.

1.33 "**Contract Manufacturing Organization**" or "**CMO**" means any Third Party contract manufacturer with which Genentech or any of their Affiliates or Xencor or its Affiliates contracts for the Manufacture of any Collaboration Construct or Collaboration Product.

1.34 "**Control**" or "**Controlled by**" means the rightful possession by a Party, as of the Effective Date or throughout the Term, of the ability to grant a license, sublicense or other right to exploit, as provided herein, without violating the terms of any agreement with any Third Party.

1.35 "**Cost of Manufacture**" means:

1.1.1 When a Party Manufactures directly, the sum of: (a) the cost (as defined in each Party's Accounting Standards consistently applied) to Manufacture a Collaboration Product to the extent included pursuant to ARTICLE 7 of the Agreement, including items such as cost of materials, yield and waste levels, direct labor, etc.; (b) any additional

applicable overhead, including items such as costs that relate to that Party's supervisory, occupancy, facility and equipment, etc., as calculated according to and consistent with each Party's internal policies; (c) other such costs burdened to the product due to Manufacturing (including inventory write-offs and excess capacity charges); and (d) the actual costs associated with the technology transfer to a Third Party manufacturer to enable Manufacturing of that product, including without limitation any upfront and milestone based payments and startup costs associated therewith. All Cost of Manufacture shall be consistently applied to the product for ongoing clinical trials and commercialization. Cost of Manufacture shall exclude any intercompany profit or mark-up of costs by an Affiliate to the Parties.

1.1.2 When a Party uses a Third Party Manufacturer, the amount actually paid to (and not reimbursed by) each such Third Party Manufacturer, including FTE costs associated with overseeing any Third Party Manufacturer.

1.36 "**Covered by**" or **"Covers**," or the like, means, with respect to a given Collaboration Product or Collaboration Construct, that the manufacture, use, sale, offer for sale, import or other Exploitation of such Collaboration Product or Collaboration Construct, but for ownership of, or a license granted in this Agreement under, a relevant Patent would infringe a Valid Claim of such Patent in the relevant country on the relevant date. The Parties acknowledge and agree that the defined term "Covers" is solely used in Sections 1.134, 8.3 (including the subsections thereof) and 10.9.3 and undefined use of "cover" throughout is intentional.

1.37 "**Create Act**" is defined in Section 10.6.

1.38 "**Data Package**" is defined in Section 15.3.7(a).

1.39 "**Develop**" or "**Development**" means all development activities, other than Research, for a Collaboration Construct or the associated Collaboration Product that are directed to obtaining Marketing Approval(s) of such Collaboration Product, including all non-clinical, preclinical and clinical activities, testing and studies of such Collaboration Product performed after the date of the [***]; manufacturing development, process and formulation development; toxicology, pharmacokinetic, pharmacodynamic, drug-drug interaction, safety, tolerability and pharmacological studies; distribution of such Collaboration Product for use in Clinical Studies (including placebos and comparators); statistical analyses; and the preparation, filing and prosecution of any MAA or IND for such Collaboration Product; development activities directed to label expansion (including prescribing information) or obtaining Marketing Approval for one or more additional Indications following initial Marketing Approval; development activities conducted after receipt of Marketing Approval which were a condition for the receipt of such Marketing Approval; and pharmacoeconomic studies relating to the Indication for which such Collaboration Product is being developed; in each case above, including investigator- or institution-sponsored studies for which a Party is providing material or assistance or otherwise has written obligations to such investigator or institution; and all regulatory activities related to any of the foregoing.

1.40 "**Development Activities**" means all Development performed after the [***]for a Collaboration Construct and the associated Collaboration Product under the GDP, in each case in accordance with the GDP or other applicable plan approved (with respect to the GDP) or reviewed by the JDC (other than Research activities under the Research Plan).

1.41 "**Disclosure**" is defined in Section 12.1.1.

1.42 "**Dispute(s)**" is defined in Section 16.1.

1.43 "**Dollar**" or "**$**" means U.S. dollars.

1.44 [***] for such Collaboration Construct or Collaboration Product.

1.45 "**Effective Date**" is defined in the preamble hereto.

1.46 "[***] **Combination Agent**" means any [***].

1.47 "**Excluded Patents**" means (i) the U.S. patents listed on Exhibit A hereto; (ii) any U.S. patent issuing at any time from a patent application to which any patent listed on Exhibit A claims priority; (iii) any U.S. patent issuing at any time from a divisional, continuation, or continuation-in-part of a patent application to which any patent listed on Exhibit A claims priority; (iv) all reissues, reexaminations, and extensions of any of the foregoing (i), (ii), and (iii); and (v) all non-U.S. patents and non-U.S. patent applications, and all extensions thereof (for example, any Supplementary Protection Certificate).

1.48 "**Execution Date**" is defined in the preamble hereto.

1.49 "**Exploitation**" means the act of exploiting a molecule, construct, product, agent, or process.

1.50 "**EU**" or "**European Union**" means the member states of the EU, or any successor entity thereto performing similar functions.

1.51 "**Fc Domain**" [***].

1.52 "**FDA**" means the United States Food and Drug Administration, or any successor entity thereto performing similar functions.

1.53 "**Field**" means all uses in all fields without limitation.

1.54 "**First Commercial Sale**" means, with respect to a Collaboration Product and a Territory, the first invoiced sale for monetary value for use or consumption by the end user of such Collaboration Product in such Territory after Regulatory Approval for such Collaboration Product has been obtained in such Territory. Sales prior to receipt of Regulatory Approval for such Collaboration Product, such as so-called "treatment IND sales," "named patient sales," and "compassionate use sales," shall not be construed as a First Commercial Sale.

1.55 "**FTE**" means, with respect to a person, the equivalent of the work of one (1) employee full time for one (1) year (consisting of 1,880 hours per Calendar Year (excluding vacations and holidays)), or such other period as may be prescribed by Applicable Law, on a country-by-country basis. Overtime, work on weekends, holidays and the like will not be counted with any multiplier (e.g., time-and-a-half or double time) toward the number of hours that are used to calculate the FTE contribution.

1.56 "**FTE Costs**" means, with respect to a Party for any period, the FTE rate assessed consistent with internal Accounting Standards multiplied by the applicable number of FTEs of such Party performing the applicable activities during such period multiplied by the applicable percentage of time such FTEs have performed the applicable activities during such period.

1.57 "**Fv Domain**" means an antigen binding region of an antibody comprising one or more complementarity-determining regions (CDRs) that bind one or more Targets.

1.58 "**Genentech**" is defined in the preamble hereto.

1.59 "**Genentech Core Inventions**" means those Patents as of the Effective Date or during the Term and all Know-How first developed, conceived, or reduced to practice under or in connection with this Agreement, whether by on behalf of employee(s), agent(s) or consultant(s) [***] first (as between the Parties) developed, conceived or otherwise Controlled by Genentech.

1.60 "**Genentech Indemnitee**" is defined in Section 14.1.

1.61 "**Genentech IP**" means, individually and collectively, Genentech Know-How, Genentech Patents, and Patents within Genentech Core Inventions.

1.62 "**Genentech Know-How**" means the Know-How Controlled by GNE as of the Effective Date or during the Term that is reasonably necessary to Research, Develop, Manufacture or Commercialize any Collaboration Construct or Collaboration Product. Genentech Know-How includes (a) all Know-How within the Program IP Controlled by GNE [***] and (b) Genentech Non-PD1 Component Know-How.

1.63 "**Genentech Non-Collaboration PD1/IL-15 Patents**" means Patents that (a) do not claim a Collaboration Construct or Collaboration Product, (b) disclose or claim PD1 Component Know-How or IL-15 Component Know-How and, (c) except for PD1 Component Know-How or IL-15 Component Know-How, (i) do not disclose or claim Program Know-How and (ii) disclose or claim Know-How first developed, conceived, or reduced to practice by Genentech or its Affiliates (whether alone or in collaboration with a Third Party) independently of Xencor and, for clarity, not under a Research Plan.

1.64 "**Genentech Non-PD1 Component IP**" means Genentech Non-PD1 Component Patents and Genentech Non-PD1 Component Know-How.

1.65 "**Genentech Non-PD1 Component Know-How**" means Know-How that relates solely to a Non-PD1 Component (including any improvements thereto, whether by on behalf of employee(s), agent(s) or consultant(s) of Xencor or Genentech or either of their Affiliates, individually or jointly) that was first introduced to the Collaboration by Genentech and included in a Research Plan approved by the JRC (as defined in the Original Agreement).

1.66 "**Genentech Non-PD1 Component Patents**" means Patents including Non-PD1 Component Claims that cover Genentech Non-PD1 Component Know-How, but not including Patent claims that (i) cover Collaboration Constructs or Collaboration Products and (ii) explicitly recite IL-15.

1.67 "**Genentech Patents**" means those Patents Controlled by GNE or its Affiliates as of the Effective Date or during the Term that are reasonably necessary to Research, Develop, Commercialize or Manufacture any Collaboration Construct or Collaboration Product. Genentech Patents excludes (a) jointly owned Program Patents and (b) Patents within Genentech Core Inventions.

1.68 "**Genentech Product Patent**" means a Patent within the Genentech Patents that was filed prior to the Effective Date that solely claims a Collaboration Construct or solely claims a Collaboration Product.

1.69 "**Generic Product**" means with respect to a Collaboration Product in a particular regulatory jurisdiction, (i) any pharmaceutical product that (a) contains the same Collaboration Construct (or equivalent as determined by the relevant Regulatory Authority) contained in such Collaboration Product as an active ingredient (or part thereof), (b) whose Regulatory Approval application is approved in such country by a Regulatory Authority in reliance, in whole or in part, on the prior approval (or on safety or efficacy data submitted in support of the prior

approval) of such Collaboration Product, including any product authorized for sale (1) in the United States pursuant to Section 505(j) of the FD&A Act (21 U.S.C. 355(j)), (2) in the EU pursuant to a provision of Article 10(1), 10a or 10b of Parliament and Council Directive 2001/83/EC as amended (including an application under Article 6.1 of Parliament and Council Regulation (EC) No 726/2004 that relies for its content on any such provision) or (3) in any other country or jurisdiction pursuant to all equivalents of such provisions, and (c) that is approved for commercial sale in such country and sold by a (1) Third Party that is not Genentech, its Affiliate or sublicensee and that has not otherwise been authorized, directly or indirectly, by Genentech to market and sell such product or (2) Compulsory Sublicensee, or (ii) such Collaboration Product, upon such Collaboration Product becoming eligible for drug price negotiation under the Inflation Reduction Act of 2022, as amended from time to time (such Collaboration Product, as described in (ii), an "**IRA Subject Product**").

1.70 "**Global Development Plan**" or "**GDP**" means that certain Development plan setting forth in reasonable detail specific Clinical Studies and other Development Activities to be performed with respect to Collaboration Product(s), which plan allocated responsibility for such Clinical Studies and Development Activities between the Parties on a Collaboration Product-by-Collaboration Product basis prior to the Royalty Conversion Effective Date.

1.71 "**GNE**" is defined in the preamble hereto.

1.72 "**ICH Guidelines**" means guidelines set by International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use.

1.73 "**IL-15**" means the human IL-15 protein as identified by UniProt# P40933, and any natural and non-natural amino acid sequence variants and fragments thereof.

1.74 "**IL-15 Component**" means any IL-15 having one or more [***].

1.75 "**IL-15 Component Know-How**" means Know-How that relates to the IL-15 Component and is introduced, developed, conceived, or reduced to practice by or on behalf of, Genentech or Xencor solely or jointly in the course of conducting activities pursuant to a Research Plan.

1.76 "**IL-15 Sushi Domain**" means the human IL-15 receptor alpha sushi domain as identified by UniProt# Q13261, and any natural and non-natural amino acid sequence variants and fragments thereof.

1.77 "**IND**" means an investigational new drug application filed with the FDA pursuant to 21 CFR Part 312 before the commencement of clinical trials of a product, or any comparable filing with any relevant regulatory authority in any other jurisdiction.

1.78 "**Indemnified Party**" is defined in Section 14.3.

1.79 "**Indemnifying Party**" is defined in Section 14.3.

1.80 "**Initial Targeted Collaboration Construct**" [***].

1.81 "**Initial Targeted Collaboration Product**" means any product containing or comprising an Initial Targeted Collaboration Construct. For clarity, an Initial Targeted Collaboration Product does not include a Combination Agent.

1.82 "**Initiation**" or "**Initiate**" means, with respect to a Clinical Study, the first dosing of the first human subject in such Clinical Study.

1.83 "**Indication**" means any separately defined, well-categorized class of human disease, syndrome or medical condition for which a separate MAA may be filed with a Regulatory Authority. Each different tumor type or a different hematological malignancy as classified by cell lineage (e.g., acute lymphoblastic leukemia is a different Indication from chronic myelogenous leukemia) shall be a separate Indication; however each different line of therapy or subpopulation of patients for a particular tumor type or hematological malignancy will not be considered a separate Indication (e.g., [***]). For clarity, [***] will not be considered separate Indications and [***] will not be considered separate Indications.

1.84 "**Inventorship**" is defined in Section 10.5.

1.85 "**Know-How**" means all information, inventions (whether or not patentable), improvements, practices, formula, trade secrets, techniques, methods, procedures, knowledge, results, test data (including pharmacological, toxicological, pharmacokinetic and pre-clinical and clinical information and test data, related reports, structure-activity relationship data and statistical analysis), analytical and quality control data, protocols, processes, models, designs, and other information regarding discovery, development, marketing, pricing, distribution, cost, sales and manufacturing. Know-How shall not include any Patents.

1.86 "**Losses**" is defined in Section 14.1.

1.87 "**Major European Countries**" means France, Germany, Italy, Spain, and the United Kingdom.

1.88 "**Manufacture**" or "**Manufacturing**" means all operations in the manufacture, receipt, incoming inspections, storage and handling of materials, manufacture, processing, formulation, filling, packaging, labeling, warehousing, quality control testing (including in-process release and stability testing), shipping and release of Collaboration Constructs and Collaboration Products.

1.89 "**Marketing Approval Application**" or "**MAA**" means BLA, sBLA, NDA, sNDA and any equivalent thereof in the United States or any other country or jurisdiction in the world. As used herein: "**BLA**" means a Biologics License Application and amendments thereto filed pursuant to the requirements of the FDA, as defined in 21 C.F.R. § 600 et seq., for FDA approval of a Collaboration Product and "**sBLA**" means a supplemental BLA; and "**NDA**" means a New Drug Application and amendments thereto filed pursuant to the requirements of the FDA, as defined in 21 C.F.R. § 314 et seq., for FDA approval of a Collaboration Product and "**sNDA**" means a supplemental NDA.

1.90 "**Marketing Authorization**" means final Regulatory Approval (excluding pricing approval) required to sell one or more Collaboration Products for a disease or condition in accordance with the Applicable Laws of a given country. In the United States, its territories and possessions, Marketing Authorization means approval of a New Drug Application, Biologics License Application or an equivalent by the FDA. In Japan, Marketing Authorization means marketing approval (*seizo hanbai shonin*) by the Ministry of Health, Labour, and Welfare. In the European Union, Marketing Authorization means marketing authorization granted by the European Commission pursuant to the centralized approval procedure or by a national competent authority in the European Union pursuant to the mutual recognition or other national approval procedure.

1.91 "**Marketing Study**" means a human clinical study of a Collaboration Product conducted following Initiation of a Pivotal Study for such Collaboration Product that is not required for receipt of Marketing Authorization (whether such human clinical study is conducted prior to or after receipt of such Marketing Authorization) and is not a Post-Approval Commitment, but that

may be useful in support of the post-Marketing Authorization Exploitation of such Collaboration Product.

1.92 "**Medical Affairs Activities**" means, with respect to any country in the Territory, the coordination of medical information requests and field based medical scientific liaisons with respect to Collaboration Products, including activities of medical scientific liaisons, activities involving key opinion leaders, and the provision of medical information services with respect to a Collaboration Product.

1.93 "**Net Sales**" means, with respect to a Collaboration Product in a particular period, the amount calculated by subtracting from the Sales of such Collaboration Product for such period: (a) a lump sum deduction of [***]in lieu of those deductions that are not accounted for on a Collaboration Product-by-Collaboration Product basis (e.g., freight, postage charges, transportation insurance, packing materials for dispatch of goods, custom duties); (b) uncollectible amounts accrued during such period based on a proportional allocation of the total bad debts accrued during such period and not already taken as a gross-to-net deduction in accordance with the Accounting Standard in the calculation of Sales of such Collaboration Product for such period; (c) credit card charges (including processing fees) accrued during such period on such Sales and not already taken as a gross-to-net deduction in accordance with the Accounting Standard in the calculation of Sales of such Collaboration Product for such period; and (d) government mandated fees and taxes and other government charges accrued during such period not already taken as a gross-to-net deduction in accordance with the Accounting Standard in the calculation of Sales of such Collaboration Product for such period, including, for example, any fees, taxes or other charges that become due in connection with any healthcare reform, change in government pricing or discounting schemes, or other action of a government or regulatory body. Notwithstanding the foregoing, solely for the purpose of calculating Net Sales under this Agreement, any discount on Collaboration Product sold to a Third Party shall be no greater, on a weighted-average percentage basis based on the gross selling price prior to discount, than the weighted-average percentage discount applied on any Combination Agent sold for use in combination with Collaboration Product to a Third Party for the applicable accounting period.

With respect to any sale of any Collaboration Product in a given country for any substantive consideration other than monetary consideration on arm's length terms (which has the effect of reducing the invoiced amount below what it would have been in the absence of such non-monetary consideration), for purposes of calculating the Net Sales, such Collaboration Product shall be deemed to be sold exclusively for cash at the average Net Sales price charged to Third Parties for cash sales of such Collaboration Product in such country during the applicable reporting period (or if there were only de minimis cash sales in such country, at the fair market value as determined in good faith based on pricing in comparable markets). Notwithstanding the foregoing, Net Sales shall not include amounts at or less than Genentech's Cost of Manufacture (whether actually existing or deemed to exist for purposes of calculation) for Collaboration Products distributed for use in Clinical Studies as consistently applied across Genentech's portfolio. For clarity, the supply of Collaboration Product by Genentech to Xencor for a Xencor Study at a transfer price equal to the Cost of Manufacture plus [***] shall not be considered a Net Sale.

1.94 "**Non-PD1 Component**" means the antigen binding domain (including the amino acid and nucleic acid sequences encoding it) of a Targeted Collaboration Construct or a Targeted Collaboration Product, in each case, that binds to a Target other than PD1, and including any and all forms of the antigen binding domain (e.g., scFv, Fv, antibodies).

1.95 "**Non-PD1 Component Claim**" means a Patent claim that (i) covers Genentech Non-PD1 Component Know-How or Xencor Non-PD1 Component Know-How, but does not cover

constructs comprising IL-15, and (ii) is filed (or updated) subsequent to approval of a Research Plan directed to the use of the Non-PD1 Component.

1.96 "**Non-targeted Collaboration Construct**" [***].

1.97 "**Non-targeted Collaboration Product**" means a product containing or comprising a Non-targeted Collaboration Construct.

1.98 "**Party**" or "**Parties**" is defined in the preamble hereto.

1.99 "**Patent(s)**" means any and all patents and patent applications and any patents issuing therefrom or claiming priority to, worldwide, together with any extensions (including patent term extensions and supplementary protection certificates) and renewals thereof, reissues, reexaminations, substitutions, confirmation patents, registration patents, invention certificates, patents of addition, renewals, divisionals, continuations, and continuations-in-part of any of the foregoing.

1.100 "**Patent Costs**" is defined in Section 10.4.2(b).

1.101 "**Patent Infringement**" is defined in Section 10.9.1.

1.102 "**PD1 Component**" means an anti-human PD1 antigen binding domain (including any form, such as, e.g., scFv, Fv, antibodies) that binds to human PD-1 and contains (a) a variant variable heavy domain consisting of or comprising amino acid substitutions [***] (a "**Variable Heavy Domain**") and (b) a variable light domain having the amino acid sequence of [***], or a variant thereof (e.g., a variant variable light domain consisting of or comprising amino acid substitutions [***]) (a "**Variable Light Domain**").

1.103 "**PD1 Component Background IP**" means Patents within Xencor family [***] and any Know-How disclosed or claimed therein specifically relating to a PD1 Component.

1.104 "**PD1 Component Know-How**" means Know-How that relates to the PD1 Component (but excludes Know-How that solely relates to a Variable Light Domain not paired with a Variable Heavy Domain to form an antigen binding domain) and is introduced, developed, conceived, or reduced to practice by or on behalf of, Genentech or Xencor solely or jointly in the course of conducting activities pursuant to a Research Plan.

1.105 [***]

1.106 "**Pharmacovigilance Agreement**" has the meaning set forth in Section 5.3.

1.107 "**Phase I Clinical Trial**" means a human clinical trial, the principal purpose of which is preliminary determination of safety of a Collaboration Product in healthy individuals or patients as described in 21 C.F.R. §312.21(a), or similar clinical study in a country other than the United States.

1.108 "**Phase II Clinical Trial**" means a human clinical trial, for which the primary endpoints include a determination of dose ranges or a preliminary determination of efficacy of a Collaboration Product in patients being studied as described in 21 C.F.R. §312.21(b), or similar clinical study in a country other than the United States.

1.109 "**Phase III Clinical Trial**" means a human clinical trial, the principal purpose of which is to demonstrate, or that actually winds-up demonstrating, clinically and statistically the efficacy and safety of a Collaboration Product for one or more Indications in order to obtain Marketing

Approval of such Collaboration Product for such Indication(s), as further defined in 21 C.F.R. §312.21(c) or a similar clinical study in a country other than the United States. The term "Phase III Clinical Trial" also includes any human clinical trial that is intended to serve as a Pivotal Study for the Marketing Approval of the applicable Collaboration Product, even if officially designated as a Phase II Clinical Trial.

1.110 "**Pivotal Study**" means a Clinical Study of a Collaboration Product that is designed to demonstrate, along with previously conducted studies, substantial evidence of its effectiveness and provide sufficient information to determine whether it is safe for use under conditions prescribed, recommended, or suggested in proposed labeling, including all tests and studies that are required by the FDA from time to time, pursuant to Applicable Law or otherwise.

1.111 "**Post-Approval Commitments**" means a human clinical study for a Collaboration Product Conducted after Marketing Authorization of such Collaboration Product has been obtained from an appropriate Regulatory Authority due to a request or requirement of such Regulatory Authority.

1.112 "**Product Labeling**" or "**Product Label**" means, with respect to a Collaboration Product in a country in the Territory, (a) the Regulatory Authority-approved prescribing information for such Collaboration Product for such country, including any required patient information, and (b) all labels and other written, printed, or graphic matter upon a container, wrapper, or any package insert utilized with or for such Collaboration Product in such country.

1.113 "**Product Trademark**" means the Trademark(s) to be used for the Commercialization of Collaboration Products in the Territory and any registrations thereof or any pending applications relating thereto in the Territory (excluding, in any event, the corporate names and any trademarks, service marks, names or logos that include any corporate name or logo of the Parties or their Affiliates).

1.114 "**Program Confidential Information**" means any and all proprietary information or material, whether oral, visual, in writing or in any other form, created jointly by the Parties during the course of performing Development Activities (including all JDC (as defined herein and in the Original Agreement) activities), but excluding any such information or material that solely relates to one more or more (i) Xencor Core Inventions, which shall constitute the Confidential Information of Xencor (regardless of the Party initially disclosing the same), or (ii) Genentech Core Inventions, which shall constitute the Confidential Information of Genentech (regardless of the Party initially disclosing the same).

1.115 "**Program IP**" means, individually and collectively, Program Know-How and Program Patents.

1.116 "**Program Know-How**" means, any Know-How that is developed, conceived, or reduced to practice by or on behalf of, Genentech or Xencor: (i) solely or jointly in the course of conducting activities during the Research Term pursuant to a Research Plan, or (ii) solely or jointly in the course of conducting activities during the Term pursuant to the GDP, in each case of (i) and (ii), that relates solely to a Collaboration Construct or Collaboration Product, or (iii) [***].

1.117 "**Program Patents**" means Patents (other than Genentech Non-Collaboration PD1/IL-15 Patents and Xencor Non-Collaboration PD1/IL-15 Patents) that cover any Program Know-How.

1.118 "**Proposed Study(ies)**" has the meaning set forth in Section 4.2.1.

1.119 "**Prosecution and Maintenance**" means, with respect to a particular Patent, means all activities associated with the preparation, filing, prosecution and maintenance of such Patent, as well as supplemental examinations, re-examinations, reissues, applications for patent term adjustments and the like with respect to that Patent, together with the conduct of interferences, derivation proceedings, *inter partes* review, post-grant review, the defense of oppositions and other similar proceedings with respect to that Patent.

1.120 "**Publication**" means, with regard to public, external, or Third Party disclosure that pertains to a Collaboration Construct or Collaboration Product or the use of a Collaboration Construct or Collaboration Product, any (a) publication in a journal or periodical, (b) abstract to be presented to any audience, (c) presentation at any conference, including slides and texts of oral or other public presentations, or (d) other oral, written or electronic disclosure.

1.121 "**Quarterly IP Meeting**" is defined in Section 10.7.

1.122 "**Regulatory Approval**" means the technical, medical and scientific licenses, registrations, authorizations and approvals required for marketing or use of a Collaboration Product (including, without limitation, approvals of, BLAs, investigational new drug applications, pre- and post- approvals, and labeling approvals and any supplements and amendments to any of such approvals) of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the development, manufacture, distribution, marketing, promotion, offer for sale, use, import, export or sale of Collaboration Products in a regulatory jurisdiction. In the United States, its territories and possessions, Regulatory Approval means approval of any Marketing Approval Application or equivalent by the FDA.

1.123 "**Regulatory Authorities**" means any applicable supra-national, federal, national, regional, state, provincial, or local regulatory agencies, departments, bureaus, commissions, councils, or other government entities regulating or otherwise exercising authority with respect to the Exploitation of Collaboration Products in the Territory.

1.124 "**Regulatory Data**" means collectively all non-clinical data and Clinical Data, CMC data and other information, results, and analyses with respect to any Party's Development activities.

1.125 "**Regulatory Materials**" means any regulatory application, submission, notification, communication, correspondence, registration and other filings made to, received from or otherwise conducted with a Regulatory Authority in order to Research a Collaboration Construct or Collaboration Product or Develop, or Commercialize a Collaboration Construct or Collaboration Product in the Field in a particular country or jurisdiction. "Regulatory Materials" includes any IND, MAA and Marketing Approval.

1.126 "**Research**" or "**Researched**" means all research activities to discover, identify, characterize or optimize the Collaboration Constructs and all preclinical research on Collaboration Constructs or Collaboration Products, conducted prior to the date of the [***].

1.127 "**Research Plan**" has the meaning set forth in the Original Agreement.

1.128 "**Research Program**" means the activities conducted by the Parties pursuant to any and all Research Plans.

1.129 "**Research Target**" has the meaning set forth in the Original Agreement.

1.130 "**Research Term**" has the meaning set forth in the Original Agreement.

1.131 [***].

1.132 "**Royalty Conversion Effective Date**" means June 1, 2024.

1.133 "**Royalty Term**" means, on a country-by-country and Collaboration Product-by-Collaboration Product basis, the period commencing upon the date of the First Commercial Sale of such Collaboration Product in such country and ending on the later of (i) the expiry of the last Valid Claim Covering the use, sale, offer for sale or import of such Collaboration Product in the country of sale and (ii) the [***] anniversary of the First Commercial Sale of such Collaboration Product in such country.

1.134 "**Rules**" is defined in Section 16.2.1.

1.135 "**Sale Transaction**" is defined in Section 17.2.

1.136 "**Sales**" means, with respect to a Collaboration Product in a particular period, the sum of clauses (a) and (b) below:

(a) the amount stated in the "Sales" line for such Collaboration Product in the externally published audited financial statements of F. Hoffmann-La Roche Ltd (Genentech's ultimate parent company) for such period, or if no separate "Sales" line for such Collaboration Product exists in such externally published audited financial statements, then sales of such Collaboration Product that are reflected therein as part of any other line; and

(b) with respect to such Collaboration Product for such period by Genentech's Third Party sublicensees and Genentech Affiliates' Third Party sublicensees, as such amounts are reported to Genentech and its Affiliates in accordance with each sublicensee's contractual terms and its then-currently used Accounting Standard, [***].

For clarity, the amount referenced in clause (a) above does not include any sales or other dispositions of the Collaboration Product between or among any of Genentech, its Affiliates, or its or their sublicensees (except to the extent such entity is the ultimate end user of the Collaboration Product). In addition, the amount referenced in clause (a) above does not includes any sales or other dispositions of the Collaboration Product by Genentech, its Affiliates or its or their sublicensees (i) as samples, (ii) for use in non-clinical or clinical studies, (iii) for use in any tests or studies reasonably necessary to comply with any applicable Law, or (iv) for another reasonable and customary use in the industry, in each case of (i) – (iv), inclusive, as long as such sale or disposition was made at or below the cost of supplying the Collaboration Product.

(c) In addition, the amount in clause (a) above reflects the gross invoice price at which the Collaboration Product was sold or otherwise disposed of by Genentech and its Affiliates to Third Parties (excluding the sales and dispositions noted above) in the applicable period reduced by gross-to-net deductions if not previously deducted from the amount invoiced, taken in accordance with the then-currently used Accounting Standard. By way of example, the gross-to-net deductions taken in accordance with the Accounting Standard as of the Effective Date include the following:

(i) credits, reserves or allowances granted for (1) damaged, outdated, returned, rejected, withdrawn or recalled Collaboration Product, wastage replacement, and short-shipments; (2) billing errors; and (3) indigent patient and similar programs (*e.g.*, price capitation);

(ii) governmental price reductions and government mandated rebates;

(iii) chargebacks, including those granted to wholesalers, buying groups and retailers;

(iv) customer rebates including cash sales incentives for prompt payment, cash and volume discounts; and

(v) taxes, duties and any other governmental charges or levies imposed upon or measured by the import, export, use, manufacture or sale of a Collaboration Product (excluding income and franchise taxes).

Except as may otherwise be set forth herein, Sales shall be calculated on an accrual basis in accordance with the then-currently used Accounting Standard.

In the event a Collaboration Product is sold for a single price in combination with one or more Combination Agents under this Agreement (as used in this definition of Sales, a "Combination"), then for each particular period and on a country-by-country basis, the gross amount invoiced for that Collaboration Product shall be calculated by multiplying the gross amount invoiced for such Combination by the fraction A/(A+B), where "A" is the gross amount invoiced for the Collaboration Product sold separately and "B" is the gross amount invoiced for the Combination Agent(s) sold separately. In the event that the Combination Agent(s) is not sold separately, then the gross amount invoiced for that Collaboration Product shall be calculated by multiplying the gross amount invoiced for the Combination by the fraction A/C, where "A" is the gross invoice amount for the Collaboration Product, if sold separately, and "C" is the gross invoice amount for the Combination. In the event that a particular Combination is not addressed by the foregoing, "Sales" of the Collaboration Product sold in a Combination shall be determined by the Parties in good faith for the purposes of calculating royalties that reflects a reasonable allocation to the portion of the Combination that is the Collaboration Product.

1.137 "**SEC**" is defined in Section 12.1.2.

1.138 "**Separated PD1/IL-15 Component Patents**" means Program Patents that (i) cover PD1 Component Know-How or IL-15 Component Know-How and (ii) are initially filed separately or separated out by way of continuation or divisional patent application from Patents claiming Collaboration Constructs or Collaboration Products.

1.139 "**Study Proposal**" has the meaning set forth in Section 4.2.1.

1.140 "**Subsequent Targeted Collaboration Construct**" [***].

1.141 "**Subsequent Targeted Collaboration Product**" means any product containing or comprising a Subsequent Targeted Collaboration Construct. For clarity, Subsequent Targeted Collaboration Product does not include a Combination Agent.

1.142 "**Support Costs**" means the FTE Costs incurred and any direct out-of-pocket costs or expenses paid or accrued, in accordance with the applicable Accounting Standards, by or on behalf of Xencor following the Royalty Conversion Effective Date that are specifically identifiable or reasonably allocable to Xencor's support, requested by Genentech, for the Development (excluding Xencor Studies, which is addressed in Section 4.2) or Manufacturing of Collaboration Constructs or Collaboration Products or the obtaining or maintaining of Regulatory Approvals.

1.143 "**Target**" means any protein, other than IL-15 or the IL-15 Sushi Domain, in each case as identified by one or more UniProt Identification #, including all splice variants, mutants, natural variants, and isoforms thereof reasonably associated with a UniProt Identification #.

1.144 "**Targeted Collaboration Construct**" means an Initial Targeted Collaboration Construct or a Subsequent Targeted Collaboration Construct.

1.145 "**Targeted Collaboration Product**" means any product containing or comprising a Targeted Collaboration Construct. For clarity, Targeted Collaboration Product does not include a Combination Agent.

1.146 "**Tax**" or "**Taxes**" is defined in Section 8.7.1.

1.147 "**Term**" is defined in Section 15.1.

1.148 "**Termination Product**" means, with respect to a termination of this Agreement with respect to a Collaboration Product, any such Collaboration Product [***] occurred prior to the effective date of such termination.

1.149 "**Termination Subject Matter**" is defined in Section 15.3.1.

1.150 "**Territory**" means worldwide.

1.151 "**Third Party**" means any entity other than Xencor, GNE, and Roche or an Affiliate of any of the foregoing.

1.152 "**Third Party Fc License**" is defined in Section 10.8.

1.153 "**Third Party Fc Royalty Payments**" is defined in Section 10.8.

1.154 "**Third Party Infringement Claim**" is defined in Section 10.10.1.

1.155 "**Title 11**" is defined in Section 15.2.3.

1.156 "**Trademark**" means any word, name, symbol, color, designation or device or any combination thereof that functions as a source identifier, including any trademark, trade dress, brand mark, service mark, trade name, brand name, logo or business symbol, whether or not registered.

1.157 "**Transfer Agreement**" is defined in Section 15.3.7(b).

1.158 "**U.S.**" means the United States of America and its territories and possessions.

1.159 "**Valid Claim**" means, with respect to a particular country, a claim of an issued and unexpired Patent in such country that has not been disclaimed, revoked, held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and that has not been finally abandoned, admitted to be invalid or unenforceable through re-examination, re-issue, disclaimer or otherwise, or lost in an interference proceeding.

1.160 "**VAT**" means, in the EU, value added tax calculated in accordance with Council Directive 2006/112/EC and, in a jurisdiction outside the EU, any equivalent tax.

1.161 "**Xencor**" is defined in the preamble hereto.

1.162 "**Xencor Approved CMOs**" are:

(1) [***]

(2) [***]

(3) [***]

(4) [***]

1.163 "**Xencor Core Inventions**" means those Patents as of the Effective Date or during the Term and all Know-How first developed, conceived, or reduced to practice under or in connection with this Agreement, whether by on behalf of employee(s), agent(s) or consultant(s) [***] first (as between the Parties) developed, conceived or otherwise Controlled by Xencor.

1.164 "**Xencor Fc Patent Infringement**" is defined in Section 10.9.1.

1.165 "**Xencor Fc Patents**" means any and all Patents Controlled by Xencor as of the Effective Date or during the Term that cover an Fc Domain. For clarity, Xencor Fc Patents do not claim IL-15.

1.166 "**Xencor Fc Technology**" means Xencor's proprietary Fc Domain engineering platform covered by Xencor Fc Patents and Know-How Controlled by Xencor.

1.167 "**Xencor IND**" is defined in Section 5.1.3.

1.168 "**Xencor IP**" means, individually and collectively, the Xencor Know-How, Xencor Patents, Patents within Xencor Core Inventions, and Xencor Fc Patents.

1.169 "**Xencor Indemnitee**" is defined in Section 14.2.

1.170 "**Xencor Know-How**" means Know-How Controlled by Xencor or its Affiliates as of the Effective Date or during the Term that is reasonably necessary to Research, Develop, Manufacture or Commercialize any Collaboration Construct or Collaboration Product. Xencor Know-How includes (a) all Know-How within the Program IP Controlled by Xencor [***] and (b) Xencor Non-PD1 Component Know-How**.**

1.171 "**Xencor Non-Collaboration PD1/IL-15 Patents**" means Patents that (a) do not claim a Collaboration Construct or Collaboration Product, (b) disclose or claim PD1 Component Know-How or IL-15 Component Know-How and, (c) except for PD1 Component Know-How or IL-15 Component Know-How, (i) do not disclose or claim Program Know-How and (ii) disclose or claim Know-How first developed, conceived, or reduced to practice by Xencor or its Affiliates (whether alone or in collaboration with a Third Party) independently of Genentech and, for clarity, not under a Research Plan.

1.172 "**Xencor Non-PD1 Component IP**" means Xencor Non-PD1 Component Patents and Xencor Non-PD1 Component Know-How.

1.173 "**Xencor Non-PD1 Component Know-How**" means Know-How that relates solely to a Non-PD1 Component (including any improvements thereto, whether by on behalf of employee(s), agent(s) or consultant(s) of Xencor or Genentech or either of their Affiliates, individually or jointly) that was first introduced to the Collaboration by Xencor and included in a Research Plan approved by the JRC (as defined in the Original Agreement).

1.174 "**Xencor Non-PD1 Component Patents**" means Patents including Non-PD1 Component Claims that cover Xencor Non-PD1 Component Know-How, but not including Patent claims that (i) cover Collaboration Constructs or Collaboration Products and (ii) explicitly recite IL-15.

1.175 "**Xencor Patents**" means those Patents Controlled by Xencor or its Affiliates as of the Effective Date or during the Term that are reasonably necessary to Research, Develop, Commercialize or Manufacture any Collaboration Construct or Collaboration Product, including those Patents set forth in Exhibit C. Xencor Patents excludes (a) jointly owned Program Patents, (b) Patents included in Xencor Fc Patents, (c) Patents within Xencor Core Inventions, and (d) Patents that cover Fv Domains other than those specific to a Research Target.

1.176 "**Xencor Platform Product**" means a construct containing Xencor Fc Technology that is not a Collaboration Construct.

1.177 "**Xencor Product Patent**" means a Patent within the Xencor Patents that was filed prior to the Effective Date that solely claims a Collaboration Construct or solely claims a Collaboration Product.

1.178 "**Xencor Study**" is defined in Section 4.2.1.

1.179 "**XmAb24306**" [***].

1.180 "**XmAb24306 Product**" means a product containing or comprising XmAb24306.

ARTICLE 2
GOVERNANCE

1.1 **Alliance Managers.** Each Party has designated an individual to act as its primary business contact for matters related to this Agreement (such Party's "**Alliance Manager**"). The Alliance Managers shall: (a) serve as the primary contact points between the Parties for the purpose of providing the other Party with information on the progress of such Party's activities under this Agreement; (b) be primarily responsible for facilitating the flow of information and otherwise promoting communication, coordination and collaboration between the Parties; (c) act as advocates for the Collaboration as a whole; and (d) facilitate the prompt resolution of any disputes. Each Party may replace its Alliance Manager at any time by notifying the other Party in writing (which may be by email).

1.2 **Joint Research Committee.** The Joint Research Committee (as defined in the Original Agreement) is disbanded as of March 7, 2021.

1.3 **Joint Development Committee**. The Joint Development Committee (as defined in the Original Agreement) is disbanded as of the Royalty Conversion Effective Date. If required in accordance with Section 4.2.4, the Parties shall re-establish a joint development team (the "**Joint Development Committee**" or the "**JDC**"), composed of [***] representatives of each Party that have knowledge and expertise in the development of constructs similar to the Collaboration Products, with at least one member from each Party having Development decision-making authority, to monitor the Development of Collaboration Products under Xencor Studies. The role of the JDC shall be to oversee, monitor, and discuss the Xencor Studies.

1.1.1 **Responsibilities of the JDC.** The JDC shall be responsible for performing solely the functions described in Section 4.2.4.

1.1.2 **Decision Making.** With respect to the decisions of the JDC, each Party shall have one (1) collective vote in all decisions, and the Parties shall attempt to make decisions by reaching unanimous agreement; provided, that the Parties acknowledge and agree that votes shall not be ratified until each Party has undertaken all necessary internal procedures and governance to provide a vote that such Party can implement. If, after reasonable discussion and good faith consideration of each Party's view on a particular

matter, the JDC cannot reach agreement within [***] after the date such matter was initially brought to a vote, then, the matter shall be referred for resolution to a VP/SVP Partnering at Genentech and the Chief Executive Officer at Xencor (or his or her designee) who shall promptly initiate discussions in good faith to resolve the disputed matter. If the disputed matter is not resolved by such executives within [***], or such longer period as the Parties agree, after the date the executives first meet to consider such disputed matter, Genentech shall, subject to Section 2.4.2, have final decision making authority.

1.1.3 **Meetings; Attendees; Agendas.** Once established, the JDC shall meet at least once each Calendar Quarter (unless otherwise agreed by the Parties) so long as Xencor is conducting a Xencor Study. No later than [***] prior to any meeting of the JDC (or such shorter time period as the Parties may agree), the Parties will prepare and circulate an agenda for such meeting, provided however, that either Party may propose additional topics to be included on such agenda, either prior to or in the course of such meeting. The JDC may meet in person or via teleconference, video conference, or the like, provided that at least one meeting per [***] shall be held in person, unless otherwise agreed by the Parties. Each Party shall bear the expense of its respective representatives' participation in the JDC meetings. Each Party may invite a reasonable number of employees, consultants, or scientific advisors to attend the JDC meetings, provided that such invitees are bound by appropriate confidentiality obligations.

1.1.4 **Meeting Minutes.** Genentech shall be responsible for keeping minutes of the JDC meetings that record in writing all decisions made, action items assigned or completed, and other appropriate matters. Meeting minutes shall be sent to both Parties promptly after a meeting for review, comment and approval by each Party.

1.1.5 **Term of JDC Operations.** The JDC shall continue to exist until the completion of all Xencor Studies at which time it shall automatically cease operations, unless earlier disbanded by the Parties pursuant to mutual agreement.

1.4 **Limitations on Committee Authority.**

1.1.1 **Authority of Committees.** The JDC shall only have the powers expressly assigned to it in this ARTICLE 2 and elsewhere in this Agreement and shall not have the authority to: (a) modify or amend the terms and conditions of this Agreement; (b) waive either Party's compliance with the terms and conditions of under this Agreement; or (c) determine any such issue in a manner that would conflict with the express terms and conditions of this Agreement.

1.1.2 **Limits on Decision Making.** Notwithstanding anything herein to the contrary, no exercise of a Party's final decision-making authority on any such matters may, (a) without the other Party's prior written consent, result in a material decrease or increase in the other Party's or its Affiliates' obligations under this Agreement or require the other Party to perform additional activities not contemplated by this Agreement, (b) terminate, or amend the protocol associated with, any Xencor Study, once initiated, or (c) conflict with or amend this Agreement without both Parties' prior written consent.

1.5 **Joint Project Team.** All Joint Project Teams (as defined in the Original Agreement) are disbanded as of the Royalty Conversion Effective Date.

1.6 **Annual Reports.** [***].

ARTICLE 3
RESEARCH

1.1 **Research Program Term**. The Research Program and Research Term concluded on [***]. For clarity, Genentech, its Affiliates, and sublicensees shall have the sole right to conduct Research activities in support of further Research and Development of Collaboration Constructs or Collaboration Products.

1.2 **Research Records.** Each Party shall maintain complete, current and accurate records of all Research activities conducted by it hereunder (including under the Original Agreement), and all data and other information resulting from such activities. Such records shall fully and properly reflect all work done and results achieved in the performance of the Research activities in good scientific manner appropriate for regulatory and patent purposes. Each Party shall maintain all laboratory notebooks for not less than the term of any Patent issuing therefrom. All records shall be maintained by the Parties, as appropriate, during the applicable Research Program and for at least [***] thereafter.

ARTICLE 4
DEVELOPMENT

1.1 **Development**. Subject to Section 4.2 (Xencor Proposed Studies), Genentech (itself or through its Affiliates or sublicensees) shall have the sole and exclusive right, at its sole cost and expense, to Develop any and all Collaboration Products in the Territory. As between the Parties, subject to Section 4.2 (Xencor Proposed Studies), Genentech shall have sole decision-making authority over all Development matters for Collaboration Products. Genentech shall use Commercially Reasonable Efforts to Develop [***]. Genentech shall Conduct all Development of Collaboration Products in accordance with ICH Guidelines, Applicable Law and the requirements of any applicable Regulatory Authority(ies). Activities by Genentech's sublicensees and Affiliates will be considered as Genentech's activities under this Agreement for purposes of determining whether Genentech has complied with its obligations under this Section 4.1.

1.2 **Xencor Proposed Studies.**

1.1.1 **Proposed Additional Clinical Studies.** Xencor may, [***], provide Genentech's Alliance Manager with a written proposal meeting the requirements of this Section 4.2.1 ("**Study Proposal**") to propose a new Clinical Study under this Agreement ("**Proposed Study**") for the Development of a Collaboration Product (a) in an Indication that is not being Developed by Genentech, or (b) regardless of Indication, in combination with a Combination Agent that is permissible pursuant to Sections 4.6.4(e)(i) and (ii) (other than with an [***] Combination Agent). Each such Study Proposal shall include a feasible clinical development plan from proof of concept through Regulatory Approval (if feasible, and otherwise through clinical proof of concept) for the indication or combination to which such Proposed Study is directed, consisting of [***]. Xencor shall provide the Study Proposal to Genentech, in sufficient detail to enable Genentech to assess whether to approve or reject such Proposed Study, at least [***] prior a meeting scheduled with Genentech to review such Proposed Study and present such Study Proposal to Genentech at such meeting. Genentech shall decide whether to approve or reject such Proposed Study in accordance with Section 4.2.2, which decision shall provided by notice to Xencor; provided, that the Parties may agree that additional information should be provided at a follow-up meeting scheduled with Genentech to review such Proposed Study prior to the decision being taken. Provided that the Proposed Study is approved by Genentech, Genentech shall have [***] from approval of the Proposed Study to notify Xencor in writing whether Genentech desires to conduct the Proposed Study. If Genentech approves the Proposed Study in accordance

with Section 4.2.2, but Genentech elects not to conduct the Proposed Study, then Xencor shall have the right to conduct the Proposed Study in accordance with the requirements of Section 4.2.4 to the extent permitted pursuant to Section 4.2.3 (such Proposed Study, a "**Xencor Study**").

1.1.2 **Criteria Applied to Approval or Rejection of Proposed Studies.** Genentech may approve for any reason or reject a Proposed Study solely on one or more of the following criteria: (i) the Proposed Study will create a [***] (provided, that, this subclause (iii) shall only be effective until such time as the [***] patients administered, [***], the Collaboration Product included in the Proposed Study), or (iv) the Proposed Study will adversely or negatively impact in any material respect the Commercialization of any Collaboration Product. If Genentech rejects the Proposed Study based on reasonably supported consideration of the foregoing subclauses (i)-(iv), inclusive, then Genentech shall provide notice to Xencor thereof.

1.1.3 **Xencor's Right to Conduct a Xencor Study.** Xencor shall have the rights set forth in this Section 4.2.3 to conduct a Proposed Study that Genentech declines to conduct in accordance with Section 4.2.1, solely if (a) Xencor Initiates such Proposed Study within [***] (or such longer time as the Parties mutually agree in writing) of Genentech's decision to not conduct such Proposed Study, (b) Xencor possesses safety reporting and other applicable infrastructure and personnel adequate to support such Proposed Study and share safety data with Genentech in a manner that enables Genentech's compliance with any Regulatory Authority reporting requirements as set forth in the Pharmacovigilance Agreement, (c) Genentech has approved such Proposed Study pursuant to Section 4.2.2, (d) a Phase Ib or Phase II Clinical Trial by or on behalf of Genentech, its Affiliate or sublicensee for the relevant Collaboration Product has commenced, (e) the Proposed Study is not a Collaboration Product monotherapy study, and (f) the Proposed Study is not conducted in Japan. For clarity, if Genentech rejects a Proposed Study pursuant to Section 4.2.2, Xencor shall not have the right to conduct such Proposed Study.

1.1.4 **Xencor's Conduct of Xencor Studies.** If Xencor has the rights to conduct a Xencor Study in accordance with Section 4.2.3 and Xencor elects to conduct such Xencor Study, then the JDC shall be re-established in accordance with Section 2.3 for the sole purpose of overseeing Xencor Studies and Xencor shall conduct such Xencor Study according to the following terms and conditions:

(a) Xencor shall conduct such Xencor Study at Xencor's sole cost and expense, unless otherwise agreed by the Parties (and without limiting Genentech's obligations under Section 4.4 (as and to the extent applicable)).

(b) Xencor shall conduct such Xencor Study as the entity that takes responsibility for Initiating such Xencor Study under an IND held by Xencor.

(c) Such Xencor Study will be subject to oversight by the JDC, and Xencor shall (i) provide regular updates on the status and results of such Xencor Study to the JDC, including reporting the achievement of key Clinical Study and development milestones, and (ii) inform the JDC of any material changes to the Study Proposal (including study designs and protocols) for such Xencor Study. Genentech, through the JDC, shall be permitted to provide Xencor with comments on the development plans for such Xencor Study and on the conduct of the Xencor Study, and Xencor shall consider all such comments in good faith. Notwithstanding the foregoing, any modifications to the protocol for such Xencor Study that would (individually or collectively) constitute material deviations from the protocol in the Study Proposal originally presented to Genentech shall require the prior approval of the JDC. Examples of material deviations include any of the following circumstances:

(i) as a result of the modifications to the protocol, the Xencor Study will [***],

(ii) as a result of the modifications to the protocol, the Xencor Study will [***],

(iii) as a result of the modifications to the protocol, the Xencor Study will [***], and

(iv) as a result of the modifications to the protocol, the Xencor Study [***].

(d) Xencor shall conduct such Xencor Study according to ICH Guidelines, Applicable Law and the requirements of any applicable Regulatory Authority(ies).

(e) Unless otherwise agreed to by the Parties, such Xencor Study may only involve an agent other than the Collaboration Product (as either a Combination Agent or comparator agent) in one of the following circumstances:

(i) If Xencor proposes to conduct a Xencor Study in which a Collaboration Product would be combined with or compared to an agent owned or Controlled by Xencor, then Xencor may pursue such combination with such agent if (A) the safety of such agent owned or Controlled by Xencor to proceed at proposed dose levels and durations has been demonstrated in a [***], and (B) such agent is either (1) already a Combination Agent in an ongoing or completed Clinical Study by or on behalf of Genentech, its Affiliate or a sublicensee or (2) in a given Class of Agents that is not then being Developed or Commercialized by or on behalf of Genentech, its Affiliate or a sublicensee as a Combination Agent.

(ii) If Xencor proposes to conduct a Xencor Study in which a Collaboration Product would be combined with or compared to one or more agents owned or Controlled by a Third Party, then Xencor may pursue such combination with such agent only if all of the following conditions are met: (A) such agent is either (1) a Combination Agent that is or was included in a Clinical Study of such Collaboration Product by or on behalf of Genentech, its Affiliate or sublicensee or (2) in a given Class of Agents that is not then being Developed or Commercialized by or on behalf of Genentech, its Affiliate or a sublicensee as a Combination Agent or (3) an [***] Combination Agent that is not under Development by Genentech, (B) such agent is commercially available and approved in the relevant Indication, (C) Xencor (and not the Third Party commercializing or Controlling such agent) conducts the combination clinical study using quantities of the Third Party's agent acquired by Xencor through one or more arm's length purchases on the open market, (D) Xencor does not share any data arising from such study or any Program Confidential Information with the Third Party, (E) Xencor does not share with such Third Party any Genentech Confidential Information or any Confidential Information of both Parties under this Agreement, (F) Xencor does not share with Genentech any confidential information of the Third Party owning or Controlling such agent, and (G) Xencor does not enter into any agreement with the applicable Third Party regarding either (x) the supply by such Third Party of its agent for such study or (y) the sharing of data arising from such study.

For clarity, Xencor shall not Initiate such Xencor Study as permitted hereunder until after execution of the Pharmacovigilance Agreement by both Parties pursuant to Section 5.3.

1.3 **Records and Reports.**

1.1.1 Each Party shall maintain records in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, and in compliance with Applicable

Law, which shall be complete and accurate and shall properly reflect all work done and results achieved in the performance of its designated Development activities which shall record only such activities and shall not include or be commingled with records of activities other than such Development activities or Research activities hereunder. Such records shall be retained by the applicable Party for at least [***] after the termination of this Agreement, or for such longer period as may be required by Applicable Law.

1.1.2 Each Party shall use reasonable efforts to keep the other Party informed of its Development activities and [***], at mutually agreed meetings, shall provide a reasonably detailed written report describing Development activities performed and results obtained since the prior written report.

1.4 **Use of Xencor Study Data.** If Genentech elects to use any efficacy data (as opposed to safety data) arising out of a Xencor Study in support of the filing of an MAA, Genentech shall reimburse Xencor as follows:

1.1.1 if the data was generated from a [***] Clinical Trial, Genentech shall reimburse Xencor for [***] of its costs and expenses incurred by or on behalf of Xencor to conduct such trial [***]; and

1.1.2 if data was generated from a [***] Clinical Trial, then Genentech shall reimburse Xencor for [***] of its costs and expenses incurred by or on behalf of Xencor to conduct such trial [***].

1.1.3 Xencor shall submit to Genentech an invoice setting forth in reasonable detail such costs and expenses to be reimbursed in accordance with the foregoing, which costs and expenses shall be specifically identifiable or reasonably allocable to the conduct of such trial as determined in accordance with the applicable Accounting Standard. Unless disputed, Genentech shall pay such invoice within [***] after receipt. In the event of any disagreement with respect to the calculation of such costs and expenses, any undisputed portion of such costs and expenses to be reimbursed will be paid in accordance with the foregoing timetable and the remaining, disputed portion will be paid within [***] after the date on which Xencor and Genentech, using good faith efforts, resolve the dispute. In addition, each Party will consider in good faith other reasonable procedures proposed by the other Party for sharing financial information in order to permit each Party to close its books periodically in a timely manner.

1.5 **Compliance.** Each Party shall perform or cause to be performed, any and all of the Development activities for which it is responsible in good scientific manner and in compliance with all Applicable Laws.

ARTICLE 5
REGULATORY

1.1 **Regulatory Activities.**

1.1.1 Except as set forth in this Section 5.1.1 and Section 5.1.3, Genentech (or its Affiliate or sublicensee) shall have the sole right and responsibility, at its cost and expense, to prepare and submit Regulatory Materials and to file for, obtain, and maintain Regulatory Approvals (including the setting of the overall regulatory strategy therefor) for Collaboration Products. During the [***] period following the Royalty Conversion Effective Date, if and to the extent requested by Genentech, Xencor shall provide up to [***] of consulting support for obtaining such Regulatory Approvals for the Collaboration Products, including providing information, documents or other materials (for clarity, including CMC-

related information, documents or materials) required by Applicable Law for inclusion in or in support of Regulatory Materials. For clarity, Xencor's costs in connection with the foregoing consulting support shall be Support Costs.

1.1.2 Except as set forth in Section 5.1.3, all Regulatory Materials relating to the Collaboration Products shall be owned by, and shall be the sole property and held in the name of, Genentech or its designated Affiliate, sublicensee or designee. All Regulatory Approvals and Product Labeling relating to the Collaboration Products shall be owned by, and shall be the sole property and held in the name of, Genentech or its designated Affiliate, sublicensee or designee.

1.1.3 If Genentech declines to conduct a Proposed Study in accordance with Section 4.2.1, and Xencor has the right to conduct such Proposed Study pursuant to Section 4.2.3, then Xencor may conduct such Proposed Study as a Xencor Study in accordance with Section 4.2.4 under an IND owned by Xencor ("**Xencor IND**"). Genentech shall allow Xencor to cross reference the IND owned by Genentech for the relevant Collaboration Product for purposes of such Xencor IND. Genentech will, upon request, provide a letter to the FDA or the applicable Regulatory Authority confirming such right of reference. In any communications and interactions with a Regulatory Authority that are undertaken in connection with such Xencor Study or Xencor IND, Xencor and its authorized agents shall take into consideration and in no case intentionally materially harm the overall relationship with Regulatory Authorities with respect to Collaboration Products. In the event that Xencor conducts a Xencor Study, Xencor shall grant Genentech a right of cross reference to safety data, non-clinical data, CMC data and any special population data contained in the relevant Xencor IND. Xencor will provide a letter to the FDA or the applicable Regulatory Authority confirming such right of reference. Xencor agrees that in the event it desires to obtain Regulatory Approval for a Collaboration Product investigated in a Xencor Study, the Parties will work together so that Genentech, rather than Xencor, will submit any necessary Marketing Approval Applications. Genentech shall use Commercially Reasonable Efforts to submit such Marketing Approval Applications as soon as practicable. Xencor shall not file a Marketing Approval Application for a Collaboration Product (excluding Termination Products) without Genentech's prior written consent.

1.1.4 All communications with and material Regulatory Materials submitted to any Regulatory Authority in connection with any Xencor Study shall be coordinated between the Parties to ensure consistency across the Parties' regulatory activities. In particular, Xencor shall provide Genentech with copies of draft and filed INDs, Marketing Approval Applications, material labeling supplements, Regulatory Authority meeting requests, Regulatory Authority advice (including scientific advisory packages), core data sheets and any other material submissions and communications (including written summaries of oral communications proposed or conducted by or on behalf of Xencor) with any Regulatory Authority pertaining to a Xencor Study sufficiently in advance, where reasonable, for the Genentech to comment on any such Regulatory Materials or communications with any Regulatory Authority. Xencor shall give due consideration in good faith to any comments provided by Genentech in relation to such Regulatory Materials or communications with any Regulatory Authority.

1.2 **Regulatory Data; Annual Report.** During the [***] following the Royalty Conversion Effective Date, if requested by Genentech with respect to a particular annual reporting period prior to the Royalty Conversion Effective Date for a Collaboration Product, Xencor shall provide Genentech with such information as would be reasonably helpful in preparing the annual report with respect to the Manufacturing and control of such Collaboration Product for such annual reporting period, provided that Xencor's costs in connection with the foregoing shall be Support Costs.

1.3 **Pharmacovigilance.** Prior to Initiation of the first Xencor Study, the Parties shall execute a separate pharmacovigilance agreement setting forth the Parties' responsibilities and obligations with respect to the procedures and timeframes for compliance with Applicable Law pertaining to safety reporting of the Collaboration Products ("**Pharmacovigilance Agreement**"). The Parties acknowledge and agree that the Pharmacovigilance Agreement shall not conflict with this Agreement.

1.4 **Xencor Platform Product.** During the Term and to the extent permissible under relevant agreements concluded with Third Parties, Xencor shall provide a high level safety summary relating to the Xencor Fc Technology in connection with the development of Xencor Platform Products in order for Genentech to determine whether such development could impact the Development of Collaboration Products and whether a Regulatory Authority may require the reporting of certain safety data and related Information for such applicable Xencor Platform Products. Xencor shall determine, in good faith, the contents and frequency of such reports as reasonably necessary for Genentech to assess the safety of the Xencor Fc Technology.

ARTICLE 6
COMMERCIALIZATION AND MEDICAL AFFAIRS

1.1 **Generally.**

1.1.1 Genentech (itself or through its Affiliates or sublicensees) shall have the sole right to Commercialize each Collaboration Product in the Territory. As between the Parties, Genentech shall have sole decision-making authority over Commercialization matters for Collaboration Products, including pricing and reimbursement.

1.1.2 Genentech shall use Commercially Reasonable Efforts to Commercialize in the [***] for each Collaboration Product for which Marketing Approval is obtained. Activities by Genentech's sublicensees and Affiliates will be considered as Genentech's activities under this Agreement for purposes of determining whether Genentech has complied with its obligations under this Section 6.1.

1.2 **Booking of Sales; Distribution.** Genentech shall have the sole right to (a) invoice and book sales, establish all terms of sale (including pricing and discounts), warehouse, and distribute Collaboration Products in the Territory and to perform or cause to be performed all related services, (b) handle all order processing, invoicing, collection, distribution, reimbursement services, and inventory management with respect to such Collaboration Products in the Territory, (c) handle all returns, recalls, or withdrawals with respect to any Collaboration Product in the Territory, (d) handle all payer/distributor account management with respect to any Collaboration Product in the Territory, and (e) manage all aspects of contracting with providers, distributors, managed care vendors or payers with respect to any Collaboration Product in the Territory.

1.3 **Product Trademarks.** Genentech shall have the sole right and responsibility to determine the Product Trademarks to be used with respect to the Exploitation of the Collaboration Products on a worldwide basis, and to own any such Product Trademarks. Neither Party shall, nor shall either Party permit its Affiliates or sublicensees to (a) use in their respective businesses, any Trademark that is confusingly similar to, misleading or deceptive with respect to or that dilutes any (or any part) of the Product Trademarks, or (b) do any act which endangers, destroys, or similarly affects, in any material respect, the value of the goodwill pertaining to the Product Trademarks. Each Party agrees to conform (x) to the customary industry standards for the protection of Product Trademarks for pharmaceutical products and such guidelines of Genentech with respect to manner of use (as provided in writing by Genentech) of the Product Trademarks, and (y) to maintain the quality standards of Genentech

with respect to the goods sold and services provided in connection with such Product Trademarks. Neither Party shall do any act which endangers, destroys, or similarly affects, in any material respect, the value of the goodwill pertaining to the Product Trademarks. Neither Party shall attack, dispute, or contest the validity of or ownership of such Product Trademark anywhere in the Territory or any registrations issued or issuing with respect thereto.

1.4 **Product Labeling; Markings and Co-Branding.** Genentech shall own and be responsible for all Product Labeling for all Collaboration Products.

1.5 **Medical Affairs.** Genentech shall have the sole right and responsibility to conduct and make decisions regarding Medical Affairs Activities with respect to any Collaboration Product.

ARTICLE 7
MANUFACTURING

1.1 **Manufacturing.** Except as set forth in that certain side letter between the Parties dated as of November 14, 2023 ("**Manufacturing Side Letter**"), Genentech (itself or through its Affiliates or sublicensees) shall have the sole and exclusive right, at its sole cost and expense, to Manufacture any and all Collaboration Products in the Territory, including the management of all stages of the supply chain therefor. As between the Parties, Genentech shall have sole decision-making authority over Manufacturing matters for Collaboration Products. For clarity, Xencor's costs in connection with providing any consulting support for the Manufacturing of Collaboration Products under the Manufacturing Side Letter, including providing information, documents or other materials required for Genentech to Manufacture Collaboration Products, after [***] shall be Support Costs.

1.2 **Supply for Xencor Studies.** If Xencor conducts a Xencor Study, the Parties shall enter into (i) a separate agreement or agreements governing the supply of Collaboration Product by Genentech to Xencor for such Xencor Study at a transfer price equal to the Cost of Manufacture [***], and (ii) an associated quality agreement; provided, that, (1) any such supply agreement(s) shall be consistent with customary and reasonable terms and conditions for clinical supply agreements in the industry, (2) any liabilities that would arise under supply agreement(s) shall be allocated between the Parties as set forth under this Agreement (including ARTICLE 14), (3) the Parties acknowledge and agree that any such supply agreement(s) shall not conflict with this Agreement and (4) if at any time Genentech is unable to provide supplies of XmAb24306 Product necessary for any applicable Xencor Studies, Xencor shall have the right to Manufacture, or have Manufactured, such supplies through the Xencor Approved CMOs to the extent that the Manufacturing process for XmAb24306 Product remains substantially unchanged since the Effective Date. If Genentech is using one of the Xencor Approved CMOs at such time to Manufacture Collaboration Product(s), Xencor may not exercise this right in a way that would impact Genentech's ability to utilize such Xencor Approved CMO to Manufacture Collaboration Products; provided, that Xencor shall not be required to incur any termination penalties to comply with this final sentence of this Section 7.2.

ARTICLE 8
FINANCIAL TERMS

1.1 **Development and Marketing Authorization Milestone Payments**. Genentech shall pay Xencor the milestone payments, corresponding to the applicable Indication, set forth in the following table following the first achievement of the corresponding milestone event by the first Collaboration Product by or on behalf of Genentech, its Affiliate or sublicensee:

Milestone Event	**Milestone Payment**			
	1st Indication	2nd Indication	3rd Indication	4th Indication
Initiation of the first Phase II Clinical Trial*	[***]	[***]*	[***]*	[***]*
Initiation of the first Phase III Clinical Trial	[***]	[***]	[***]	[***]
Marketing Authorization in the U.S.	[***]	[***]	[***]	[***]
Marketing Authorization in the first Major European Country	[***]	[***]	[***]	[***]
Marketing Authorization in Japan	[***]	[***]	[***]	[***]
Total Possible Milestone Payments	[***]	[***]	[***]	[***]
	$300,000,000			

Each milestone payment specified in this Section 8.1 is payable one time only regardless of the number of Collaboration Products to achieve the applicable milestone event or the number of times such milestone event is achieved by a Collaboration Product. For the avoidance of doubt, in no event shall the cumulative amounts payable under this Section 8.1 exceed three hundred million Dollars ($300,000,000). For clarity, no milestone payment specified in this Section 8.1 shall become payable solely as a result of the Initiation of a Xencor Study or receipt of Marketing Authorization based solely on a Xencor Study.

Genentech shall notify Xencor in writing within [***] following the achievement of each milestone event described in Section 8.1, and shall make the appropriate milestone payment within [***] after receipt of an invoice from Xencor regarding the achievement of such milestone event. Each invoice shall identify the milestone event triggering the payment obligation and the Collaboration Product achieving such milestone event.

*Notwithstanding anything to the contrary, for any Phase II Clinical Trial Initiated prior to Initiation of the first Phase III Clinical Trial for a Collaboration Product by or on behalf of Genentech, its Affiliate or sublicensee, any milestone payment corresponding to the Initiation of such Phase II Clinical Trial set forth in the table above shall not become payable (and Xencor shall not invoice Genentech for such milestone payment) until Initiation of the first Phase III Clinical Trial for such Collaboration Product by or on behalf of Genentech, its Affiliate or sublicensee for the same Indication as such Phase II Clinical Trial. For clarity, for any Phase II Clinical Trial Initiated after Initiation of the first Phase III Clinical Trial for a Collaboration Product by or on behalf of Genentech, its Affiliate or sublicensee, Xencor may promptly invoice Genentech for any milestone payment corresponding to Initiation of such Phase II Clinical Trial set forth in the table above and Genentech shall make the corresponding milestone payment(s) within [***] after receipt of such invoice from Xencor.

1.2 **Annual Net Sales Milestone Payments**. Genentech will pay Xencor each milestone payment set forth in the following table following the first achievement of the corresponding milestone event by the first Collaboration Product by or behalf of Genentech, its Affiliate or its sublicensee:

Annual Net Sales Milestone Event	Milestone Payment
First time worldwide Annual Net Sales of a Collaboration Product are greater than [***]	[***]
First time worldwide Annual Net Sales of a Collaboration Product are greater than [***]	[***]
First time worldwide Annual Net Sales of a Collaboration Product are greater than [***]	[***]
Total possible worldwide Annual Net Sales milestone payments	**$300,000,000**

Each milestone payment specified in this Section 8.2 is payable one time only regardless of the number of Collaboration Products that achieve the applicable milestone event or the number of times such milestone event is achieved by a Collaboration Product.

Genentech shall notify Xencor in writing within [***] following the end of the Calendar Quarter during which achievement of each milestone event described in Section 8.2 occurs, and shall make the appropriate milestone payment within [***] after receipt of an invoice from Xencor regarding the achievement of such milestone event. Each invoice shall identify the milestone event triggering the payment obligation and the Collaboration Product achieving such milestone event.

1.3 **Royalty Payments**. On a Collaboration Product-by-Collaboration Product and country-by-country basis, subject to Section 8.3.1, Genentech shall pay to Xencor a royalty on Annual Net Sales of each Collaboration Product during the Royalty Term for such Collaboration Product at the following rates:

Worldwide Annual Net Sales	Royalty Rate
Portion of worldwide Annual Net Sales of a Collaboration Product up to and including [***]	[***]
Portion of worldwide Annual Net Sales of a Collaboration Product greater than [***] and up to and including [***]	[***]
Portion of worldwide Annual Net Sales of a Collaboration Product greater than [***]	[***]

Upon expiration of the Royalty Term with respect to a Collaboration Product in a country, the licenses set forth in Section 9.1 shall be fully paid-up, perpetual and irrevocable in respect of that Collaboration Product in that country. No more than one stream of royalty payments will be due under this Section 8.3 with respect to sales of any one particular Collaboration Product. For the avoidance of doubt, multiple royalties shall not be payable because a Collaboration Product is Covered by more than one (1) Valid Claim in the country in which such Collaboration Product is sold.

1.1.1 **Royalty Reductions and Offsets**. Each of the royalty adjustment mechanisms set forth in this Section 8.3.1 shall operate independently, on a Collaboration Product-by-Collaboration Product basis, and any or all may apply to a given Collaboration Product in a particular country if a royalty payment is owed with respect to such Collaboration Product in such country. Notwithstanding the foregoing, Genentech shall not, by reason of any royalty adjustment set forth in this Section 8.3.1 reduce a given royalty payment to less than [***] of what would otherwise be owed but for these royalty adjustments, provided however, that any royalty adjustment amounts that are not applied in accordance with this sentence may be carried forward and applied with respect to royalty payments due to Xencor only in the [***] subsequent Calendar Quarters and thereafter may not be applied with respect to any royalty payments due to Xencor under this Agreement.

(a) **No Valid Claim**. On a Collaboration Product-by-Collaboration Product and country-by-country basis, if during any portion of the Royalty Term for such Collaboration Product in the country of sale of such Collaboration Product, no Valid Claim Covers the sale, offer for sale or import of such Product, then the royalty payment that would otherwise be owed and payable, in each case, with respect to Net Sales of such Collaboration Product in such country will be reduced by [***] for the remainder of such Royalty Term.

(b) **Third Party Payments.** In the event that Genentech (or its Affiliate or sublicensee hereunder) acquires licenses or rights under any intellectual property from a Third Party that are necessary or reasonably useful for the manufacture, use, importation, offer for sale or sale of any Collaboration Product, Genentech may deduct [***] of the amount of any royalty payments paid by Genentech (or its Affiliates or sublicensees) to such Third Party for such licenses or rights from any royalty payments due and payable by Genentech to Xencor for such Collaboration Product pursuant to this Section 8.3.

(c) **Generic Products**. Following (i) the first commercial sale of a Generic Product (other than an IRA Subject Product) in a country where a Collaboration Product is being sold or (ii) either (a) the date on which the price of an IRA Subject Product first becomes reduced following the drug price negotiation in the U.S. or (b) if such drug price negotiation fails to reach agreement or if no such drug price negotiation occurs, the date on which an excise tax is levied on the sale of such Collaboration Product (the calendar quarter during which such sale of such Generic Product in such country occurred, drug price reduction first occurred or excise tax levy first occurred (as applicable, the "**Launch Quarter**"), if, in any Calendar Quarter after the Launch Quarter in such country, (1) the quarterly Net Sales of the applicable Collaboration Product in such country is less than [***] but greater than [***] of the average quarterly Net Sales such Collaboration Product achieved in such country in the [***] immediately prior to the Launch Quarter, then the royalty payments due under this Section 8.3 will be reduced by [***] and (2) the quarterly Net Sales of the applicable Product in such country is less than [***] of the average quarterly Net Sales such Product achieved in such country in the [***] immediately prior to the Launch Quarter, then the Royalty Payments due under this Section 8.3 will be reduced by [***].

1.1.2 **Royalty Reports**. Royalty payments will be payable on a quarterly basis and any such payments shall be made within [***] after the end of the Calendar Quarter during which the applicable Net Sales occurred. Each payment of royalties under this Agreement will be accompanied with a report setting forth, by region (which regions will be the [***]), the Net Sales, the applicable royalty rate, any applicable royalty adjustments, and the amount of royalty payment due on such Net Sales. All reports delivered by Genentech under this Section 8.3.2 will be the Confidential Information of Genentech.

1.1.3 **Blocked Currency**. If, at any time, Applicable Law prevents Genentech (or an Affiliate or sublicensee) from remitting part or all of royalty payments when due with

respect to any country where Collaboration Products are sold, Genentech shall continue to provide reports for such royalty payments in accordance with Section 8.3.2, and such royalty payments shall continue to accrue in such country, but Genentech shall not be obligated to make such royalty payments until such time as payment is no longer prevented by such Applicable Law.

1.1.4 [***].

(a) [***].

(b) [***].

1.4 **Support Costs**. Xencor shall provide a detailed accounting to Genentech within [***] following the end of each Calendar Quarter, commencing with the Calendar Quarter in which the [***] occurs, with regard to Support Costs incurred in accordance with this Agreement during such Calendar Quarter. Together with such report or within [***] thereafter, Xencor shall deliver to Genentech an invoice for an amount equal to [***] of such Support Costs during such Calendar Quarter, provided however that with respect to Support Costs incurred by Xencor pursuant to the Manufacturing Side Letter, Xencor may deliver to Genentech an invoice for an amount equal to [***] of such Support Costs during such Calendar Quarter. Genentech shall pay such invoice within [***] after its receipt thereof, provided that if Genentech has any reasonable questions with respect to such accounting or invoice, the Parties will use reasonable efforts to promptly resolve such questions and such [***] payment period will be extended as reasonably necessary to allow the Parties to resolve such questions.

1.5 **Mode of Payment.** All payments to either Party under this Agreement shall be made by deposit of Dollars in the requisite amount from a bank in the United States to such bank account in the United States as set forth below and as the receiving Party may from time to time modify by notice to the paying Party. For the purpose of calculating any sums due under, or otherwise reimbursable pursuant to, this Agreement (including the calculation of Net Sales expressed in currencies other than Dollars), a Party shall convert any amount expressed in a foreign currency into Dollar equivalents using its, its Affiliate's or sublicensee's standard conversion methodology consistent with applicable Accounting Standards. Each Party shall have the right to offset any expense that is owed by the other Party but not paid against any payments owed by such first Party, if any, under this Agreement.

Xencor
[***]

Genentech

[***]

1.6 **Accounting Procedures.** Each Party shall determine Support Costs, Sales and Net Sales, as applicable, using its standard Accounting Standards, consistently applied, to the maximum extent practicable.

1.7 **Taxes.**

1.1.1 Solely for purposes of this Section 8.7, "**Tax**" or "**Taxes**" means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including interest, penalties and additions thereto)

1.1.2 The Parties acknowledge and agree that it is their mutual objective and intent to minimize, to the extent feasible, Taxes payable with respect to their collaborative efforts under this Agreement and that they shall use their commercially reasonable efforts to cooperate and coordinate with each other to achieve such objective.

1.1.3 Subject to this Section 8.7.3, Xencor will pay any and all Taxes levied on account of any payments made to it under this Agreement. If any Taxes are paid or required to be withheld by Genentech for the benefit of Xencor on account of any payments payable to Xencor under this Agreement, Genentech will (i) deduct such Taxes from the amount of payments otherwise due to Xencor, (ii) timely pay the Taxes to the proper taxing authority, (iii) send proof of payment to Xencor as promptly as practicable following such payment and (iv) cooperate with Xencor in any way reasonably required by Xencor to obtain available reductions, credits or refunds of such Taxes.

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

1.1.5 As between the Parties and with respect to Collaboration Products in the United States, Genentech shall be solely responsible for the annual fee on branded prescription pharmaceutical manufacturers and importers, imposed on Genentech, or its Affiliates or sublicensees, pursuant to Section 9008 of the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 (as may be amended). For clarity, this Section 8.7.5 is not intended to limit Genentech's right to deduct such fees in determining Net Sales.

1.8 **Financial Records.** Each Party shall, and shall cause its Affiliates and sublicensees to, keep complete and accurate books and records pertaining to Support Costs, Net Sales, and the payment of royalties pursuant to Section 8.3, in each case, as applicable, in sufficient detail to calculate all amounts payable hereunder and to verify compliance with its obligations under this Agreement. Such books and records shall be retained by such Party and its Affiliates and sublicensees until the later of (a) [***] after the end of the period to which such books and records pertain, and (b) the expiration of the applicable tax statute of limitations (or any extensions thereof), or for such longer period as may be required by Applicable Law.

1.9 **Interest on Late Payments.** If any payment due to either Party under this Agreement is not paid when due, then such paying Party shall pay interest thereon (before and after any judgment) at an annual rate (but with interest accruing on a daily basis) of [***] basis points above EURIBOR or what is permissible by law, such interest to run from the date on which payment of such sum became due until payment thereof in full together with such interest.

1.10 **Audit.** At the request of the other Party, each Party shall, and shall cause its Affiliates to, permit an independent auditor designated by the other Party and reasonably acceptable to the audited Party, at reasonable times and upon reasonable notice, to audit the books and records maintained pursuant to Section 8.8 to ensure the accuracy of all reports and payments made hereunder. Such examinations may not (a) be conducted for any Calendar Quarter more than

[***] after the end of such quarter, (b) be conducted more than once in any [***] period (unless a previous audit during such [***] period revealed an underpayment with respect to such period) or (c) be repeated for any Calendar Quarter, except in each case as a subsequent "for cause" audit may require. Except as provided below, the cost of this audit shall be borne by the auditing Party, unless the audit reveals a variance of more than [***] from the reported amounts, in which case the audited Party shall bear the cost of the audit. Unless disputed pursuant to Section 8.11 below, if such audit concludes that (x) additional amounts were owed by the audited Party, the audited Party shall pay the additional amounts, with interest from the date originally due at the rate provided in Section 8.9 or (y) excess payments were made by the audited Party, the auditing Party shall reimburse such excess payments, in either case ((x) or (y)), within [***] after the date on which such audit is completed by the auditing Party.

1.11 **Audit Dispute.** In the event of a dispute with respect to any audit under Section 8.10, Xencor and Genentech shall work in good faith to resolve the disagreement. If the Parties are unable to reach a mutually acceptable resolution of any such dispute within [***], either Party may submit the dispute for resolution to a certified public accounting firm jointly selected by each Party's certified public accountants or to such other Person as the Parties shall mutually agree (the "**Arbitrator**"). The decision of the Arbitrator shall be final and the costs of such arbitration as well as the initial audit shall be borne between the Parties in such manner as the Arbitrator shall determine. Not later than [***] after such decision and in accordance with such decision, the audited Party shall pay the additional amounts, with interest from the date originally due as provided in Section 8.9 or the auditing Party shall reimburse the excess payments, as applicable.

1.12 **Confidentiality.** The receiving Party shall treat all information subject to review under this ARTICLE 8 in accordance with the confidentiality provisions of ARTICLE 11 and the Parties shall cause the Arbitrator to enter into a reasonably acceptable confidentiality agreement with the audited Party obligating such firm to retain all such financial information in confidence pursuant to such confidentiality agreement.

ARTICLE 9
LICENSES

1.1 **Licenses to Genentech.**

1.1.1 Xencor hereby grants to Genentech an exclusive license, sublicenseable solely as provided in Section 9.2, under the Xencor IP and Xencor's rights in the Program IP to (i) make, use, and import Non-targeted Collaboration Constructs, Non-targeted Collaboration Products, Initial Targeted Collaboration Constructs, and Initial Targeted Collaboration Products, alone or for use in combination with a Combination Agent, and (ii) sell and offer for sale Non-targeted Collaboration Products and Initial Targeted Collaboration Products, alone or for use in combination with a Combination Agent, in each case of (i) and (ii), in the Field in the Territory. For clarity, Xencor does not have the right to sell or offer for sale Non-targeted Collaboration Constructs and Initial Targeted Collaboration Constructs (in each case that are not within Termination Products).

1.1.2 Xencor hereby grants to Genentech a non-exclusive license, sublicenseable as provided in Section 9.2, under the Xencor IP and Xencor's rights in the Program IP to (i) make, use, and import Subsequent Targeted Collaboration Constructs and Subsequent Targeted Collaboration Products, alone or for use in combination with a Combination Agent, and (ii) sell and offer for sale Subsequent Targeted Collaboration Products, alone or for use in combination with a Combination Agent, in each case of (i) and (ii), in the Field in the Territory following the [***] after the Research Term.

1.1.3 Xencor hereby grants to Genentech a non-exclusive license, sublicenseable as provided in Section 9.2, under the [***] Component Background IP to make, use, sell, offer for sale and import of (x) any construct (other than a Collaboration Construct) and (y) any product (other than a Collaboration Product) in each case of clauses (x) and (y) above, that incorporates a [***] Component, alone or for use in combination with other agents, in the Field in the Territory. [***]

1.2 **Genentech Sublicense Rights.**

1.1.1 Subject to Section 9.2.3 below, Genentech may exercise its rights and perform its obligations under this Agreement by itself or through the engagement of any of its Affiliates.

1.1.2 Genentech may sublicense the rights granted to it under Section 9.1 to one (1) or more Third Parties (including Chugai). Subject to Sections 9.2.3 and 9.6, Genentech may grant a limited sublicense to subcontractors engaged in accordance with Section 9.6 solely for the purpose of performing the subcontracted tasks and obligations.

1.1.3 Genentech shall remain directly responsible for all of its obligations under this Agreement that have been delegated, subcontracted or sublicensed to any of its Affiliates, subcontractors or sublicensees. Genentech shall ensure that any such delegation, subcontracting or sublicensing is done in accordance with the terms of Section 9.6.

1.3 **Licenses to Xencor.**

1.1.1 **Research and Development License**. Genentech hereby grants to Xencor a royalty-free, non-exclusive, sublicenseable solely as provided in Section 9.4, non-transferable license under (i) the Genentech IP (other than the Excluded Patents), (ii) Program IP, and (iii) the Xencor IP (to the extent exclusively licensed to Genentech), in each case solely to perform Xencor's obligations, or exercise Xencor's rights, under this Agreement.

1.4 **Xencor Sublicense Rights to Subcontractors.**

1.1.1 Subject to Section 9.4.3 below, Xencor may exercise its rights and perform its obligations under this Agreement by itself or through the engagement of any of its Affiliates.

1.1.2 Subject to Sections 9.4.3 and 9.6, Xencor may grant a limited sublicense under the license granted to Xencor in Section 9.3.1 to subcontractors engaged in accordance with Section 9.6 solely for the purpose of performing the subcontracted tasks and obligations under this Agreement.

1.1.3 Xencor shall remain directly responsible for all of its obligations under this Agreement that have been delegated, subcontracted or sublicensed to any of its Affiliates, subcontractors or sublicensees and shall ensure that that such delegation, subcontracting or sublicensing is done in accordance with the terms of Section 9.6.

1.5 **No Implied Licenses; Retained Rights.**

1.1.1 Except as expressly set forth herein, neither Party shall acquire any license or other intellectual property interest, by implication or otherwise, under or to any trademarks, patents or patent applications, know-how, or other intellectual property rights owned or Controlled by the other Party. For clarity, an exclusive license granted to a Party

under any particular patent rights or Know-How Controlled by the other Party shall confer exclusivity to the Party obtaining such license only to the extent the Party granting such license Controls the exclusive rights to such Patent Rights or Know-How.

1.1.2 Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall require a Party to make available any particular intellectual property rights that are not necessary to perform a Parties' obligations and exercise its rights under this Agreement with respect to IL-15 or a Research Target or Collaboration Construct or Combination Agent that was included in a mutually agreed Research Plan or GDP (i.e., a Research Plan or GDP approved without the exercise of a Party's decision-making authority) and any such intellectual property rights are expressly excluded from the subject matter licensed under this Agreement.

1.6 **Subcontractors.** The Parties shall have the right to engage subcontractors for purposes of conducting Research, Development, and Commercialization activities assigned to it under this Agreement. Each Party will (a) require that such subcontractor operates in a manner consistent with this Agreement, (b) remain at all times fully liable for its respective responsibilities, and such Party hereby expressly waives any requirement that the other Party exhaust any right, power or remedy, or proceed against such subcontractor, for any obligation or performance hereunder prior to proceeding directly against the Party who engaged such subcontractor, and (c) the Parties will make reasonable efforts to share information regarding any prior experience with specific subcontractors that are anticipated to be engaged to perform work under this Agreement. Each Party shall enter into a written agreement with all subcontractors, where such agreement ensures that (i) any subcontractor engaged by such Party pursuant to this Section 9.6 is bound by written obligations of confidentiality and limited-use consistent with this Agreement, and (ii) such Party obtains ownership of, or a fully sublicensable license (or an exclusive option to obtain such license) under and to, any Know-How and Patents that are developed by such subcontractor in the performance of such agreement and are reasonably necessary or useful to Research, Develop, Manufacture or Commercialize Collaboration Constructs or Collaboration Products. For clarity, the foregoing requirement to obtain ownership of, or a fully sublicensable license (or an exclusive option to obtain such license) shall not apply to any improvements to the proprietary core or platform technology owned or in-licensed by any such subcontractor or its Affiliates unless such improvements are reasonably necessary to Research, Develop, Manufacture or Commercialize those Collaboration Products with respect to which such subcontractor or its affiliate conducted its activities under such subcontractor agreement.

1.7 **Collaboration In-Licenses.** Unless the Parties otherwise agree in writing, and without limiting Sections 8.3.1(b) and 9.1.3, each Party shall be responsible for any payments owed to a Third Party for its intellectual property or Know-How under any license acquired or entered into by such Party prior to the Royalty Conversion Effective Date that relate to any Collaboration Product.

ARTICLE 10
INTELLECTUAL PROPERTY; OWNERSHIP

Except as otherwise set forth under Sections 3.4, this Article 10 shall apply to all intellectual property in relation to this Agreement as set forth below:

1.1 **Disclosure of Inventions.** Each Party shall promptly disclose to the other Party, [***].

1.2 **Ownership of Intellectual Property.** As between the Parties, ownership of any and all Know-How and other intellectual property (together with all Patents and other intellectual property rights therein) developed, conceived, or reduced to practice in the course of conducting

activities pursuant to this Agreement shall follow inventorship of such intellectual property rights as determined in accordance with U.S. patent laws; except as follows:

1.1.1 **Xencor.** As between the Parties, Xencor shall solely own (a) the Xencor IP (other than Program IP), (b) Xencor Core Inventions and (c) Xencor Non-Collaboration PD1/IL-15 Patents;

1.1.2 **Genentech.** As between the Parties, Genentech shall solely own (a) the Genentech IP (other than Program IP), (b) Genentech Core Inventions and (c) Genentech Non-Collaboration PD1/IL-15 Patents; and

1.1.3 **Program.** [***].

[***].

1.3 **Assignments.**

1.1.1 **Xencor.** Xencor shall require all of its employees, contractors and agents, and any Third Parties working on its behalf under this Agreement (and their respective employees, contractors and agents), to assign to Xencor any Know-How and other intellectual property (together with all Patents and other intellectual property rights therein) developed, conceived, or reduced to practice by such employees, contractors or agents or Third Parties; provided, that, in the case of any such Third Parties, to the extent that an assignment of such intellectual property cannot be obtained, then (i) licenses sufficient to enable the Development, Commercialization and Manufacturing of Collaboration Constructs and Collaboration Products hereunder and, (ii) with respect to PD1 Component Know-How or IL-15 Component Know-How disclosed or claimed in any Genentech Non-Collaboration PD1/IL-15 Patent, and with respect to Genentech Non-PD1 Component IP, licenses sufficient to enable the Development, Commercialization and Manufacturing of any construct and any product for all uses, shall satisfy the obligations of this Section 10.3.1. [***].

1.1.2 **Genentech.** Genentech shall require all of its employees, contractors and agents, and any Affiliates and Third Parties working on its behalf under this Agreement (and their respective employees, contractors and agents), to assign to Genentech any Know-How and other intellectual property (together with all Patents and other intellectual property rights therein) developed, conceived, or reduced to practice by such employees, contractors or agents or Affiliates or Third Parties; provided, that, in the case of any such Third Parties, to the extent that an assignment of such intellectual property cannot be obtained, then (i) licenses sufficient to enable the Development, Commercialization and Manufacturing of Collaboration Constructs and Collaboration Products hereunder and, (ii) with respect to PD1 Component Know-How or IL-15 Component Know-How disclosed or claimed in any Xencor Non-Collaboration PD1/IL-15 Patent, and with respect to Xencor Non-PD1 Component IP, licenses sufficient to enable the Development, Commercialization and Manufacturing of any construct and any product for all uses, shall satisfy the obligations of this Section 10.3.2. Genentech hereby assigns to Xencor any and all rights, title, or interest that Genentech may have in any Xencor Core Invention and [***].

1.1.3 **Cooperation.** Xencor and Genentech shall reasonably cooperate with each other to effectuate ownership of any intellectual property rights as set forth in this Agreement, including, but not limited to, by executing and recording documents.

1.4 **Prosecution and Maintenance.**

1.1.1 **Xencor Controlled Prosecution and Maintenance.** As between the Parties, Xencor shall, at its sole discretion and expense, have the right (but not the obligation) to Prosecute and Maintain Patents within the Xencor IP as follows:

(a) **Xencor Patents (including Xencor Product Patents).** [***].

(b) **Xencor Fc Patents.** [***].

(c) [***].

1.1.2 **Genentech Controlled Prosecution and Maintenance.** As between the Parties, Genentech shall, at its sole discretion and expense, have the right (but not the obligation) to Prosecute and Maintain Patents within the Genentech IP and Program IP as follows:

(a) **Genentech Patents (including Genentech Product Patents).** [***].

(b) **Program Patents.** [***].

(c) **Patent Term Extensions**. [***].

1.1.3 **Review and Comment.**

(a) **Xencor Patents (including Xencor Product Patents).** [***].

(b) **Program Patents and Genentech Patents (including Genentech Product Patents).** [***].

1.1.4 **Prosecution Step-in Rights.** In the event that a Party elects not to engage in Prosecution and Maintenance (or not to continue Prosecution and Maintenance, including filing a Patent claiming priority to a Patent prior to its issuance, or, in the case of foreign deadlines for filing divisionals, prior to such deadline) of any [***], the abandoning Party will notify the other Party at least [***] before any such Patent would become abandoned, no longer available or otherwise forfeited, and such other Party will have the right (but not the obligation), at such other Party's sole discretion, and sole responsibility for all applicable costs, to bear responsibility for Prosecution and Maintenance for such Patent in the name of the abandoning Party (which right will include the right to file additional Patents claiming priority to such Patent). In such event, the other Party will, upon such abandoning Party's reasonable request, consult with such abandoning Party, on the status of its Prosecution and Maintenance activities, and furnish such abandoning Party, copies of documents related to the Prosecution and Maintenance of such Patents. For clarity, this section does not apply to patent term extensions as set forth in Section 10.4.2(c).

1.1.5 **Terminal Disclaimer Filing.** The Parties understand and agree that the value of the patent term lost by the filing of a terminal disclaimer in the U.S. [***].

1.1.6 **Prosecution and Maintenance of Separated PD1/IL-15 Component Patents**. Sections 10.4.1(a), 10.4.3(a), 10.4.4 and 10.4.5 shall apply *mutatis mutandis* to Separated PD1/IL-15 Component Patents, provided that the Parties shall discuss and align on the strategy of Prosecution and Maintenance of Separated PD1/IL-15 Component Patents with the objective to prioritize Patents claiming Collaboration Constructs or Collaboration Products.

1.1.7 **Prosecution and Maintenance of Non-PD1 Component Patents**. The Parties shall work together to determine whether and how Non-PD1 Component Claims shall be separated out into a separate Patent from any Patent claiming Collaboration Constructs or Collaboration Products, either by divisional or continuation application (or by initially filing the Non-PD1 Component Claim in a separate Patent). The Parties shall discuss and align on the strategy of Prosecution and Maintenance of Patents including Non-PD1 Component Claims, with the objective to prioritize Patents claiming Collaboration Constructs or Collaboration Products that incorporate the Non-PD1 Component. Sections 10.4.1(a), 10.4.3(a), 10.4.4 and 10.4.5 shall apply *mutatis mutandis* to Xencor Non-PD1 Component Patents. Sections 10.4.2(a), 10.4.3(b), 10.4.4 and 10.4.5 shall apply *mutatis mutandis* to Genentech Non-PD1 Component Patents. The obligations under this Section 10.4.7 shall only apply to a Non-PD1 Component Claim during the period the relevant Non-PD1 Component (i) is incorporated in a Collaboration Construct or Collaboration Product and (ii) subject to ongoing Research, Development or Commerzialization herunder.

1.5 **Inventorship; Exclusive Dispute Resolution Process.** The determination of inventive contribution by or on behalf of Xencor or Genentech with respect to Inventorship for purposes of determining ownership as set forth in Section 10.2 shall be made in accordance with the laws of inventorship under U.S. patent Law ("**Inventorship**"). In the event of a Dispute between Xencor and Genentech over Inventorship of Program IP, Xencor and Genentech shall, notwithstanding anything to the contrary in ARTICLE 16, refer such Dispute to a mutually acceptable neutral outside patent counsel to determine Inventorship and shall use all reasonable efforts to do so in an efficient and expedient manner. Xencor and Genentech agree that the decision rendered by such outside patent counsel shall be the sole, exclusive and binding resolution and remedy between them regarding such Dispute, and Xencor and Genentech shall share equally the fees and expenses of the outside patent counsel in resolving such Dispute.

1.6 **CREATE Act.** It is the intention of the Parties that this Agreement is a "joint research agreement" as that phrase is defined in Public Law 108-53 (the "**Create Act**"). In the event that either Genentech or Xencor intends to overcome a rejection of a claimed invention within the Xencor IP, Genentech IP, or Program IP pursuant to the provisions of the Create Act under this Agreement, such Party shall first obtain the prior written consent of the other Party. Following receipt of such written consent, Xencor and Genentech shall limit any amendment to the specification or statement to the patent office with respect to this Agreement to that which is strictly required by 35 USC § 102(c) and the rules and regulations promulgated thereunder and which is consistent with the terms and conditions of this Agreement (including the scope of the Research Program activities).

1.7 **Quarterly IP Meetings.** Xencor and Genentech shall meet on a quarterly basis ("**Quarterly IP Meeting**") unless otherwise agreed upon in writing to discuss intellectual property strategy and Prosecution and Maintenance of Xencor Patents (including Xencor Product Patents), Xencor Fc Patents, Genentech Patents (including Genentech Product Patents), and Program Patents. At each Quarterly IP Meeting, Xencor and Genentech will each be represented by at least one (1) representative who has knowledge of and control of each respective party Prosecution and Maintenance.

1.8 [***].

1.9 **Enforcement Rights for Infringement by Third Parties.**

1.1.1 Xencor and Genentech shall notify the other within [***] of becoming aware of any alleged or threatened infringement by a Third Party of any [***] through the manufacture, use, offer for sale, sale or importation of a product, or any "patent certification" filed in the United States under 21 U.S.C. §355(b)(2) or 21 U.S.C. §355(j)(2)

or similar provisions in other jurisdictions alleging the invalidity, unenforceability or non-infringement of any [***] . Xencor and Genentech shall notify the other within [***] of becoming aware of any alleged or threatened infringement by a Third Party of [***] through the manufacture, use, offer for sale, sale or importation of a product, or any "patent certification" filed in the United States under 21 U.S.C. §355(b)(2) or 21 U.S.C. §355(j)(2) or similar provisions in other jurisdictions alleging the invalidity, unenforceability or non-infringement of any [***].

1.1.2 Genentech shall have first the right but not the obligation to bring and control any legal action in connection with any Patent Infringement at its own expense as it reasonably determines appropriate. Xencor shall cooperate with Genentech in connection with any such legal action (as may be reasonably requested by Genentech and at Genentech's expense), including, if necessary, by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action if required. In connection with any such proceeding, Genentech shall not enter into any settlement admitting the invalidity of, or otherwise impairing Xencor's rights in, the [***] without the prior written consent of Xencor. In the event that Genentech does not undertake legal action in connection with any Patent Infringement within [***] of becoming aware thereof, Xencor shall have the right, but not the obligation, to bring and control any legal action in connection with any Patent Infringement at its own expense as it reasonably determines appropriate and Genentech shall cooperate with Xencor in connection with any such legal action (as may be reasonably requested by Xencor and at Xencor's expense), including, if necessary, by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action if required.

1.1.3 Xencor shall have the right but not the obligation to bring and control any legal action in connection with any [***] at its own expense as it reasonably determines appropriate. Genentech shall cooperate with Xencor in connection with any such legal action (as may be reasonably requested by Xencor and at Xencor's expense), including, if necessary, by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action if required. [***].

1.1.4 Any damages or other recovery actually received by Genentech or Xencor as a result of an action or proceeding brought pursuant to this Section 10.9 (whether by way of settlement or otherwise) shall be allocated to reimburse the Parties for their costs and expenses in making such recovery (which amounts shall be allocated pro rata if insufficient to cover the totality of such expenses). Any remainder after such reimbursement is made shall be treated as "Net Sales" under this Agreement, and allocated between the Parties accordingly pursuant to Section 8.3.

1.10 **Third Party Infringement Claims.**

1.1.1 **Notice.** In the event that a Third Party makes any claim, gives notice, or brings any suit against Xencor or Genentech (or any of their respective Affiliates, sublicensees or customers) for infringement or misappropriation of any intellectual property rights as a result of the research, development, making, using, selling, offering for sale, import or export of any Collaboration Construct or Collaboration Product in any country (each, a "**Third Party Infringement Claim**"), in each case, the Party receiving notice of a Third Party Infringement Claim shall promptly notify the other Party within [***] and subsequently provide all evidence in its possession pertaining to the claim or suit that it can disclose without breach of a pre-existing obligation to a Third Party or waiver of a privilege.

1.1.2 **Defense.** Xencor and Genentech shall consult, pursuant to a common joint defense agreement, as to potential strategies to defend against any Third Party

Infringement Claim, consistent with the overall goals of this Agreement, including by being joined as a party. Xencor and Genentech shall cooperate with each other in all reasonable respects in the defense of any Third Party Infringement Claim or raising of any counterclaim related thereto. Subject to Xencor's and Genentech's respective indemnification obligations in ARTICLE 14, Genentech shall be solely responsible for defending such Third Party Infringement Claim, including but not limited to selection of counsel, venue, and directing all aspects, stages, motions, and proceedings of litigation. At Genentech's request and expense, Xencor shall cooperate with Genentech in connection with any such defense and counterclaim. Any counterclaim or other similar action by Xencor or Genentech, to the extent such action involves any enforcement of rights under Xencor Patents, Xencor Fc Patents, Program Patents, and Genentech Product Patents, shall be treated and handled as an enforcement action under Section 10.9.

1.1.3 **Settlement.** If any defense action of a Third Party Infringement Claim would adversely affect Xencor's or Genentech's rights under this Agreement or impose a financial obligation upon the other Party or grant rights in respect, or affect the validity or enforceability, of the other Party's Patents, then any settlement, consent judgment or other voluntary final disposition of such Third Party Infringement Claim shall not be entered into without the consent of the other Party, not to be unreasonably withheld.

1.1.4 **Costs and Expenses.** Xencor and Genentech shall each pay their own respective costs associated with a Third Party Infringement Claim. Notwithstanding the foregoing, if the Parties agree to be represented by a joint counsel, the Parties shall share the cost of such joint counsel [***] as between Genentech and Xencor.

1.11 **Attorney-Client Privilege; Common Interest.** Neither Party is waiving, nor shall be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges or the like as a result of disclosing information pursuant to this Agreement or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the receiving Party, regardless of whether the disclosing Party has asserted, or is or may be entitled to assert, such privileges and protections. The Parties: (i) share a common legal and commercial interest in such disclosure that is subject to such privileges and protections; (ii) are or may become joint defendants in proceedings to which the information covered by such protections and privileges relates; (iii) intend that such privileges and protections remain intact should either Party become subject to any actual or threatened proceeding to which the disclosing Party's Confidential Information covered by such protections and privileges relates; and (iv) intend that after the Effective Date both the receiving Party and the disclosing Party shall have the right to assert such protections and privileges.

1.12 **Trademarks.** Genentech shall have the right to brand the Collaboration Products using Genentech related trademarks and any other Product Trademarks and trade names it determines appropriate for the Collaboration Products, which may vary by country or within a country. Genentech shall own all rights in the Product Trademarks and shall register and maintain the Product Trademarks in the countries and regions that it determines reasonably necessary, at Genentech's cost and expense.

1.13 **Cooperation.** Genentech and Xencor shall execute such documentation as may be necessary or appropriate, and provide reasonable assistance and cooperation, to implement the provisions of this ARTICLE 10. Genentech and Xencor shall to the extent legally possible under relevant national or local laws require all of its employees, its Affiliates and any Third Parties working pursuant to this Agreement on its behalf, to assign (or otherwise convey rights) to such Party any Patents and Know-How developed, conceived or reduced to practice by such

employee, Affiliate or Third Party, and to cooperate with such Party in connection with obtaining patent protection therefor.

ARTICLE 11
CONFIDENTIALITY

1.1 **Duty of Confidence.** During the term of this Agreement and for a period of [***] thereafter, subject to the other provisions of this ARTICLE 11:

(a) all Confidential Information of a disclosing Party and Program Confidential Information shall be maintained in confidence and otherwise safeguarded by the receiving Party and its Affiliates, using Commercially Reasonable Efforts, but in any event through the use of reasonable precautions and protective measures no less than those employed by the receiving Party in safeguarding and maintaining the confidence of its own confidential information;

(b) the receiving Party may only use any such Confidential Information and Program Confidential Information for the purposes of performing its obligations or exercising its rights under this Agreement, or as permitted under this Agreement (for example, pursuant to Section 10.2.3 (Ownership of Program IP); and

(c) the receiving Party may disclose Confidential Information of the other Party or Program Confidential Information to: (i) its Affiliates and sublicensees; and (ii) employees, directors, agents, contractors, consultants and advisers of the receiving Party and its Affiliates and sublicensees, in each case to the extent reasonably necessary for the purposes of, and for those matters undertaken pursuant to, performing its obligations or exercising its rights under this Agreement; provided that such Persons are bound by legally enforceable obligations to maintain the confidentiality of the Confidential Information or Program Confidential Information in a manner consistent with the confidentiality provisions of this Agreement.

1.2 **Exceptions.** The foregoing obligations as to particular Confidential Information of a disclosing Party or Program Confidential Information shall not apply to the extent that the receiving Party can demonstrate through competent evidence that such Confidential Information or Program Confidential Information:

(a) is known by the receiving Party at the time of its receipt without an obligation of confidentiality, and not through a prior disclosure by the disclosing Party, as documented by the receiving Party's business records;

(b) is in the public domain before its receipt from the disclosing Party, or thereafter enters the public domain through no fault of the receiving Party;

(c) is subsequently disclosed, without an obligation of confidentiality, to the receiving Party by a Third Party who may lawfully do so and is not under an obligation of confidentiality to the disclosing Party; or

(d) is developed by the receiving Party independently and without use of or reference to any Confidential Information received from the disclosing Party or Program Confidential Information, as documented by the receiving Party's business records.

1.3 **Authorized Disclosures.** Notwithstanding the obligations set forth in Section 11.1, a receiving Party may disclose the disclosing Party's Confidential Information (including this Agreement and the terms herein) or Program Confidential Information to the extent:

(a) if required by law, rule or governmental regulation, including as may be required in connection with any filings made with or by the disclosure policies of a major stock exchange; provided that the Party seeking to disclose such Confidential Information (i) uses all reasonable efforts to inform the other Party prior to making any such disclosures and cooperates with the other Party in seeking a protective order(s) or other appropriate remedy(ies) (including redaction) and (ii) whenever possible, requests confidential treatment of such information;

(b) such disclosure: (i) is reasonably necessary for the Prosecution or Maintenance of Patents as contemplated by this Agreement; (ii) is reasonably necessary in connection with the preparation and filing of Regulatory Materials or maintenance of Marketing Approvals for Collaboration Products in accordance with the terms of this Agreement; (iii) is reasonably necessary for prosecuting or defending litigation as contemplated by this Agreement; or (iv) is made to any Third Party bound by written obligations of confidentiality and non-use substantially consistent with those set forth under this ARTICLE 11, to the extent reasonably necessary in connection with the exercise of its rights or the performance of its obligations hereunder provided that the Disclosing Party take all reasonable steps to limit such disclosure of and otherwise maintain the confidentiality of the Confidential Information;

(c) such disclosure is reasonably necessary to the receiving Party's directors, attorneys, independent accountants or financial advisors for the sole purpose of enabling such directors, attorneys, independent accountants or financial advisors to provide advice to the receiving Party, provided in each such case that such directors, attorneys, independent accountants and financial advisors have a need to know such information in providing such advice and are bound by written confidentiality obligations requiring such individuals to maintain such Confidential Information in strict confidence and not to use such Confidential Information other than for purposes of advising the receiving Party;

(d) such disclosure is required by judicial or administrative process, provided that in such event the receiving Party shall promptly notify the disclosing Party in writing of such required disclosure and, to the extent possible, provide the disclosing Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed by judicial or administrative process shall remain otherwise subject to the confidentiality and non-use provisions of this ARTICLE 11, and the receiving Party disclosing Confidential Information of the disclosing Party pursuant to Law or court order shall take all steps reasonably necessary, including seeking of confidential treatment or a protective order, to ensure the continued confidential treatment of such Confidential Information; or

(e) such disclosure: (i) is with respect to particular terms of this Agreement that the receiving Party reasonably believes is necessary to fulfill its obligations or exercise its rights under this Agreement, or (ii) is to a *bona fide* actual or prospective acquirer, underwriter, investor, lender or other financing source or a *bona fide* actual or prospective collaborator, licensor, sublicensee, licensee or strategic partner or to an employee, director, agent, consultant and adviser of such Third Party, in each case who are under an obligation or confidentiality with respect to such information that is no less stringent than the terms of this ARTICLE 11 but of duration customary in confidentiality agreements entered into for a similar purpose.

1.4 **Destruction of Confidential Information.** Except as expressly permitted under this Agreement, following any termination of this Agreement each receiving Party shall upon written request by the disclosing Party promptly destroy all Confidential Information received from the disclosing Party, including any copies thereof (except one copy of which may be retained for archival purposes solely to ensure compliance with the terms of this Agreement and automatic electronic backups) and at all times subject to these obligations of confidentiality and non-use.

1.5 **Terms of this Agreement.** The Parties agree that this Agreement and the terms hereof will be considered Confidential Information of both Parties.

1.6 **No License.** As between the Parties, Confidential Information disclosed hereunder shall remain the property of the disclosing Party. Disclosure of Confidential Information to the other Party shall not constitute any grant, option or license to the other Party, beyond those licenses expressly granted under ARTICLE 9, under any patent, trade secret or other rights now or hereinafter held by the disclosing Party.

ARTICLE 12
PUBLICITY; PUBLICATIONS; USE OF NAME

1.1 **Publicity; Use of Names.**

1.1.1 The Parties have agreed on language to be disclosed in Xencor's next securities filing with the SEC announcing this Agreement, which is attached hereto as Exhibit G, to be issued by Xencor after the mutual execution of the Agreement. No other disclosure of the existence or the terms of this Agreement (which terms the Parties acknowledge and agree is the Confidential Information of each Party) or the subject hereof ("**Disclosure**") may be made by either Party or its Affiliates except as provided in this Section 12.1. No Party shall use the name, trademark, trade name or logo of the other Party, its Affiliates or their respective employees in any publicity, promotion, news release or disclosure relating to this Agreement or its subject matter without the prior express written permission of the other Party, except as may be required by Applicable Law.

1.1.2 A Party may disclose this Agreement in securities filings with the United States Securities Exchange Commission (the "**SEC**") or equivalent foreign agency to the extent required by Applicable Law. In such event, the Party seeking such Disclosure shall prepare a draft confidential treatment request and proposed redacted version of this Agreement to request confidential treatment for this Agreement, and shall provide the other Party with the opportunity, for no less [***] before the date of the proposed filing, to review and comment on such proposed filing, and shall thereafter provide the other Party with reasonable advance notice and opportunity to comment on any subsequent changes to such filing. The Party seeking such Disclosure shall reasonably consider any comments thereto provided by the other Party. Nothing in this Section 12.1.2 shall limit a Party's obligations under Section 11.1.

1.1.3 Each Party acknowledges that the other Party may be legally required to make public Disclosures (including in filings with governmental authorities) of certain terms of or material developments or material information generated under this Agreement and agrees that each Party may make such Disclosures to the extent required by Law, provided that the Party seeking such Disclosure first provides the other Party a copy of the proposed Disclosure, and shall provide the other Party with no less than [***] before the date of the proposed Disclosure to provide comments regarding the proposed Disclosure, unless a shorter review time is agreed to by both Parties. In the event the reviewing Party would prefer not to make the proposed Disclosure, the Party seeking such Disclosure shall make reasonable efforts to limit the proposed Disclosure to address the concerns of the other Party.

1.1.4 Other than the language set forth in Exhibit G, the Parties agree that the portions of any news release or other public announcement relating to this Agreement or the performance hereunder that contain a proposed Disclosure shall first be reviewed and approved by both Parties. For each such proposed Disclosure, unless a Party otherwise has the right to make such Disclosure pursuant to and in accordance with the procedures set

forth in Section 12.1.3, the Party seeking to make the proposed Disclosure shall provide the other Party with a draft of such Disclosure at least [***] prior to its intended release for review and comment, unless a shorter review time is agreed to by both Parties, and shall obtain the other Party's prior written approval of the proposed Disclosure prior to publication. The Parties shall use reasonable efforts to coordinate the timing of such Disclosures to be outside the trading hours of the NASDAQ stock market, provided that neither Party shall be required to so delay such a Disclosure where such delay would reasonably be expected to give rise to liability for or sanctions upon such Party in such Party's reasonable judgment. Nothing in this Section 12.1.4 shall limit a Party's obligations under Section 12.2.2.

1.1.5 Without limiting any of Genentech's rights or remedies provided by Applicable Law or under this Agreement, [***].

1.2 **Publications.**

1.1.1 [***].

1.1.2 [***].

1.1.3 Notwithstanding the foregoing, once a Publication has been approved by the non-publishing Party pursuant to Section 12.2.2, either Party may make subsequent public disclosure of the contents of such Publication without the further approval of the other Party; provided that, (i) such content is not presented with any new data or information or conclusions or in a form or manner that materially alters the subject matter therein, and (ii) the publishing Party shall provide a copy of such Publication to the other Party.

ARTICLE 13
REPRESENTATIONS

1.1 **General Representations and Warranties.** Xencor represents and warrants to GNE and Roche as of the Execution Date, and each of GNE and Roche represents and warrants to Xencor as of the Execution Date that:

1.1.1 it is validly organized under the laws of its jurisdiction of incorporation;

1.1.2 subject to Section 17.19, it has obtained all necessary consents, approvals and authorizations of all governmental authorities and other persons or entities required to be obtained by it in connection with this Agreement;

1.1.3 the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on its part;

1.1.4 it has the full right, power and authority to enter into this Agreement, and to fully perform its obligations hereunder;

1.1.5 this Agreement has been duly executed by it and is legally binding upon it, enforceable in accordance with its terms, and neither this Agreement nor performance of its obligations hereunder will conflict with any agreement, contract, instrument, understanding or other arrangement, 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; and

1.1.6 it follows reasonable commercial practices common in the industry to protect its proprietary and confidential information, including requiring its employees, consultants and agents to be bound in writing by obligations of confidentiality and non-disclosure, and requiring its employees, consultants and agents to assign to it any and all inventions and discoveries discovered by such employees, consultants or agents made within the scope of, and during their employment, and only disclosing proprietary and confidential information to Third Parties pursuant to written confidentiality and non-disclosure agreements

1.2 **Representations and Warranties by Xencor.** Xencor represents and warrants to Genentech as of the Execution Date, and covenants, as follows:

1.1.1 it owns all rights, title and interest in and to the Patents, as of the Execution Date, as set forth in Exhibit C, and it has unencumbered rights to grant the licenses and rights granted herein to Genentech and it has not granted, and will not grant during the term of this Agreement, any license, right or interest in, to or under the Xencor IP, or any portion thereof, to any Third Party that is inconsistent with the licenses and rights granted to Genentech herein;

1.1.2 it has not received any written notice from any Third Party asserting or alleging that the development prior to the Execution Date of the XmAb24306 Product, or of any Targeted Collaboration Constructs or Non-Targeted Collaboration Constructs in existence as of the Execution Date infringed or misappropriated the intellectual property rights of such Third Party;

1.1.3 to its knowledge, no person is infringing or threatening to infringe or misappropriating or threatening to misappropriate the Xencor IP licensed to Genentech hereunder;

1.1.4 it does not have any constructs that contain IL-15, other than the XmAb24306 Product, and certain Non-targeted Collaboration Constructs and Targeted Collaboration Constructs as listed generally in Exhibit D and Exhibit E by reference to the applicable Targets (to the extent applicable);

1.1.5 there are no judgments or settlements against or owed by Xencor, and to Xencor's knowledge, there are no pending or threatened claims, actions, litigation, or arbitration proceedings in each case relating in any way to any Xencor Technology that would adversely affect Genentech's rights or licenses under this Agreement; and

1.1.6 the representations and warranties of Xencor in this Agreement, and the information, documents and materials furnished to Genentech in connection with its period of diligence prior to the Execution Date, do not, to its knowledge, and taken as a whole, (a) contain any untrue statement of a material fact or (b) omit to state any material fact necessary to make the statements or facts contained therein not misleading.

1.3 **Representations and Warranties by Genentech.** Genentech represents and warrants to Xencor as of the Execution Date that (a) it has the right to grant the license and rights herein to Xencor and it has not granted any license, right or interest in, to or under the Genentech IP to any Third Party that is inconsistent with the licenses granted to Xencor under ARTICLE 9 and (b) it has utilized its own scientific, commercial, regulatory and manufacturing expertise and experience to analyze and evaluate the Development, Manufacture and Commercialization of Collaboration Constructs and Collaboration Products.

1.4 **Mutual Covenants.**

1.1.1 **No Debarment.** In the course of the Research of the Collaboration Constructs, and the Development and Commercialization of the Collaboration Products, neither Party (nor its Affiliates shall use any employee or consultant (including of any (sub)licensee)) who has been debarred or disqualified by any Regulatory Authority, or, to such Party's or its Affiliates' knowledge, is the subject of debarment or disqualification proceedings by a Regulatory Authority. Each Party shall notify the other Party promptly upon becoming aware that any of its or its Affiliates' employees or consultants has been debarred or is the subject of debarment or disqualification proceedings by any Regulatory Authority.

1.1.2 **Compliance.** Each Party and its Affiliates shall comply in all material respects with all Applicable Laws (including all anti-bribery laws) in the exercise of its rights and performance of its obligations under this Agreement (including the Research of the Collaboration Constructs, and the Development and Commercialization of the Collaboration Products).

1.5 **No Other Warranties.** EXCEPT AS EXPRESSLY STATED IN THIS ARTICLE 13, (A) NO REPRESENTATION, CONDITION OR WARRANTY WHATSOEVER IS MADE OR GIVEN BY OR ON BEHALF OF XENCOR OR GENENTECH; AND (B) ALL OTHER CONDITIONS AND WARRANTIES WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE ARE HEREBY EXPRESSLY EXCLUDED, INCLUDING ANY CONDITIONS AND WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

1.6 **No Guarantee of Success.** Except as otherwise specifically provided in this Agreement, neither of the Parties makes any representations or warranties, express, implied, statutory or otherwise, concerning the success or potential success of the Development or Commercialization of Collaboration Products.

ARTICLE 14
INDEMNIFICATION; LIABILITY; INSURANCE

1.1 **Indemnification by Xencor.** Xencor shall indemnify and hold Genentech, its Affiliates and their respective officers, directors, agents and employees ("**Genentech Indemnitees**") harmless from and against any and all liabilities, damages, settlements, penalties, fines, costs or expenses (including, without limitation, reasonable attorneys' fees and other expenses of litigation) (collectively, "**Losses**") arising out of or in connection with any and all suits, investigations, claims or demands of Third Parties (collectively, "**Claims**") against them arising or resulting from:

1.1.1 the negligence, recklessness or willful misconduct of Xencor or any of the Xencor Indemnitees; or

1.1.2 the breach of any of the warranties or representations made by Xencor to Genentech under this Agreement, the Pharmacovigilance Agreement or Supply Agreement; or

1.1.3 any breach by Xencor of its obligations pursuant to this Agreement, the Pharmacovigilance Agreement or Supply Agreement; or

1.1.4 Conduct of any Xencor Studies or related Development for Xencor Studies; or

1.1.5 Research conducted by Xencor (its Affiliates or sublicensees) outside a Research Plan;

except in each case, for those Losses for which Genentech has an obligation to indemnify Xencor pursuant to Section 14.2 hereof, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

1.2 **Indemnification by Genentech.** Genentech shall indemnify and hold Xencor, its Affiliates, and their respective officers, directors, agents and employees ("**Xencor Indemnitees**") harmless from and against any Losses arising, directly or indirectly out of or in connection with any Claims arising under or related to this Agreement against them to the extent arising or resulting from:

1.1.1 the negligence, recklessness or willful misconduct of Genentech or any of the Genentech Indemnitees; or

1.1.2 the breach of any of the warranties or representations made by Genentech to Xencor under this Agreement, Pharmacovigilance Agreement, or an applicable supply agreement; or

1.1.3 any breach by Genentech of its obligations pursuant to this Agreement, Pharmacovigilance Agreement, or an applicable supply agreement; or

1.1.4 Development of a Collaboration Product for use in combination with an [***] Combination Agent Controlled by Genentech outside the GDP as permitted under Section 4.2.3; or

1.1.5 Commercialization of an [***] Combination Agent Controlled by Genentech for use in combination with a Collaboration Product; or

1.1.6 Research conducted by Genentech (its Affiliates or sublicensees) outside a Research Plan; or

1.1.7 Research, Development, Manufacture, and Commercialization of any Collaboration Product following the Royalty Conversion Effective Date;

except in each case, for those Losses for which Xencor has an obligation to indemnify Genentech pursuant to Section 14.1 hereof, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

1.3 **Indemnification Procedure.** If either Party is seeking indemnification under Sections 14.1 or 14.2 (the "**Indemnified Party**"), it shall inform the other Party (the "**Indemnifying Party**") of the Claim giving rise to the obligation to indemnify pursuant to such Section as soon as reasonably practicable after receiving notice of the Claim. The Indemnifying Party shall have the right to assume the defense of any such Claim for which it is obligated to indemnify the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party and the Indemnifying Party's insurer as the Indemnifying Party may reasonably request, and at the Indemnifying Party's cost and expense. The Indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any Claim that has been assumed by the Indemnifying Party. Neither Party shall have the obligation to indemnify the other Party in connection with any settlement made without the Indemnifying Party's written consent, which consent shall not be unreasonably withheld or delayed. If the Parties cannot agree as to the application of Section 14.1 or 14.2 as to any Claim, pending resolution of the dispute pursuant to ARTICLE 16, the Parties may conduct separate defenses of such Claims,

with each Party retaining the right to claim indemnification from the other Party in accordance with Section 14.1 or 14.2 upon resolution of the underlying Claim.

1.4 **Mitigation of Loss.** Each Indemnified Party shall take and shall procure that its Affiliates take all such reasonable steps and action as are reasonably necessary or as the Indemnifying Party may reasonably require in order to mitigate any Losses arising out of or in connection with any Claims) under this ARTICLE 14. Nothing in this Agreement shall or shall be deemed to relieve any Party of any common law or other duty to mitigate any losses incurred by it.

1.5 **Limitation of Liability.** NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 14.5 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTIONS 14.1 OR 14.2, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF ITS OBLIGATIONS HEREUNDER RELATING TO CONFIDENTIALITY, OR GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

1.6 **Insurance.**

1.1.1 **Coverage**. Each Party shall procure and maintain insurance coverage as set forth in this Section 14.6 at its own cost; provide however each Party has the right, in its sole discretion, to self-insure, in part or in whole, for any such coverage.

(a) Each Party shall maintain commercial general liability ("**CGL**") insurance, including contractual liability, combined single limit for bodily injury and property damage liability, in the minimum amount per occurrence of: (A) [***] commencing as of the Execution Date; (B) [***] commencing at least [***] prior to any period during which a Party (or its sublicensees) is conducting a clinical trial with any Collaboration Product; and (C) [***] commencing at least [***] prior to any period during which a Party (or its sublicensees) is selling any Collaboration Products.

(b) Each Party shall maintain products liability insurance or clinical trial insurance as applicable, including contractual liability, combined single limit for bodily injury and property damage liability, in the minimum amount of: (A) [***] commencing at least [***] prior to any period during which a Party (or its sublicensees) is conducting a clinical trial with any Collaboration Product and (B) [***] commencing at least [***] prior to any period during which a Party (or its sublicensees) is selling any Collaboration Products.

(c) Each Party shall maintain (i) workers' compensation insurance according to applicable law and (ii) employers' liability insurance, in the minimum amount of [***]. Each Party agrees to waive its right of subrogation with respect to any workers' compensation claim.

1.1.2 **Additional Requirements.** Except to the extent that a Party self-insures, the following provisions shall apply:

(a) All insurance coverage shall be primary insurance with respect to each Party's own participation under this Agreement and shall be maintained with an insurance company or companies having an A.M. Best's rating (or its equivalent) of A-XII.

(b) Each Party shall name the other Party as an additional insured under its CGL and Products Liability insurance policies.

(c) The insurance policies shall be under an occurrence form, but if only a claims-made form is available to a Party, such Party shall maintain the insurance coverage for at least [***] after such Party completes performance of its obligations under this Agreement.

(d) On request, each Party shall provide to the other Party certificates of insurance evidencing the insurance coverage required under this Section 14.6. Each Party shall provide to the other Party at least [***] prior written notice of any cancellation, nonrenewal or material change in any of the required insurance coverages.

(e) The insurance coverage required pursuant to this Section 14.6 shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this ARTICLE 14.

ARTICLE 15
TERM; TERMINATION

1.1 **Term.** The term of this Agreement (the "**Term**") shall commence upon the Effective Date and, unless earlier terminated as set forth in Section 15.2 below, continue in full force and effect, on a country-by-country and Collaboration Product-by-Collaboration Product basis, until there is no remaining payment obligation hereunder from Genentech to Xencor with respect to such Collaboration Product (whether royalty or profit sharing), at which time this Agreement shall expire with respect to such Collaboration Product in such country. The Term shall expire on the date this Agreement has expired in its entirety with respect to all Collaboration Products in all countries in the Territory.

1.2 **Termination.**

1.1.1 **Termination by Genentech for Convenience.** At any time, Genentech may terminate this Agreement for convenience (i) in its entirety, or (ii) with respect to a particular Collaboration Product or (iii) with respect to all Collaboration Products and Collaboration Constructs directed to a particular Research Target (which termination under this subclause (iii) would effect a termination of all Research and Development under this Agreement with respect to such Research Target), by providing written notice of termination to Xencor pursuant to this Section 15.2.1, which notice includes an effective date of termination as follows:

(a) [***] after the date of the notice if such notice is prior to Initiation of a Phase 1 Study for a relevant Collaboration Product hereunder;

(b) [***] after the date of notice if such notice is prior to Regulatory Approval but after Initiation of a Phase 1 Study of a relevant Collaboration Product hereunder; or

(c) [***] after the date of notice if such notice is after receipt of Regulatory Approval of a relevant Collaboration Product hereunder; provided, that, the Parties will each use their respective Commercially Reasonable Efforts to accomplish the activities described in Section 15.3 during such [***] period and, if accomplished, the Parties may agree in writing to an earlier effective date of termination.

1.1.2 **Termination by Either Party for Material Breach.** Either Party may terminate this Agreement (i) in its entirety, or (ii) with respect to one or more particular Collaboration Products, if such Party believes in good faith that the other Party is in material breach of this obligations under this Agreement, in its entirety, or with respect to such Collaboration Product,

respectively, by providing written notice of termination to the other Party pursuant to this Section 15.2.2, as follows: For all material breaches, other than a failure to make a payment as set forth in this Agreement, the allegedly breaching Party shall have ninety (90) days from receipt of such notice to dispute or cure such breach; provided, that if such breach is not capable of being cured within such ninety (90)-day period, the cure period shall be extended for such amount of time that the Parties may agree in writing is reasonably necessary to cure such breach, so long as (a) the breaching Party is making diligent efforts towards curing the breach, and (b) the Parties agree on an extension within such ninety (90)-day period. For any material breach arising from a failure to make a payment set forth in this Agreement, the allegedly breaching Party shall have thirty (30) days from receipt of the notice to dispute or cure such breach. If the Party receiving notice of breach fails to cure, or fails to dispute, that breach within the applicable period set forth above, then the Party originally delivering the notice of breach may terminate this Agreement in its entirety or with respect to a Collaboration Product, as applicable, effective on written notice of termination to the other Party. Notwithstanding anything to the contrary herein, if the allegedly breaching Party in good faith disputes (i) whether a breach is material or has occurred, or (ii) the alleged failure to cure or remedy such material breach, and provides written notice of that dispute to the other Party within the applicable period set forth above, then the matter shall be addressed under the dispute resolution provisions in ARTICLE 16, and the Party seeking to terminate this Agreement for breach may not so terminate this Agreement until it has been determined under this ARTICLE 15 that the allegedly breaching Party is in material breach of this Agreement, and such breaching Party further fails to cure such breach within ninety (90) days (or such longer cure period as determined by the arbiter of such dispute resolution) after the conclusion of that dispute resolution procedure. For clarity, if such material breach relates solely to a particular Collaboration Product(s), the non-breaching Party shall have the right to terminate the Agreement under this Section only with respect to such Collaboration Product(s).

1.1.3 **Termination by Either Party for Insolvency or Bankruptcy.** Either Party may terminate this Agreement, in its entirety, effective on written notice pursuant to this Section 15.2.3 to the other Party upon the liquidation, dissolution, winding-up, insolvency, bankruptcy, or filing of any petition therefor, appointment of a receiver, custodian or trustee, or any other similar proceeding, by or of the other Party where such petition, appointment or similar proceeding is not dismissed or vacated within ninety (90) days an where such petition, appointment or similar proceeding is not a part of any bona fide reorganization of a Party or its Affiliates. All rights and licenses granted pursuant to this Agreement are, for purposes of Section 365(n) of Title 11 of the United States Code or any foreign equivalents thereof (as used in this Section 15.2.3, "**Title 11**"), licenses of rights to "intellectual property" as defined in Title 11. Each Party in its capacity as a licensor hereunder agrees that, in the event of the commencement of bankruptcy proceedings by or against such bankrupt Party under Title 11, (a) the other Party, in its capacity as a licensee of rights under this Agreement, shall retain and may fully exercise all of such licensed rights under this Agreement (including as provided in this Section 15.2.3) and all of its rights and elections under Title 11 and (b) the other Party shall be entitled to a complete duplicate of all embodiments of such intellectual property, and such embodiments, if not already in its possession, shall be promptly delivered to the other Party (i) upon any such commencement of a bankruptcy proceeding, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement, or (ii) if not delivered under (i), immediately upon the rejection of this Agreement by or on behalf of the bankrupt Party.

1.1.4 **Termination for Cessation**.

(a) Xencor may terminate this Agreement with respect to a particular Collaboration Product by providing written notice of termination to Genentech pursuant to this Section 15.2.4 (a "**Cessation Notice**"), if all of the following conditions are met:

(i) at least [***] have elapsed since the [***] for such Collaboration Product ([***], if the Collaboration Product at issue is XmAb24306),

(ii) the projected aggregate spend by the Parties (whether or not such spend is shared by the Parties in accordance with Section 8.4) for the immediately preceding Calendar Year as of such date of the Cessation Notice for Research, Development and Commercialization activities (including Manufacturing activities) with respect to such Collaboration Product, alone or in combination with a Combination Agent, [***],

(iii) Xencor provided written notice to Genentech no later than [***] prior to the end of such Calendar Year of its reasonable anticipation of [***] on such activities during such Calendar Year,

(iv) notwithstanding the notice provided by Xencor pursuant to Section 15.2.4(a)(iii), by the end of such Calendar Year, the [***] during such Calendar Year in conducting Research, Development and Commercialization activities (including Manufacturing activities) with respect to such Collaboration Product,

(v) the Parties' failure to [***], and

(vi) Xencor has not previously provided Genentech a Cessation Notice with respect to the same Calendar Year.

(b) Within [***] of receipt of a Cessation Notice electing termination under this Section 15.2.4 (which notice must specifically reference this Section 15.2.4 and the Collaboration Product that Xencor is seeking to terminate), if Genentech believes that one or more of the requirements set forth in Section 15.2.4(a) above has not been met, then Genentech may challenge the validity of Xencor's Cessation Notice by providing written notice to Xencor thereof and such challenge shall be resolved pursuant to Expedited Dispute Resolution Procedure set forth in Exhibit B. If Genentech challenges a Cessation Notice, Xencor's election to terminate shall be void and have no effect except as set forth in 15.2.4(c).

(c) If Xencor's Cessation Notice is not challenged by Genentech or if the result of the Expedited Dispute Resolution Procedure set forth in Exhibit B is a determination that all of the requirements set forth in Section 15.2.4(a) have been met, then this Agreement shall terminate with respect to the Collaboration Product effective following the [***] after receipt of such Cessation Notice identified in Xencor's notice of election and such Collaboration Product shall thereafter be a Termination Product hereunder.

(d) Notwithstanding the foregoing, within [***] of the receipt of a Cessation Notice with respect to a particular Collaboration Product, Genentech may elect to retain control of such Collaboration Product [***] following the date of such Cessation Notice by notifying Xencor in writing of its intent to do so within such [***] period and [***] no more than thirty (30) days after delivery of such notice. If Genentech so elects to retain control of such Collaboration Product, Xencor shall not have the right to terminate the Agreement with respect to such Collaboration Product pursuant to this Section 15.2.4 during such thirty [***]. [***], Xencor shall have the right to terminate the Agreement with respect to such Collaboration Product pursuant to this Section 15.2.4 to the extent the requirements set forth in Section 15.2.4 have been satisfied.

1.3 **Effects of Expiration or Termination.**

1.1.1 **Partial Termination.** If this Agreement is terminated with respect to (a) one or more Collaboration Products, or (b) all Collaboration Products and Collaboration Constructs

directed to a particular Research Target (as applicable "**Termination Subject Matter**"), but is not terminated in its entirety, then this Section 15.3 and Section 15.4 shall only apply to the Termination Subject Matter that are subject of such termination and this Agreement shall otherwise continue in accordance with its terms and conditions.

1.1.2 **Continuation of Genentech's Sublicenses.** Upon termination by Xencor of this Agreement, in its entirety, or with respect to Termination Subject Matter, under Section 15.2.2 or 15.2.3, any existing sublicense (other than to an Affiliate) granted by Genentech under this Agreement, in its entirety, or with respect to Termination Subject Matter, as applicable, shall continue in full force and effect, *provided* that the sublicensee (a) is not in breach of this Agreement (including not causing the breach that gave rise to a termination under Section 15.2.2), and (b) agrees in writing to be bound by all the terms and conditions of this Agreement that are applicable to such sublicensee, including rendering directly to Xencor all payments and other obligations due to Xencor related to such sublicense; provided further that (i) the scope of any such surviving sublicense, or any surviving rights for sublicensee under such sublicense, are not broader than (1) the rights granted by Xencor to Genentech under this Agreement, or (2) the rights granted by Genentech to such sublicensee under sublicense agreement between such sublicensee and Genentech and (ii) Xencor is not obligated to assume any obligations under such sublicense that are greater than the obligations contained within this Agreement.

1.1.3 **Accrued Rights and Obligations.** Expiration or termination of this Agreement in its entirety, or with respect to Termination Subject Matter, for any reason shall not release either Party hereto from any liability which, as of the effective date of such expiration or termination, had already accrued to the other Party or which is attributable to a period prior to such termination, nor preclude either Party from pursuing any rights and remedies it may have hereunder or at law or in equity which accrued or are based upon any event occurring prior to the effective date of such expiration or termination.

1.1.4 **Destruction of Confidential Information.** It is understood and agreed, that each receiving Party shall have a continuing right to use Confidential Information of the disclosing Party and Program Confidential Information under any surviving licenses pursuant to this ARTICLE 15. Subject to the foregoing, following expiration or any early termination of this Agreement, in its entirety, the receiving Party shall destroy (at the disclosing Party's written request) all, Confidential Information of the disclosing Party in its possession as of the effective date of expiration (with the exception of one copy of such Confidential Information, which may be retained by the receiving Party to confirm compliance with the non-use and non-disclosure provisions of this Agreement), and any applicable Confidential Information of the disclosing Party contained in its laboratory notebooks or databases, *provided* that the receiving Party may retain and continue to use the applicable disclosing Party's Confidential Information to the extent necessary to exercise any surviving rights, licenses or obligations under this Agreement.

1.1.5 **Licenses.** Upon termination of this Agreement by either Party, other than pursuant to Sections 15.2.3 or 15.3.7, (a) all rights and licenses granted to Xencor under ARTICLE 9 shall terminate, in its entirety, or with respect to the Termination Subject Matter, as applicable, as of the effective date of such termination, and (b) all rights and licenses granted to Genentech under ARTICLE 9 shall terminate, in its entirety, or with respect to the Termination Subject Matter, as applicable, as of the effective date of such termination.

1.1.6 **Inventory at Termination**. In the event that the licenses under ARTICLE 9 terminate with respect to a particular Collaboration Product, Genentech, its Affiliates and its sublicensees shall have, [***] following such termination, the right to sell or otherwise dispose of all inventory of such Collaboration Products in all countries then in its stock, subject to Section 8.4 of this Agreement, and any other applicable provisions of this Agreement, and

Xencor covenants not to sue Genentech or its Affiliates or sublicensees for infringement under any of the Patents that were licensed from Xencor to Genentech under this Agreement immediately prior to such termination with respect to such activities conducted by Genentech or its Affiliates or sublicensees pursuant to this Section 15.3.6.

1.1.7 **Transfer Agreement; Termination Products.** In the event of termination of this Agreement with respect to a particular Collaboration Product that is a Termination Product, by either Party pursuant to Section 15.2.2, or by Genentech pursuant to Section 15.2.1, or by Xencor pursuant to Section 15.2.4, in addition to the other provisions of this Section 15.3, upon such termination the following terms of this Section 15.3.7 shall apply:

(a) Genentech shall, [***] following the effective date of the applicable termination, provide copies to Xencor of (i) [***] and (ii) [***] ((i) and (ii) collectively, the "**Data Package**");

(b) Xencor shall have the right, following delivery of the Data Package from Genentech to Xencor, for [***] to negotiate in good faith with Genentech the terms (the "**Transfer Agreement**") under which (i) Genentech will transition to Xencor the activities relating to the Termination Product (e.g., transitioning of any ongoing Clinical Studies) (ii) [***]; and (iii) [***]; provided, that, Xencor may provide notice to Genentech that Xencor does not desire to continue any one or more of such activities, in which case Genentech will be responsible for winding-down any such activities that Xencor does not desire to assume in accordance with Applicable Laws and industry standards. If the Parties are unable to agree on the terms of the Transfer Agreement within such period, Xencor may submit such dispute to baseball style arbitration for resolution as provided in Section 15.5 below;

(c) [***] (subject to Section 15.4), [***]; (ii) if a Competitive Change in Control of Xencor has occurred prior to such termination, then such license grant shall automatically terminate as of the effective date of the Competitive Change in Control; provided, that any entity that acquires Xencor through such Competitive Change in Control and assumes Xencor's rights and obligations under this Agreement shall have the right to negotiate a license to the Reversion Technology (and other intellectual property Controlled by GNE); and (iii) Xencor shall not sell, assign, or otherwise transfer, in whole or in part, its rights under the foregoing license to a Termination Product to a Third Party. Xencor shall compensate Genentech, as consideration for the foregoing license grant, [***]. Without limiting the foregoing, Xencor shall not develop, manufacture or have manufactured, use, commercialize or otherwise exploit any Terminations Product that is subject to the foregoing license grant that specifically and intentionally binds to the same Research Target as any Collaboration Construct or Collaboration Product in Research or Development pursuant to this Agreement until such time as such Research Target is no longer being Researched or Developed under this Agreement by or on behalf of Genentech, its Affiliates or sublicensees.

1.1.8 **Survival.** Except as expressly set forth under this Article 15, upon the expiration or termination of this Agreement in its entirety or with respect to a particular Termination Subject Matter, all rights and obligations of the Parties under this Agreement shall terminate in its entirety or with respect to such Termination Subject Matter, as applicable. In addition to any provisions specified in this Agreement as surviving under the applicable circumstances, the following provisions shall survive expiration or termination of this Agreement in accordance with the terms therein: [***].

1.4 **Manufacturing Limitations.** Under the Transfer Agreement, Xencor shall be responsible (at its cost) for manufacturing the Terminated Product for clinical use and commercial sale; provided, however, that manufacture of the Terminated Product shall only be conducted by a Third Party contract development and manufacturing organization approved in

advance by Genentech, such approval not to be unreasonably withheld or delayed (the "**Authorized CDMO**"); provided, that Authorized CDMOs shall include any manufacturing organization being used by Genentech to manufacture any Termination Product. Alternatively, upon Xencor's written request, Genentech shall designate an Authorized CDMO to make the Terminated Product on behalf of Xencor. Xencor shall enter into a manufacturing supply agreement with the Authorized CDMO and shall be responsible for all costs and other obligations related to the manufacture and supply of the Terminated Product by the Authorized CDMO to Xencor. If a Terminated Product is being manufactured (whether for clinical use or commercial scale) by Genentech (and not by a CMO) at the time of such termination, the Parties shall also negotiate in good faith the terms and timelines under which Genentech would continue to manufacture such Terminated Product until a manufacturing transfer to an Authorized CDMO has been completed, and GNE will use commercially reasonable efforts to accommodate Xencor's supply demands; provided, that the Terminated Product shall be supplied by Genentech to Xencor at the Cost of Manufacture plus [***] for the first [***] following the effective date of Termination and plus [***] for the [***] following the effective date of Termination and all years thereafter. Each Party will use commercially reasonable efforts to effect the manufacturing transfer to the Authorized CDMO as quickly as possible.

1.5 **Baseball Style Arbitration.** If the Parties are unable to agree on the terms of the Transfer Agreement under Section 15.3.7, or the various financial terms that are subject to resolution in accordance with this Section 15.5, the applicable Party may submit such dispute to arbitration for resolution in accordance with the following provisions:

1.1.1 The applicable Party shall notify the other Party of its decision to initiate the arbitration proceeding pursuant to this Section 15.5 through written notice to such other Party;

1.1.2 Within ten (10) days following the receiving Party's receipt of such notice, each Party shall select one (1) arbitrator, and the two (2) arbitrators so selected shall choose a third arbitrator. All three (3) arbitrators shall serve as neutrals and have at least ten (10) years of (i) dispute resolution experience (which may include judicial experience) or (ii) legal or business experience in the biotech or pharmaceutical industry. In any event, at least one (1) arbitrator shall satisfy the foregoing experience requirement under clause (ii). If a Party fails to nominate its arbitrator, or if the Parties' arbitrators cannot agree on the third arbitrator, the necessary appointment shall be made in accordance with the Rules. Once appointed by a Party, such Party shall have no ex parte communication with its appointed arbitrator;

1.1.3 Within ten (10) days of its appointment, the panel shall set a date for the arbitration, which date shall be no more than sixty (60) days after the date the arbitration is demanded under Section 15.5.1;

1.1.4 The arbitration shall be "baseball-style" arbitration; accordingly, at least fourteen (14) days prior to the arbitration, each Party shall provide the panel with a written agreement on the terms of the Transfer Agreement (or, if the dispute relates to other financial terms in this Agreement, then those financial and related terms) suggested by such Party. Such written agreement may be no more than one hundred (100) pages, and must clearly provide and identify the Party's position with respect to the disputed matter;

1.1.5 After receiving both Parties' written agreements, the panel will distribute each Party's written agreement to the other Party. Seven (7) days in advance of the arbitration, the Parties shall submit and exchange response briefs of no more than fifteen (15) pages. The Parties' briefs may include or attach relevant exhibits in the form of documentary evidence, any other material voluntarily disclosed to the other Party in

advance, or publicly available information. The Parties' briefs may also include or attach demonstratives or expert opinion based on the permitted documentary evidence;

1.1.6 The arbitration shall consist of a one (1) day hearing of no longer than eight (8) hours, such time to be split equally between the Parties, in the form of presentations by counsel or employees and officers of the Parties. No live witnesses shall be permitted except expert witnesses whose opinions were provided with the Parties' briefs;

1.1.7 No later than fifteen (15) days following the arbitration, the panel shall issue its written decision. The panel shall select one Party's written agreement as its decision, and shall not have the authority to render any substantive decision other than to select the written agreement submitted by either Genentech or Xencor. The panel shall have no discretion or authority with respect to modifying the positions of the Parties. The panel's decision shall be final and binding on the Parties and the written agreement selected by the panel shall constitute a binding agreement between the Parties that may be enforced in accordance with its terms. Each Party shall bear its own costs and expenses in connection with such arbitration, and shall share equally the panel's fees and expenses;

1.1.8 The violation of one of the time limits prescribed in this Section 15.5 by the panel shall not affect the panel's competence to decide on the subject matter, and shall not affect the final and binding decision rendered by the panel, unless otherwise agreed by the Parties; and

1.1.9 The above "baseball-style" arbitration shall be the exclusive remedy of either Party if the Parties cannot agree on the agree on the terms of the Transfer Agreement, or the various financial terms that are subject to resolution in accordance with this Section 15.5.

1.6 **Termination Not Sole Remedy.** Termination is not the sole remedy under this Agreement and, whether or not termination is effected and notwithstanding anything contained in this Agreement to the contrary, all other remedies shall remain available except as agreed to otherwise herein.

ARTICLE 16
DISPUTE RESOLUTION

1.1 **Disputes.** Xencor and Genentech recognize that a dispute, controversy or claim of any nature whatsoever arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, (each, a "**Dispute**") may from time to time arise during the Term. Unless otherwise specifically recited in this Agreement, such Disputes between Xencor and Genentech will be resolved as recited in this ARTICLE 16. In the event of the occurrence of such a Dispute, the Parties shall first refer such Dispute to their respective Alliance Managers for attempted resolution by such Alliance Managers within [***] after such referral. If such Dispute is not resolved within such [***] period, either Xencor and Genentech may, by written notice to the other, have such Dispute referred to their respective officers designated below, or their respective designees, for attempted resolution within [***] after such notice is received. Such designated officers are as follows:

For Genentech – [***]

For Xencor – [***]

In the event the designated officers, or their respective designees, are not able to resolve such dispute within [***] of such other Party's receipt of such written notice, either Party may initiate

the dispute resolution procedures set forth in Section 16.2. The Parties agree that any discussions between such executives (or their designees) regarding such Dispute do not constitute settlement discussions, unless the Parties agree otherwise in writing; provided that the Parties agree any such Dispute and related discussions shall be treated as Confidential Information of both Parties under this Agreement.

Notwithstanding the foregoing, Disputes shall not include any disagreements solely about decisions for which one Party has final decision-making authority under this Agreement, including under ARTICLE 2.

1.2 **Arbitration.**

1.1.1 **Rules.** Except as otherwise expressly provided in this Agreement, the Parties agree that any Dispute not resolved internally by the Parties pursuant to Section 16.1 shall be resolved through binding arbitration conducted by JAMS in accordance with the then prevailing JAMS Comprehensive Arbitration Rules and Procedures (for purposes of ARTICLE 16, the "**Rules**"), except as modified in this Agreement, applying the substantive law specified in Section 17.5.

1.1.2 **Arbitrators; Location.** Each Party shall select one (1) arbitrator, and the two (2) arbitrators so selected shall choose a third arbitrator. All three (3) arbitrators shall serve as neutrals and have at least ten (10) years of (i) dispute resolution experience (which may include judicial experience) or (ii) legal or business experience in the biotech or pharmaceutical industry. In any event, at least one (1) arbitrator shall satisfy the foregoing experience requirement under clause (ii). If a Party fails to nominate its arbitrator, or if the Parties' arbitrators cannot agree on the third arbitrator, the necessary appointments shall be made in accordance with the Rules. Once appointed by a Party, such Party shall have no *ex parte* communication with its appointed arbitrator. The arbitration proceedings shall be conducted in San Francisco, California.

1.1.3 **Procedures; Awards.** Each Party agrees to use reasonable efforts to make all of its current employees available, if reasonably needed, and agrees that the arbitrators may deem any party as "necessary." The arbitrators shall be instructed and required to render a written, binding, non-appealable resolution and award on each issue that clearly states the basis upon which such resolution and award is made. The written resolution and award shall be delivered to the Parties as expeditiously as possible, but in no event more than [***] after conclusion of the hearing, unless otherwise agreed by the Parties. Judgment upon such award may be entered in any competent court or application may be made to any competent court for judicial acceptance of such an award and order for enforcement. Each Party agrees that, notwithstanding any provision of applicable law or of this Agreement, it will not request, and the arbitrators shall have no authority to award, punitive or exemplary damages against any Party.

1.1.4 **Costs.** The "prevailing" Party, as determined by the arbitrators, shall be entitled to (a) its share of fees and expenses of the arbitrators and (b) its attorneys' fees and associated costs and expenses. In determining which Party "prevailed," the arbitrators shall consider (i) the significance, including the financial impact, of the claims prevailed upon and (ii) the scope of claims prevailed upon, in comparison to the total scope of the claims at issue. If the arbitrators determine that, given the scope of the arbitration, neither Party "prevailed," the arbitrators shall order that the Parties (1) share equally the fees and expenses of the arbitrators and (2) bear their own attorneys' fees and associated costs and expenses.

1.1.5 **Interim Equitable Relief.** Notwithstanding anything to the contrary in Section 16.2, in the event that a Party reasonably requires relief on a more expedited basis than would be possible pursuant to the procedure set forth in ARTICLE 16, such Party may seek a temporary injunction or other interim equitable relief in a court of competent jurisdiction pending the opportunity of the arbitrators to review the decision under Section 16.2. Such court shall have no jurisdiction or ability to resolve Disputes beyond the specific issue of temporary injunction or other interim equitable relief.

1.1.6 **Protective Orders; Arbitrability.** At the request of either Party, the arbitrators shall enter an appropriate protective order to maintain the confidentiality of information produced or exchanged in the course of the arbitration proceedings. The arbitrators shall have the power to decide all questions of arbitrability.

1.3 **Subject Matter Exclusions.** Notwithstanding the provisions of Section 16.2, any Dispute not resolved internally by the Parties pursuant to Section 16.1 that involves the validity, infringement or enforceability of a Patent included in a license granted in this Agreement (a) that is issued in the United States shall be subject to actions before the United States Patent and Trademark Office or submitted exclusively to the federal court located in the jurisdiction of the district where any of the defendants reside; and (b) that is issued in any other country (or region) shall be brought before an appropriate regulatory or administrative body or court in that country (or region), and the Parties hereby consent to the jurisdiction and venue of such courts and bodies.

1.4 **Continued Performance.** Provided that this Agreement has not terminated, the Parties agree to continue performing under this Agreement in accordance with its provisions, pending the final resolution of any Dispute.

ARTICLE 17
MISCELLANEOUS

1.1 **Force Majeure.** Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party, potentially including embargoes, war, acts of war (whether war be declared or not), acts of terrorism, insurrections, riots, civil commotions, strikes, fire, floods, earthquakes or other acts of God, or acts, generally applicable action or inaction by any governmental authority (but excluding any government action or inaction that is specific to such Party, its Affiliates or sublicensees, such as revocation or non-renewal of such Party's license to conduct business), or omissions or delays in acting by the other Party. The affected Party shall notify the other Party in writing of such force majeure circumstances as soon as reasonably practical, and shall promptly undertake and continue diligently all reasonable efforts necessary to cure such force majeure circumstances or to perform its obligations in spite of the ongoing circumstances.

1.2 **Assignment.** This Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the prior written consent of the other Party. Notwithstanding the foregoing, either Party may, without consent of the other Party, assign this Agreement and its rights and obligations hereunder (a) in whole or in part to an Affiliate of such Party, or (b) in whole to its successor-in-interest in connection with the sale of all or substantially all of its stock or its assets to which this Agreement relates, or in connection with a merger, acquisition or similar transaction (a "**Sale Transaction**"); provided that the assigning Party shall promptly provide written notice to the other Party of any such assignment. Any attempted assignment not in accordance with this Section 17.2 shall be null and void and of no legal effect. Any permitted assignee shall assume all assigned obligations of its

assignor under this Agreement. The terms and conditions of this Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respected successors and permitted assigns. Notwithstanding anything to the contrary in this Agreement, in the event of a Sale Transaction whereby a Party is acquired (including in connection with a Change in Control), the intellectual property rights of the acquiring party in such a Sale Transaction (together with any entities that were affiliates of such Third Party immediately prior to such acquisition) shall not be included in the intellectual property licensed hereunder or otherwise subject to this Agreement.

1.3 **Severability.** If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

1.4 **Notices.** All notices which are required or permitted hereunder shall be in writing, shall specifically refer to this Agreement, and shall be sufficient if delivered personally, sent by facsimile (or a PDF image delivered by email) (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Xencor:

Xencor, Inc.
465 North Halstead Street, Suite 200
Pasadena, CA 91107
Attn: Chief Executive Officer
Fax: [***]

If to Genentech:

Genentech, Inc.
[***]

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

Genentech, Inc.
[***]

If to Roche:

F. Hoffmann-La Roche Ltd
c/o Genentech, Inc.
[***]

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

F. Hoffmann-La Roche Ltd
[***]

or to such other address(es) as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. For clarity, notice to Genentech shall require notice to both GNE and Roche. Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile (or a PDF image delivered by email) on a

Business Day (or if delivered or sent on a non-Business Day, then on the next Business Day); (b) on the Business Day after dispatch if sent by nationally-recognized overnight courier; or (c) on the fifth (5th) Business Day following the date of mailing, if sent by mail.

1.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California and the patent laws of the United States without reference to any rules of conflict of laws. The Parties hereby exclude from this Agreement the application of the United Nations Convention on Contracts for the International Sale of Goods.

1.6 **Entire Agreement; Amendments.** This Agreement, together with the Exhibits hereto, contains the entire understanding of the Parties with respect to the collaboration and the licenses granted hereunder as of the Royalty Conversion Effective Date. This Agreement shall be effective from and after the Royalty Conversion Effective Date and as of the Royalty Conversion Effective Date, supersedes the Original Agreement (including the First Amendment and the Second Amendment). Notwithstanding the foregoing, the Original Agreement (as amended in the First Amendment and Second Amendment) remains in effect in accordance with its terms with respect to the period between the Execution Date and the Royalty Conversion Effective Date. This Agreement shall not release any Party from any liability which, as of prior to the Royalty Conversion Effective Date, had already accrued to such Party or which is attributable to a period prior to the Royalty Conversion Effective Date, nor preclude any Party from pursuing any rights and remedies it may have hereunder or at law or in equity which accrued or are based on any event occurring prior to the Royalty Conversion Effective Date. For clarity, the provisions of the Original Agreement shall survive after the Royalty Conversion Effective Date for purposes of such accrued obligations, liabilities, rights and remedies. Nothing herein shall constitute a termination of the Original Agreement. Any other express or implied agreements and understandings, negotiations, writings and commitments, either oral or written, in respect to the collaboration and the licenses granted hereunder are superseded by the terms of this Agreement. The Exhibits to this Agreement are incorporated herein by reference and shall be deemed a part of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representative(s) of each Party. The Parties agree that, effective as of the Effective Date, that the Mutual Confidentiality Agreement, effective as of May 18, 2018, by and between GNE and Xencor shall be superseded by this Agreement, and that disclosures made prior to the Effective Date pursuant to the Confidentiality Agreement shall be subject to the confidentiality and non-use provisions of this Agreement. The foregoing shall not be interpreted as a waiver of any remedies available to either Party or its Affiliates as a result of any breach, prior to the Effective Date, by the other Party or its Affiliates of such Party's or its Affiliate's obligations pursuant to the Confidentiality Agreement.

1.7 **Headings.** The captions to the several Articles, Sections and subsections hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the several Articles and Sections hereof.

1.8 **Independent Contractors.** Xencor and Genentech are independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither Xencor nor Genentech 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. It is expressly agreed that each Party shall solely act in its own name when dealing with any Third Party.

1.9 **Waiver.** The waiver by either Party hereto of any right hereunder, or of any failure of the other Party to perform, or of any breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach by or failure of such other Party whether of a similar nature or otherwise.

1.10 **Cumulative Remedies.** No remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under Law.

1.11 **No Third Party Rights.** The Parties do not intend that any term of this Agreement should be enforceable by any person or entity who is not a Party.

1.12 **Construction.** The Parties mutually acknowledge that they and their attorneys have participated in the negotiation and preparation of this Agreement. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have drafted this Agreement or authorized the ambiguous provision.

1.13 **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 context otherwise clearly requires, whenever used in this Agreement: (a) the words "include" or "including" shall be construed as incorporating "but not limited to" or "without limitation"; (b) the words "hereof," "herein," "hereby" and derivative or similar words refer to this Agreement, including the Exhibits; (c) the word "law" or "laws" means any applicable, legally binding statute, ordinance, resolution, regulation, code, guideline, rule, order, decree, judgment, injunction, mandate or other legally binding requirement of a governmental authority (including a court, tribunal, agency, legislative body or other instrumentality of any (i) government or country or territory, (ii) any state, province, county, city or other political subdivision thereof, or (iii) any supranational body); (d) all references to the word "will" are interchangeable with the word "shall" and shall be understood to be imperative or mandatory in nature; (e) all references to "sublicensees" shall include all sublicensees of sublicensees through multiple tiers of sublicensing; (f) the singular shall include the plural and vice versa; and (g) the word "or" has the inclusive meaning represented by the phrase "and/or". Whenever any matter hereunder requires consent or approval, such consent or approval (which shall be in writing) shall not be unreasonably withheld, conditioned, or delayed (and regardless of whether the litany unreasonably withheld, conditioned, or delayed appears in its entirety, not at all, or only in part), unless otherwise specified.

1.14 **Business Day Requirements.** In the event that any notice or other action or omission is required to be taken by a Party under this Agreement on a day that is not a Business Day then such notice or other action or omission shall be deemed to be required to be taken on the next occurring Business Day.

1.15 **Change in Control of Xencor.** Xencor shall notify Genentech in writing promptly of the closing of any Competitive Change in Control of Xencor (such notice, a "**Change in Control Notice**").

1.16 **Actions of Affiliates.** Genentech may exercise its rights or perform its obligations under this Agreement personally or through one or more Affiliates, provided that Genentech shall nonetheless be primarily liable for the performance of its Affiliates and for any failure by its Affiliates to comply with the restrictions, limitations and obligations set forth in this Agreement. Further, each of GNE and Roche will be jointly and severally liable for any performance or non-performance of Genentech hereunder, and each of GNE and Roche hereby expressly waive any requirement that Xencor exhaust any right, power or remedy, or proceed against either GNE or Roche in particular, for any obligation or performance of Genentech hereunder prior to proceeding directly against either or both of GNE or Roche.

1.17 **Further Actions.** Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as necessary or appropriate in order to carry out the purposes and intent of this Agreement.

1.18 **Counterparts.** This Agreement may be executed in two or more counterparts by original signature, facsimile or PDF files, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows – the rest of this page intentionally left blank.]

IN WITNESS WHEREOF, each of Xencor, Genentech and Roche, intending to be bound have caused this Agreement to be executed by their duly authorized representatives as of November 14, 2023.

Xencor, Inc.

By: [***]

Name: [***]

Title: [***]

Genentech, Inc.

By: [***]

Name: [***]

Title: [***]

F. Hoffmann-La Roche Ltd

By: [***]

Name: [***]

Title: [***]

and

By: [***]

Name: [***]

Title: [***]

Exhibit A

Excluded Patents

[***]

Exhibit B

EXPEDITED DISPUTE RESOLUTION PROCEDURE

[***]

Exhibit C

Xencor Patents

[***]

Exhibit D

Non-targeted Collaboration Constructs

[***]

EXHIBIT E

Targeted Collaboration Constructs

[***]

EXHIBIT F

[***]

EXHIBIT G

Language for Securities Filing Disclosure

On November ___, 2023, the Company entered into an Amended and Restated Collaboration and License Agreement (the "**New Collaboration Agreement**") with Genentech, Inc., a Delaware corporation, having its principal place of business at 1 DNA Way, South San Francisco, California 94080 ("**GNE**"), and F. Hoffmann-La Roche Ltd, a corporation organized and existing under the laws of Switzerland, having its principal place of business at Grenzacherstrasse 124, CH 4070 Basel, Switzerland ("**Roche**") (GNE and Roche, collectively, "**Genentech**"). The New Collaboration Agreement is effective as of June 1, 2024 (the "**Effective Date**") and, as of that date, will replace the current Collaboration and License Agreement between the Company and Roche which was entered into on February 4, 2019 (the "**Original Collaboration Agreement**"). The Original Collaboration Agreement will remain effective for the period between February 4, 2019 and the Effective Date.

The Company has exercised its option under the Original Collaboration Agreement to convert its current development cost and profit-sharing arrangement with Genentech into a royalty and milestone payment financial arrangement (the "**Royalty Conversion**"). Pursuant to the terms of the New Collaboration Agreement, the Company and Genentech have agreed on the financial and other terms to implement the Royalty Conversion. Pursuant to the Royalty Conversion, in connection with any program under the Original Collaboration Agreement, including XmAb306 (RO7310729), the Company will be entitled to receive tiered royalties on a product-by-product and country-by-country basis ranging from low double-digit to mid-teens percentages. The Company will also be entitled to receive up to $600 million in milestones, including $115 million in development milestones, $185 in regulatory milestones and $300 million in sale-based milestones.

Pursuant to the terms of the New Collaboration Agreement, after the Effective Date, Genentech will assume sole responsibility over all clinical, regulatory, and commercial activities.

The descriptions of the contractual arrangements contained herein do not purport to be complete and are qualified in their entirety by reference to the copy of the actual agreement which will be filed as exhibits to the Company's Annual Report on Form 10-K for the period ending December 31, 2023.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Nos. 333-192635, 333-216365, 333-236607, 333-266498, and 333-272695) on Form S-8 and the Registration Statement (Nos. 333-213700 and 333-270030) on Form S-3 of Xencor, Inc. of our reports dated February 28, 2024, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Xencor, Inc. and its subsidiary, appearing in this Annual Report on Form 10-K of Xencor, Inc. for the year ended December 31, 2023.

/s/ RSM US LLP

Los Angeles, California
February 28, 2024

Exhibit 31.1

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

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

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2023 of Xencor, Inc. (the "Company");

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

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

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

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

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

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

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

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

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

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

/s/ BASSIL I. DAHIYAT

Bassil I. Dahiyat, Ph.D.
President & Chief Executive Officer

Date: February 28, 2024

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, John J. Kuch, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2023 of Xencor, Inc. (the "Company");

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

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

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

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

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

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

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

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

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

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

/s/ JOHN J. KUCH
John J. Kuch
Chief Financial Officer (Principal Financial Officer)

Date: February 28, 2024

Exhibit 32.1

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

In connection with the Annual Report on Form 10-K of Xencor, Inc. (the "Company") for the period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bassil I. Dahiyat, Ph.D., as President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2024

/s/ BASSIL I. DAHIYAT

Bassil I. Dahiyat, Ph.D.
President & Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

In connection with the Annual Report on Form 10-K of Xencor, Inc. (the "Company") for the period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Kuch, as Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2024

/s/ JOHN J. KUCH
John J. Kuch
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 97

XENCOR, INC. COMPENSATION RECOVERY POLICY

Adopted as of September 15, 2023

Xencor, Inc., a Delaware corporation (the "Company"), has adopted a Compensation Recovery Policy (this "Policy") as described below.

1. Overview

The Policy sets forth the circumstances and procedures under which the Company shall recover Erroneously Awarded Compensation from current and former Executive Officers of the Company in accordance with rules issued by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act") and the Nasdaq Stock Market. Please refer to Section 3 below for definitions of capitalized terms used and not otherwise defined herein.

2. Compensation Recovery Requirement

In the event the Company is required to prepare a Material Financial Restatement, the Company shall reasonably promptly recover all Erroneously Awarded Compensation with respect to such Material Financial Restatement, and each Covered Person shall be required to take all actions necessary to enable such recovery.

3. Definitions

a. "Applicable Recovery Period" means the three completed fiscal years immediately preceding the Restatement Date for a Material Financial Restatement. In addition, in the event the Company has changed its fiscal year: (i) any transition period of less than nine months occurring within or immediately following such three completed fiscal years shall also be part of such Applicable Recovery Period and (ii) any transition period of nine to 12 months will be deemed to be a completed fiscal year.

b. "Applicable Rules" means any rules or regulations adopted by the Exchange pursuant to Rule 10D-1 under the Exchange Act and any applicable rules or regulations adopted by the SEC pursuant to Section 10D of the Exchange Act.

c. "Board" means the Board of Directors of the Company.

d. "Committee" means the Human Capital Management & Compensation Committee of the Board or, in the absence of such committee, a majority of independent directors serving on the Board.

e. A "Covered Person means any Executive Officer. A person's status as a Covered Person with respect to Erroneously Awarded Compensation shall be determined as of the time of receipt of such Erroneously Awarded Compensation regardless of their current role or status with the Company (e.g., if a person began service as an Executive Officer after the beginning of an Applicable Recovery Period, that person

would not be considered a Covered Person with respect to Erroneously Awarded Compensation received before the person began service as an Executive Officer, but would be considered a Covered Person with respect to Erroneously Awarded Compensation received after the person began service as an Executive Officer where such person served as an Executive Officer at any time during the performance period for such Erroneously Awarded Compensation).

f. "Effective Date" means October 2, 2023.

g. "Erroneously Awarded Compensation" means the amount of any Incentive-Based Compensation received by a Covered Person on or after the Effective Date during the Applicable Recovery Period that exceeds the amount that otherwise would have been received by the Covered Person had such compensation been determined based on the restated amounts in the Material Financial Restatement, computed without regard to any taxes paid. Calculation of Erroneously Awarded Compensation with respect to Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Material Financial Restatement, shall be based on a reasonable estimate of the effect of the Material Financial Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received, and the Company shall maintain documentation of the determination of such reasonable estimate and provide such documentation to the Exchange in accordance with the Applicable Rules.

h. "Exchange" means The Nasdaq Stock Market LLC.

i. An "Executive Officer" means any person who served the Company in any of the following roles, received Incentive-Based Compensation after beginning service in any such role (regardless of whether such Incentive-Based Compensation was received during or after such person's service in such role) and served in such role at any time during the performance period for such Incentive-Based Compensation: the president, the principal financial officer, the principal accounting officer (or if there is no such accounting officer the controller), any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the issuer. Executive officers of parents or subsidiaries of the Company may be deemed executive officers of the Company if they perform such policy making functions for the Company. Identification of an executive officer for purposes of this Policy would include executive officers identified pursuant Item 401(b) of Regulation S-K.

j. "Financial Reporting Measures" mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, any measures that are derived wholly or in part from such measures (including, for example, a non-GAAP financial measure), and stock price and total shareholder return. For the avoidance of doubt, a financial reporting measure need not be presented in the Company's financial statements or included in a filing with the SEC.

k. "Incentive-Based Compensation" means any compensation provided, directly or indirectly, by the Company or any of its subsidiaries that is granted, earned, or vested based, in whole or in part, upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is deemed received, earned or vested when the Financial Reporting Measure is attained, not when the actual payment, grant or vesting occurs.

l. A "Material Financial Restatement" means an accounting restatement of previously issued financial statements of the Company due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously-issued financial statements that is material to the previously-issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

m. "Restatement Date" means, with respect to a Material Financial Restatement, the earlier to occur of: (i) the date the Board, r a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare the Material Financial Restatement or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare the Material Financial Restatement. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on whether the Company files a restated financial statement. A change to the Company's financial statement that does not represent an error correction is not a Restatement, including without limitation: (i) retrospective application of a change in accounting principle; (ii) retrospective revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) retrospective reclassification due to a discontinued operation; (iv) retrospective application of a change in reporting entity, such as from a reorganization of entities under common control; and (v) retrospective revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

4. Exception to Compensation Recovery Requirement

The Company may elect not to recover Erroneously Awarded Compensation pursuant to this Policy if the Committee determines that recovery would be impracticable, and one or more of the

following conditions, together with any further requirements set forth in the Applicable Rules, are met: (i) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered, and the Company has made a reasonable attempt to recover such Erroneously Awarded Compensation, documented such reasonable attempt(s) to recover, and provided that documentation to the Exchange; or (ii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the applicable regulations thereunder.

5. Tax Considerations

To the extent that, pursuant to this Policy, the Company is entitled to recover any Erroneously Awarded Compensation that is received by a Covered Person, the gross amount received (i.e., the amount the Covered Person received, or was entitled to receive, before any deductions for tax withholding or other payments) shall be returned by the Covered Person.

6. Method of Compensation Recovery

The Committee shall determine, in its sole discretion, the method for recovering Erroneously Awarded Compensation hereunder, which may include, without limitation, any one or more of the following:

a. requiring reimbursement of cash Incentive-Based Compensation previously paid;

b. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;

c. cancelling or rescinding some or all outstanding vested or unvested equity-based awards;

d. adjusting or withholding from unpaid compensation or other set-off;

e. cancelling or setting-off against planned future grants of equity-based awards; and/or

f. any other method permitted by applicable law or contract.

Notwithstanding the foregoing, a Covered Person will be deemed to have satisfied such person's obligation to return Erroneously Awarded Compensation to the Company if such Erroneously Awarded Compensation is returned in the exact same form in which it was received; provided that equity withheld to satisfy tax obligations will be deemed to have been received in cash in an amount equal to the tax withholding payment made.

7. Policy Interpretation

This Policy shall be interpreted in a manner that is consistent with the Applicable Rules and any other applicable law and shall otherwise be interpreted (including in the determination of

amounts recoverable) in the business judgment of the Committee. The Committee shall take into consideration any applicable interpretations and guidance of the SEC in interpreting this Policy, including, for example, in determining whether a financial restatement qualifies as a Material Financial Restatement hereunder. To the extent the Applicable Rules require recovery of Incentive-Based Compensation in additional circumstances besides those specified above, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Incentive-Based Compensation to the fullest extent required by the Applicable Rules. This Policy shall be deemed to be automatically amended, as of the date the Applicable Rules become effective with respect to the Company, to the extent required for this Policy to comply with the Applicable Rules.

8. Policy Administration

This Policy shall be administered by the Committee. The Committee shall have such powers and authorities related to the administration of this Policy as are consistent with the governing documents of the Company and applicable law. The Committee shall have full power and authority to take, or direct the taking of, all actions and to make all determinations required or provided for under this Policy and shall have full power and authority to take, or direct the taking of, all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of this Policy that the Committee deems to be necessary or appropriate to the administration of this Policy. The interpretation and construction by the Committee of any provision of this Policy and all determinations made by the Committee under this Policy shall be final, binding and conclusive.

9. Compensation Recovery Repayments not Subject to Indemnification

Notwithstanding anything to the contrary set forth in any agreement with, or the organizational documents of, the Company or any of its subsidiaries, the Company shall not indemnify any Covered Persons against, nor pay the premiums for any insurance policy to cover, Erroneously Awarded Compensation recovered under this Policy and, to the extent any such agreement or organizational document purports to provide otherwise, Covered Persons hereby irrevocably agree to forego such indemnification or coverage.

10. Non-Exclusive Remedy; Successors

Recovery of Erroneously Awarded Compensation pursuant to this Policy shall not in any way limit or affect the rights of the Company to pursue disciplinary, legal, or other action or pursue any other remedies available to it. This Policy shall be in addition to, and is not intended to limit, any rights of the Company to recover Erroneously Awarded Compensation from Covered Persons under any legal remedy available to the Company and applicable laws and regulations, including but not limited to the Sarbanes-Oxley Act of 2002, as amended, or pursuant to the terms of any other Company policy, employment agreement, equity award agreement, or similar agreement with a Covered Person, or required under applicable law (the "Other Recovery Arrangements"). Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Sarbanes-Oxley Act Section 304 or Other Recovery Arrangements, the

amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

The Policy shall be binding and enforceable against each Covered Person and, to the extent required by applicable law, his/her beneficiaries, heirs, executors, administrators or other legal representatives.

11. Acknowledgement

To the extent required by the Committee, each Covered Person shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Covered Person will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Covered Person will be fully bound by, and must comply with, the Policy, whether or not such Covered Person has executed and returned such acknowledgment form to the Company.

EXHIBIT A

ACKNOWLEDGMENT OF RECEIPT OF COMPENSATION RECOVERY POLICY

I have received and read Xencor Inc.'s Compensation Recovery Policy (the "Policy"). I understand and agree that I am fully bound by the terms of, and fully comply with, the Policy.

_____

Executive Name

_____

Signature

_____

Date