

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2017
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 001-36112

MACROGENICS, INC.

(Exact name of registrant)

Delaware
(State of organization)

06-1591613
(I.R.S. Employer Identification Number)

9704 Medical Center Drive, Rockville, Maryland 20850
(Address of principal executive offices and zip code)

(301) 251-5172
(Registrant's telephone number)

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

Title of Each Class

Name of Each Exchange on Which Registered

Common stock, par value \$0.01 per share

The Nasdaq Stock Market LLC

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 Exchange 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the registrant's common stock, par value \$0.01 per share, held by non-affiliates of the registrant on June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$642 million based on the closing price of the registrant's common stock on the Nasdaq Global Select Market on that date. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

The number of shares of the registrant's common stock outstanding on February 23, 2018 was 36,918,852.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of MacroGenics, Inc.'s definitive proxy statement for the 2018 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report.

MACROGENICS, INC.
ANNUAL REPORT ON FORM 10-K
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FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Forward-looking statements can often be identified by the use of terminology such as "subject to", "believe", "anticipate", "plan", "expect", "intend", "estimate", "project", "may", "will", "should", "would", "could", "can", the negatives thereof, variations thereon and similar expressions, or by discussions of strategy.

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

- our plans to develop and commercialize our product candidates;
- the outcomes of our ongoing and planned clinical trials and the timing of those outcomes;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to enter into new collaborations or to identify additional products or product candidates with significant commercial potential that are consistent with our commercial objectives;
- our ability to recover the investment in our manufacturing capabilities;
- the rate and degree of market acceptance and clinical utility of our products;
- our commercialization, marketing and manufacturing capabilities and strategy;
- significant competition in our industry;
- costs of litigation and the failure to successfully defend lawsuits and other claims against us;
- economic, political and other risks associated with our international operations;
- our ability to receive research funding and achieve anticipated milestones under our collaborations;
- our ability to protect and enforce patents and other intellectual property;
- costs of compliance and our failure to comply with new and existing governmental regulations including, but not limited to, tax regulations;
- loss or retirement of key members of management;
- failure to successfully execute our growth strategy, including any delays in our planned future growth; and
- our failure to maintain effective internal controls.

Consequently, forward-looking statements speak only as of the date that they are made and should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. Except as required by law, we do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.

PART I

ITEM 1. BUSINESS

Except as otherwise indicated herein or as the context otherwise requires, references in this annual report on Form 10-K to "MacroGenics," the "company," "we," "us" and "our" refer to MacroGenics, Inc. and its consolidated subsidiaries. MacroGenics, the MacroGenics logo, DART^(R), TRIDENTTM and the phrase "Breakthrough Biologics, Life-Changing Medicines" are our trademarks or registered trademarks. The other trademarks, trade names and service marks appearing in this report are the property of their respective owners.

Overview

We are a biopharmaceutical company focused on discovering and developing innovative antibody-based therapeutics designed to modulate the human immune response for the treatment of cancer. We currently have a pipeline of product candidates in human clinical testing that have been created primarily using our proprietary technology platforms, which also have broad applicability across other therapeutic domains, including autoimmune disorders and infectious disease. We believe our programs have the potential to have a meaningful effect on treating patients' unmet medical needs as monotherapy or, in some cases, in combination with other therapeutic agents.

Our most advanced clinical product candidate is margetuximab, a monoclonal antibody directed against human epidermal growth factor receptor 2, or HER2, that has been enhanced using our proprietary "Fc Optimization" platform described in greater detail below. The HER2 protein is expressed by certain breast, gastroesophageal and other cancers. We have an ongoing Phase 3 clinical trial, which we call SOPHIA, to study margetuximab in patients with HER2 positive metastatic breast cancer that has progressed despite treatment with other HER2-directed therapeutic agents. In January 2018, we announced the completion of a pre-planned interim futility analysis with the recommendation of an independent data safety monitoring committee to continue SOPHIA as planned without modification. This analysis was based on a pre-specified assessment of progression-free survival as determined by independent central review. We anticipate that a successful outcome from the SOPHIA study would allow us to seek approval of the product from the U.S. Food and Drug Administration, or FDA. We are also conducting a Phase 2 clinical trial by treating patients with HER2-positive gastric or gastroesophageal junction cancer with margetuximab in combination with an anti-PD-1 monoclonal antibody, an immune checkpoint inhibitor molecule that plays a critical role in modulation of the immune system's response to cancer. Encouraging interim clinical data from this study were presented in January 2018.

Flotetuzumab is one of several clinical-stage molecules developed using our proprietary platform technology for making DART[®] molecules, which is described in greater detail below. Unlike standard monoclonal antibodies, DART molecules are bispecific, which means they can be directed against two different biological targets, and therefore lend themselves to a variety of different applications. Flotetuzumab is a bispecific, humanized DART molecule that recognizes both CD123 and CD3. CD123, the Interleukin-3 receptor alpha chain, has been reported to be over-expressed on cancer cells in a wide range of hematological malignancies, including acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS). AML and MDS are thought to arise in and be perpetuated by a small population of leukemic stem cells (LSCs) that generally resist conventional chemotherapeutic agents. LSCs are characterized by high levels of CD123 expression that is low or absent in the corresponding hematopoietic progenitors and stem cell populations in normal human bone marrow. Flotetuzumab was designed to redirect T lymphocytes to kill CD123-expressing cells. To achieve this, the DART molecule combines an arm that recognizes CD123 on the target cancer cells, with a portion of an antibody recognizing CD3, an activating protein expressed by normal T cells, which are specialized white blood cells in the human immune system.

Updated dose expansion data from an ongoing Phase 1 study of flotetuzumab were presented at a scientific conference in December 2017. Consistent with dose escalation data that had previously been presented, flotetuzumab demonstrated acceptable tolerability as well as evidence of anti-leukemic activity, with three of eight evaluable patients in the dose expansion cohort experiencing complete remission with or without platelet recovery (CR/CRi) or morphologic leukemia-free (MLF) state as of the data cut-off date. Our collaborator, Les Laboratoires Servier and Institut de Recherches Servier, or, collectively, Servier, has development and commercialization rights outside North America, Japan, Korea and India for flotetuzumab.

We are pursuing multiple approaches for targeting an immune system protein known as programmed cell death protein 1 (PD-1). Marketed antibodies targeting this checkpoint molecule have shown clinical efficacy in the treatment of various tumors by releasing the "brakes" on the immune system which is often seen when tumors evade detection by the immune system. In 2016, we commenced a Phase 1 clinical study of MGA012, a humanized, monoclonal antibody directed against PD-1. MGA012 is being developed for use as monotherapy as well as in combination with other potential cancer therapeutics. We licensed MGA012 to Incyte Corporation in 2017 under a global collaboration and license agreement. We retain the right to develop our own pipeline assets in combination with MGA012.

In addition to MGA012, we use the anti-PD-1 specificity as we continue to develop additional bispecific and trispecific molecules that engage this target together with other immune regulatory molecules. Monoclonal antibodies that target the immune checkpoints PD-1 and lymphocyte-activation gene 3 (LAG-3) have shown enhanced clinical antitumor activity when given in combination. Recognizing the therapeutic potential of dual checkpoint blockade, we have engineered MGD013, a bispecific DART molecule, to bind PD-1 and LAG-3 concomitantly or independently and disrupt these non-redundant inhibitory pathways to further restore exhausted T-cell function. We anticipate that MGD013, if approved, could be used for the treatment of a wide range of cancers, including both solid tumors and hematological malignancies. MGD013 has demonstrated an acceptable preclinical safety and toxicological profile and is currently being evaluated in a Phase 1 dose escalation study.

Approved monoclonal antibodies that target the immune checkpoints PD-1 and cytotoxic T-lymphocyte-associated protein 4 (CTLA-4) have shown enhanced clinical antitumor activity when given in combination in various cancers, including renal cell carcinoma and non-small cell lung cancer with high tumor mutational burden. MGD019, a second DART molecule in our pipeline designed to enable co-blockade of two immune checkpoint molecules co-expressed on T cells, recognizes both PD-1 and CTLA-4. We anticipate submitting an Investigational New Drug (IND) application for MGD019 in 2018.

We are also developing several product candidates targeting B7-H3, a protein in the B7 family of immune regulator proteins. B7-H3 is widely expressed by a number of different tumor types and may play a key role in regulating the immune response to various types of cancer. There are no currently approved therapeutic agents directed against B7-H3. We have two clinical product candidates directed against B7-H3, enoblituzumab and MGD009, and we also have ongoing research efforts underway to advance MGC018, an antibody-drug conjugate, or ADC, directed against B7-H3. Our most advanced candidate in this franchise, enoblituzumab, is a monoclonal antibody that has also been enhanced using our Fc Optimization platform. Enoblituzumab is being evaluated clinically in multiple studies either as monotherapy, or in combination with an anti-PD-1 antibody across multiple tumor types.

MGD009 is directed to both B7-H3 expressed on tumor cells as well as CD3, expressed on normal T cells. In preclinical models, MGD009 has re-directed T cells to reduce or eliminate B7-H3 expressing tumors. We are currently conducting a Phase 1 clinical trial with MGD009 in patients with B7-H3 positive tumors and in a separate study that combines MGD009 and MGA012.

Two additional CD3-targeting DART molecules, MGD007 and PF-06671008, are currently in Phase 1 clinical testing, with each targeting a specific tumor antigen known to be expressed on certain cancers. MGD007, which recognizes glycoprotein A33 (gpA33) and CD3, is being tested in patients with colorectal cancer. Our collaborator, Servier, has an option to gain development and commercialization rights for MGD007 outside North America, Japan, Korea and India. PF-06671008, which targets p-cadherin and CD3, is being advanced by our collaborator Pfizer, Inc. (Pfizer) and is being studied in certain undisclosed solid tumors. The DART molecules that redirect T cells against cancer targets are manufactured using a conventional antibody platform without the complexity of having to genetically modify T cells from individual patients, as would be required by approaches such as chimeric antigen receptor (CAR) T cells.

Beyond oncology, we believe our antibody-based technology platforms have broad applicability across other therapeutic domains. For example, MGD010, a clinical-stage DART molecule, has a different mechanism of action than the other DART molecules currently in development. MGD010 recognizes two proteins expressed by B cells, which are specialized white blood cells that play a role in modulating the human immune system's inflammatory response. We believe that MGD010 may be able to reduce the harmful inflammatory effects seen in a variety of autoimmune and inflammatory disorders by modulating the function of human B cells while avoiding their depletion. In 2017, we completed a Phase 1 clinical study in healthy volunteers and observed acceptable safety and pharmacodynamic activity consistent with the expected mechanism of action of MGD010.

As another example of our DART platform's versatility, MGD014 is the first DART molecule designed to target an infectious agent. MGD014 targets the envelope protein of HIV-infected cells (Env) and T cells, via their CD3 component, to redirect the immune system's T cells to kill HIV-infected cells. An IND for MGD014 was cleared by FDA in 2017 and we expect to commence the Phase 1 study in 2018.

We continue to invest in our clinical-stage programs, advance additional preclinical product candidates, primarily using our proprietary technology platforms, and expand the potential of our platforms using our antibody and protein engineering expertise. We develop new therapeutic product candidates internally using our proprietary platforms and also in collaboration with other biopharmaceutical companies, when such relationships are advantageous for strategic or financial reasons. These arrangements have allowed us to expand and accelerate the breadth of our product candidates and also have generated a significant portion of the funding we have received to date. We also have our own manufacturing facility, primarily

for generation of earlier-stage clinical trial material, and have been investing in expanding our manufacturing capacity to meet later-stage clinical and future potential commercial requirements.

We estimate that in 2017, 2016 and 2015, we spent approximately \$147.2 million, \$122.1 million and \$98.3 million on research and development activities, respectively.

Our Strategy

Our goal is to be a fully integrated biotechnology company leading in the discovery, development and commercialization of breakthrough biologics for the treatment of patients with cancer.

Key elements of our strategy are as follows:

- *Therapeutic focus, science driven.* We create therapeutic biological products primarily to treat various types of cancers, including both solid tumors and hematological malignancies. Our proprietary DART and Fc Optimization technology platforms are particularly useful for targeting and harnessing specific elements of the human immune system, allowing us to design molecules that (1) directly target cancer cells and enhance the ability of the immune system to destroy those cells, (2) re-direct effector cells to attack tumors or (3) affect mechanisms that regulate the immune response to cancer, either by stimulating pathways that enhance this response or by blocking pathways that inhibit this response, including checkpoint molecules. This field of scientific discovery, broadly known as immuno-oncology, has been developing rapidly in the last few years, and most therapeutic products to date are largely focused on affecting individual biological pathways. We believe that cancers are sufficiently complex that effective treatments must simultaneously affect more than one pathway. We believe that we are well-positioned, particularly through the adaptability of our DART platform, to be able to create and develop therapeutic molecules designed to simultaneously target more than one pathway.

This same flexibility in our platforms allows us to create therapeutic molecules that may be useful for other unmet medical needs beyond cancer, such as for autoimmune disorders and infectious diseases. Our core strategic focus is on development of cancer therapeutics, but we may also opportunistically pursue such possibilities when they arise.

- *Fully integrated with a deep pipeline.* Our objective is to be a fully-integrated biotechnology company, and we intend to continue to grow and establish all necessary functions from early-stage research through commercialization in at least the United States. At our current stage of development as a company, we have established early-stage discovery, process development, clinical development and clinical-stage manufacturing functions, we are completing the build-out of a facility that will support commercial manufacturing, and we intend to build a U.S.-based sales and marketing infrastructure as our development pipeline matures.

We have a broad portfolio of product candidates and we are not dependent upon the success of any one of them for the overall success of the company. We continue to augment our pipeline through the discovery and development of new product candidates, primarily through utilization of our internal scientific expertise and strategically seeking external collaborations that can augment our own skills. From 2015 to 2017, we advanced four programs into clinical development. Our goal is to continue to advance one or more programs into clinical development per year to ensure a robust pipeline and to replace product candidates that fail to progress.

- *Leveraging collaborations.* Throughout our company's history, we have entered into collaborations with other biopharmaceutical companies and intend to continue to do so. We enter into collaborations when there is a strategic advantage to us to do so and when we believe the financial terms of the collaboration are favorable for meeting our short-term and long-term strategic objectives. We are not dependent upon any one of these collaborations, but in many cases we have rights to receive sales royalties and other significant financial payments if the partnered product candidates achieve certain development and sales milestones. Some of the collaborations also preserve our right to participate in future commercialization, for example by securing co-promotion or profit-sharing rights under certain circumstances.
- *Investments in talent and culture.* One of our most valuable assets is the quality of our employee base. We invest significant effort in selecting and retaining high caliber, talented individuals who reflect our values. As we continue to grow, we continue to seek and develop employees who are strongly committed to delivering life-changing medicines for unmet medical needs through a collaborative work environment.

Therapeutic Areas We Target

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. In normal tissues, the rates of new cell growth and cell death are tightly regulated and kept in balance. In cancerous tissues, this balance is disrupted as a result of mutations, causing unregulated cell growth that leads to tumor formation and growth. While tumors can grow slowly or rapidly, the dividing cells will nevertheless accumulate and the normal organization of the tissue will become disrupted. Cancers subsequently can spread throughout the body by processes known as invasion and metastasis. Once cancer spreads to sites beyond the primary tumor, it generally becomes more difficult to treat and may be incurable. Cancer cells that arise in the lymphatic system and bone marrow are referred to as hematological malignancies. Cancer cells that arise in other tissues or organs are referred to as solid tumors. Cancer can arise in virtually any part of the body, with the most common types arising in the prostate gland, breast, lung, colon and skin. We believe that our platforms position us very well strategically to actively develop approaches for the treatment of both solid tumors and hematologic malignancies.

Cancer is the second leading cause of death in the United States, exceeded only by heart disease. An increasing number of people are also living longer with cancer. The American Cancer Society has estimated that by January 2026, the population of cancer survivors in the United States will increase to almost 20.3 million people.

Other Therapeutic Areas

We believe our proprietary technology platforms also have broad applicability across other therapeutic areas, including autoimmune disorders and infectious disease.

Autoimmune disorders, including rheumatoid arthritis, Crohn's disease, systemic lupus erythematosus and multiple sclerosis, collectively affect more than 20 million people in the United States. Autoimmune disorders involve self-reactivity and destruction by T cells, B cells and antibodies due to a lack of self-tolerance. Anti-inflammatory therapies, such as tumor necrosis factor inhibitors, have been able to improve diseases like rheumatoid arthritis. However, in addition to T cells, more evidence indicates that B cells play an important role in many common autoimmune and allergic disorders by initiating and amplifying the pathological disease processes. Current B cell targeted therapies either cause depletion of B cells, thus limiting their applicability due to the potential for infections (e.g., rituximab), or exhibit a delayed onset of action and limited efficacy across patient populations (e.g., belimumab).

There are a wide variety of infectious diseases, and the epidemiology for each varies significantly with the type of pathogen and patients who are affected. However, in order to avoid being recognized as foreign by the human immune system, many infectious agents have found ways to evade detection. In this way, they may behave similarly, at a biological level, to certain types of cancer. Accordingly, our expertise in designing protein-based therapeutics that are designed to activate the human immune system to eliminate foreign substances may have applicability to various types of infectious diseases, and we explore those possibilities opportunistically.

Our Product Candidates

The table below depicts the current status of product candidates that are in or near human clinical development and for which we retain all or some commercial rights:

Program (Target)	Indication	Pre-IND	Phase 1	Phase 2	Phase 3	Collaborator	Our Commercial Rights
ONCOLOGY							
Margetuximab (HER2)	Breast (HER2+) "SOPHIA"					Green Cross	Worldwide, excl. S. Korea
	Gastric (+anti-PD-1)						
Flotetuzumab (CD123 x CD3)	AML/MDS					Servier	N. Amer., Jap., Korea, India
	AML (+MGA012)		Planned				
PD-1	MGA012 (PD-1)					Incyte**	—
	MGD013 (PD-1 x LAG-3)					—	Worldwide
	MGD019 (PD-1 x CTLA-4)					—	Worldwide
B7-H3	Enoblituzumab (B7-H3)					—	Worldwide
	MGD009 (B7-H3 x CD3)	Solid Tumors				—	Worldwide
		Solid Tumors (+MGA012)					—
	MGC018 (B7-H3)*	Solid Tumors				—	Worldwide
	MGD007 (gpA33 x CD3)	Colorectal					Servier option
Colorectal (+MGA012)			Planned				
AUTOIMMUNE & INFECTIOUS DISEASE							
Teplizumab (CD3)	Type 1 Diab. Prevention					NIDDK/NIH	Worldwide
MGD010 (CD32B x CD79B)	Autoimmune Disorders					—	Worldwide
MGD014 (HIV x CD3)	HIV					NIAID/NIH	Worldwide

* ADC based on duocarmycin payload with cleavable peptide linker licensed from Synthon Biopharmaceuticals.

** MacroGenics retains rights to develop its pipeline assets in combination with MGA012 and to manufacture a portion of global clinical and commercial supply needs of MGA012.

"MGD" = DART

"MGA" = Antibody

"MGC" = ADC

Oncology

- Margetuximab** is a monoclonal antibody that targets HER2-expressing tumors, including certain types of breast and gastroesophageal cancers. HER2 is critical for the growth of many types of tumors. Using our Fc Optimization platform, we have engineered the constant region, or Fc region, of margetuximab to increase its ability to kill tumor cells through an Fc-dependent mechanism, including antibody dependent cell-mediated cytotoxicity, or ADCC.

Our Phase 1 data for margetuximab, in addition to demonstrating margetuximab was well-tolerated at the dose levels studied, demonstrated that anti-tumor activity had been observed at a range of doses tested, including the lowest dose level of margetuximab, even in patients who were heavily pre-treated (frequently with other anti-HER2 agents). We are currently studying margetuximab in a Phase 3 clinical trial, which we call SOPHIA, in patients with metastatic breast cancer expressing HER2 at the 3+ level by immunohistochemistry (IHC) or 2+ level by IHC with gene amplification whose tumors have progressed despite therapy with other HER2-directed therapeutic agents. In January 2018, we announced the completion of a pre-planned interim futility analysis with the recommendation of an independent data safety monitoring committee to continue SOPHIA as planned without modification. This analysis was based on a pre-specified assessment of progression-free survival as determined by independent central review. The FDA has granted Fast Track designation for the investigation of margetuximab for treatment of patients with metastatic or locally advanced HER2 positive breast cancer who have previously been treated with anti-HER2-targeted therapy.

We are also conducting a Phase 2 clinical trial combining margetuximab with an anti-PD-1 antibody in patients with HER2-positive gastric or gastroesophageal junction (GEJ) cancer. In January 2018, MacroGenics presented interim clinical data from this study, including acceptable tolerability and an objective response rate (ORR) that was higher in patients with gastric vs. GEJ cancer (32% vs. 4%). ORR across all patients in the study was 18% (six confirmed and three unconfirmed patients). Similarly, disease control rate (DCR), which includes partial responses and stable disease, was higher in patients with gastric vs. GEJ cancer (72% vs. 38%). Median progression-free survival was also higher in patients with gastric vs. GEJ cancer (5.5 vs. 1.4 months). Based on these results, MacroGenics is expanding the study by enrolling 25 additional gastric cancer patients and will continue to evaluate biomarkers, including HER2 and PD-L1 expression, to determine the patients who are most likely to benefit from margetuximab plus anti-PD-1 therapy.

- *Flotetuzumab* is a DART molecule that targets both CD123 and CD3. CD123, the Interleukin-3 receptor alpha chain, is expressed on leukemia and leukemic stem cells, but only at very low levels or not at all on normal hematopoietic stem cells. T cells, which express CD3, can destroy tumor cells. In preclinical studies, we have demonstrated the ability of flotetuzumab to recruit, activate, and expand T cell populations to eliminate leukemia cells. In a Phase 1 dose escalation study of flotetuzumab, acceptable tolerability and evidence of anti-leukemic activity were demonstrated. We are currently enrolling patients in the United States and Europe in a Phase 1 dose expansion study of flotetuzumab in patients with AML or MDS and expect to commence a combination study with flotetuzumab and MGA012, an anti-PD-1 antibody, in 2018. Under the terms of our collaboration with Servier, Servier has the exclusive right to develop and commercialize flotetuzumab in all countries outside North America, Japan, Korea and India, and MacroGenics retains exclusive rights in those countries. The FDA granted orphan drug designation to flotetuzumab for the treatment of AML.
- *MGA012* is a monoclonal antibody targeting PD-1. Antibodies targeting PD-1 have shown efficacy against various tumors by releasing the "brakes" on the immune system that are often seen when tumors evade detection by the immune system. MGA012 is being developed for use as monotherapy as well as in combination with other potential cancer therapeutics. We licensed MGA012 to Incyte Corporation in 2017 under a global collaboration and license agreement. We retain the right to develop our own pipeline assets in combination with MGA012. Patients with a variety of different solid tumors are currently being enrolled in the dose expansion portion of a Phase 1 clinical trial of MGA012. We anticipate that MGA012 will be used in combination studies with several of our other product candidates.
- *MGD013* is a DART molecule that is intended to enable the co-blockade with a single recombinant agent of two immune checkpoint molecules, PD-1 and LAG-3, which may be co-expressed on T cells. We anticipate that MGD013, if approved, could be used for the treatment of a wide range of cancers, including both solid tumors and hematological malignancies. MGD013 is currently being evaluated in a Phase 1 dose escalation study.
- *MGD019* is a preclinical DART molecule designed to recognize the immune checkpoints PD-1 and CTLA-4, which have shown enhanced clinical antitumor activity in various cancers when given in combination. We anticipate submitting an IND application for MGD019 in 2018.
- *Enoblituzumab* is a monoclonal antibody that targets B7-H3. We engineered enoblituzumab to utilize the same Fc Optimization enhancements that we incorporated in margetuximab to target B7-H3 that is over-expressed on differentiated tumor cells, cancer stem cells and supporting tumor vasculature and underlying tissues. We are currently evaluating enoblituzumab in patients with multiple solid tumor types in an ongoing Phase 2 clinical trial in combination therapy with an anti-PD-1 antibody.
- *MGD009* is the second molecule in our B7-H3 franchise. This DART molecule recognizes B7-H3 and CD3, and has an Fc domain, which is designed to provide extended pharmacokinetic properties. We have demonstrated that this molecule is able to mediate T cell killing of cancer cells in preclinical experiments. We are currently enrolling patients with a variety of solid tumor types in a Phase 1 clinical trial of MGD009 and in a separate study that combines MGD009 and MGA012.
- *MGC018* is a B7-H3 ADC for which we have completed IND-enabling activities. MGC018 is based on a MacroGenics proprietary B7-H3 antibody and a duocarmycin-based, linker-drug technology licensed from Synthron Biopharmaceuticals B.V. We expect to submit an IND for MGC018 in 2018.
- *MGD007* is a DART molecule that targets both gpA33 and CD3, and has an Fc domain, which is designed to provide extended pharmacokinetic properties and convenient intermittent dosing. gpA33 is expressed on gastrointestinal tumors, including more than 95% of human colon cancers. We have demonstrated that this molecule is able to mediate T cell killing of gpA33-expressing cancer cells and cancer stem cells in preclinical experiments. We are currently enrolling patients with colorectal cancer in a Phase 1 clinical trial of MGD007 and plan to commence a combination study of MGD007 and MGA012 in 2018. Under the terms of our collaboration with Servier, Servier has an option to obtain exclusive rights to develop and commercialize MGD007 in all countries outside North America, Japan, Korea and India. If the option is exercised, MacroGenics would still retain exclusive rights in those countries.

Autoimmune Disorders

- *Teplizumab* is an anti-CD3 monoclonal antibody being developed for the treatment of type 1 diabetes. Teplizumab has been engineered to alter the function of the T cells that mediate the destruction of the insulin-producing beta cells of the islets of the pancreas. Teplizumab potentially represents an advance in the treatment

of type 1 diabetes by addressing the underlying disorder, rather than treating the symptoms through insulin replacement therapy. Teplizumab is being evaluated in a Phase 2 clinical trial for potential application to patients at risk of developing Type 1 diabetes. We have elected to collaborate with NIDDK/TrialNet to execute this clinical trial.

- *MGD010* is a DART molecule designed to address limitations of existing B cell-targeted therapies by binding to the CD32B and CD79B proteins found on human B cells. In preclinical studies, this DART molecule modulated the function of human B cells without B cell depletion. In normal conditions, B cells utilize CD32B as one of the key checkpoints or negative regulators to ensure that tolerance to self is maintained and autoimmune disease does not occur. *MGD010* is designed to further exploit this mechanism by triggering this inhibitory "immune checkpoint" loop. We believe this molecule preferentially blocks those B cells that are activated to produce the pathogenic antibodies that promote the autoimmune process. In 2017, we completed a Phase 1 clinical study in healthy volunteers and observed acceptable safety and pharmacodynamic activity consistent with the expected mechanism of action of *MGD010*.

Infectious Diseases

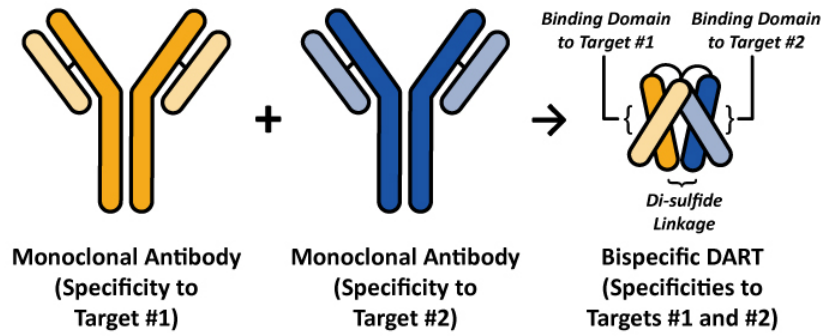
- *MGD014* is a DART molecule that targets the envelope protein of human immunodeficiency virus, or HIV-infected cells (Env) and CD3-expressing T cells. We are developing *MGD014* under contract number HHSN272201500032C awarded to us in September 2015 by the National Institute of Allergy and Infectious Diseases, or NIAID, part of the National Institutes of Health. In 2017, NIAID exercised the first of its two options, pursuant to which NIAID will fund our advancement of *MGD014* into Phase 1 clinical trials as well as the development and testing of a second DART molecule. *MGD014* is our first DART molecule targeting an infectious agent that is planned for clinical testing. The work under this contract will build on preclinical studies demonstrating that DART molecules targeting the Env and T cells, via their CD3 component, are able to redirect the immune system's T cells to kill HIV-infected cells. DART molecules could be used independently or become a key part of a "shock-and-kill" strategy in conjunction with HIV latency-reversing agents currently under development. Our IND submission for *MGD014* was cleared by FDA in 2017 and we anticipate that a first patient will be dosed in 2018.

Our Platforms and Technology Expertise

We apply our understanding of disease biology, immune-mediated mechanisms and next generation antibody technologies to design specifically targeted antibody-based product candidates based on our DART and Fc Optimization platforms. Through these platforms we have designed antibody-based product candidates that have the potential to improve on standard treatments by having one or more of the following attributes: (1) multiple specificities; (2) increased abilities to interact with the body's immune system to fight tumors; (3) capacity to bind more avidly to antigen targets; (4) increased potency; (5) reduced immunogenicity or (6) the ability to target cancer cells that are resistant to standard treatments. Moreover, these technology platforms are complementary and can be combined.

DART and TRIDENT™ Platforms: Our Proprietary Approach to Engineer Multi-Specific Antibodies

We use our DART platform to create derivatives of antibodies with the ability to bind to two distinct targets instead of a single one found in traditional monoclonal antibodies. DART product candidates are therefore bispecific. An example of a bispecific molecule is illustrated below:



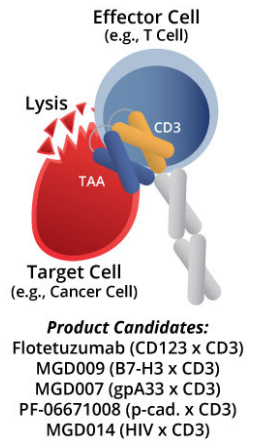
Because cancer cells have developed ways to escape the immune system, we have created DART molecules, which are alternative antibody-like structures with more potent immune properties than the parent antibody molecules from which they are derived. The two variable regions of an antibody are mono-specific and are able to target only a single type structural component of an antigen. For many years, researchers have sought to create recombinant molecules that are capable of targeting two antigens or epitopes (i.e., specific part of an antigen bound by the antibody) within the same molecule. The challenges in creating such molecules have been the instability of the resulting bispecific molecules and their inherently short half-lives, as well as the inefficiencies in manufacturing these compounds. We believe our DART platform has overcome these engineering challenges by incorporating proprietary covalent di-sulfide linkages and particular amino acid sequences that efficiently pair the chains of the DART molecule. This is designed to provide a structure with enhanced manufacturability, long-term structural stability and the ability to tailor the half-lives of the DART molecules to their clinical needs. This engineered antibody-like protein has a compact and stable structure and enables the targeting of two different antigens with a single recombinant molecule.

The DART platform has been specifically engineered to accommodate virtually any variable region sequence with predictable expression, folding and antigen recognition. We believe our multi-specific platforms may provide a significant advantage over current biological interventions in cancer, autoimmune disorders and infectious disease by enabling a range of modalities, including those described below.

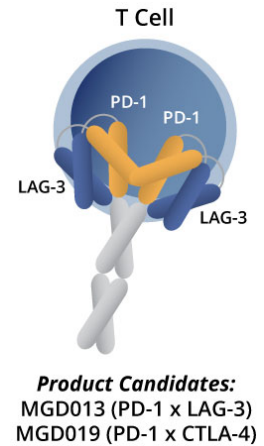
We have also advanced beyond our DART platform to establish a TRIDENT platform, which reflects the continuing evolution of our multi-specific antibody-based targeting expertise. Built on the DART module, the trivalent TRIDENT platform incorporates in an Ig-like format an additional domain capable of engaging an independent antigen. With the inclusion of a third targeting arm, TRIDENT molecules enable a broader range of mechanisms of action than bispecific targeting, allowing, for instance, the engagement of multiple antigens on a single or on different cells or enabling enhanced target selectivity by modulating the avidity of one of two antigens.

- **Redirected T cell activation and killing.** In this version of the DART molecule, we are enabling the cancer-fighting properties of the immune effector cells, such as T lymphocytes to: (1) recognize and bind to structures expressed on a cancer cell (e.g., CD123, the first specificity in the example on the right), (2) enable the recruitment of all types of cytotoxic, or cell killing, T cells, irrespective of their ability to recognize cancer cells (e.g., CD3, a common component of the T cell antigen receptor, is the second specificity in the example on the right) and (3) trigger T cell activation, expansion, and cell killing mechanisms to destroy a cancer cell. The outcome is that any of the body's T cells, in theory, could be recruited to destroy a cancer cell and thus, are not limited to the small numbers of specific T cells that might have been generated in response to cancer to kill tumor cells. Furthermore, since any T cell could be recruited for this killing process, only small amounts of a DART molecule are required to trigger this potent immune response.

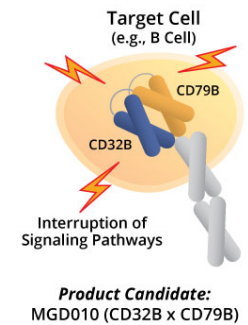
Additionally, the compact structure of the DART protein makes it well suited for maintaining cell-to-cell contact, which we believe contributes to the high level of target cell killing. Similarly, DART molecules targeting CD3 and a viral antigen can be used to recruit T cells to eliminate cells infected by a virus, such as HIV-infected cells.



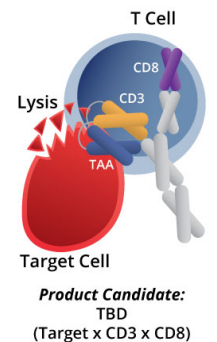
- **Simultaneous targeting of multiple co-inhibitory receptors or checkpoints, such as those involved in inhibiting T cell responses and B cell responses.** The immune system generally prevents the development of autoimmune phenomena by regulating activated immune cells that have responded to non-self or foreign antigens. This negative feedback loop is triggered by the interactions of co-inhibitory receptors, or checkpoint molecules, expressed on the immune cells with ligands expressed by other cells, such as antigen-presenting cells. This phenomenon is exploited by cancer, whereby tumor cells express checkpoint ligands that block the development of an immune response against the tumor. Antibodies that block the interaction of checkpoint molecules with their ligands have been shown to significantly improve the clinical outcomes of patients with certain advanced cancers. Because of the diversity of immune checkpoint pathways, blockade of a single axis, while clinically significant, as shown in the case of the blockade of the PD-1/PD-L1 axis with pembrolizumab or nivolumab, will not benefit all patients. In fact, combinations of checkpoint inhibitors, such as nivolumab and ipilimumab, a CTLA-4 blocker, have resulted in significantly enhanced benefit compared to ipilimumab or nivolumab alone. We believe that DART molecules targeting two immunoregulatory pathways, such as two checkpoints in a single molecule, could afford the clinical benefit of the combination together with the potential for synergistic activity, as well as significant advantages in manufacturing, simplified clinical development, and enhanced patient convenience.



- **Modulation of receptor signaling.** In another configuration of the DART molecule, we have taken advantage of the two different specificities engineered in a DART structure to bind to particular cells involved in autoimmune processes, such as autoimmune B cells, and to usurp the immune checkpoint signaling pathways programmed within the cells to impede the pathogenic autoimmune responses. Our MGD010 product candidate targets both CD32B, a co-inhibitory molecule, and CD79B, part of the B cell antigen receptor complex, two proteins expressed on the immune system's B cells. Using a single DART molecule, we attempt to promote the interaction of these two receptors, a step required to interrupt the B cell activation and immune response that single antibodies directed against CD32B, CD79B or both cannot accomplish independently.



- **Enhanced effector cell selectivity.** T lymphocytes with lytic effector function belong preferentially to the CD8 lineage, while CD4-positive T cells preferentially provide immune regulatory function, such as the secretion of cytokines or the differentiation into regulatory T cells. Greater selectivity in the recruitment of effector T cells is an example of the range of applications of our TRIDENT technology. By encoding a CD8 recognition arm in addition to the CD3- and tumor antigen-specific arms, our TRIDENT technology allows the preferential engagement of CD8-positive T lymphocytes and redirects them against tumor cells. This strategy allows for retention of lytic effector function, while limiting the CD4 cell engagement and associated effects, such as inflammatory cytokine release.

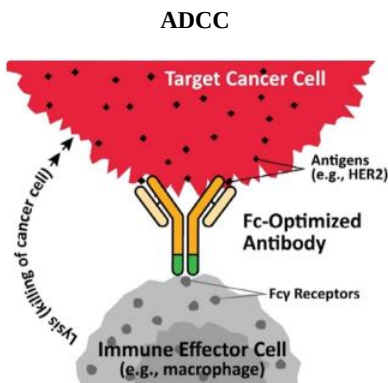


In addition to the ability to tailor a DART molecule's valency, we have the capacity to modify the strength by which the binding sites attach to their targets and the molecule's half-life in the blood circulation after delivery to a patient. Furthermore, when an Fc domain is coupled with a DART molecule, additional changes can be included that can modulate the DART molecule's engagement with different immune cells.

We are developing specific product candidates using this technology, including flotetuzumab, MGD009, MGD007, MGD010, MGD013 and MGD014, among others.

Fc Optimization Platform: Our Proprietary Approach to Enhance Immune-Mediated Cancer Cell Killing

To enhance the body's immune ability, we developed our Fc Optimization platform which introduces certain mutations into the Fc region of an antibody and is able to modulate antibody interaction with immune effector cells. Such interaction enhances the body's immune ability to mediate the killing of cancer cells through ADCC.



The Fc region mediates the function of IgG antibodies by binding to different activating and inhibitory receptors, referred to as FcγRs, on immune effector cells found within the innate immune system. By engineering Fc regions to bind with an increased affinity to the activating FcγRs and with a reduced affinity to the inhibitory FcγRs, we have been able to impart a more effective immune response and improve effector functions, such as ADCC. This is another example in which small changes in antibody structure can confer improvements on normal immune processes.

We have established a proprietary platform to engineer, screen, identify and test antibodies' Fc regions with customizable activity. In particular, we have licenses to use transgenic mice that express human FcγRs. These mice can be used for in vivo testing of antibodies that incorporate Fc domain variants, including those antibodies intended for cancer therapy.

To date, we have successfully incorporated our Fc variants in two of our clinical-stage antibody product candidates, margetuximab and enoblituzumab. We have preclinical data demonstrating that these Fc variants have substantially improved the activity of these antibodies.

Our Collaborations

We pursue a balanced approach between product candidates that we develop ourselves and those that we develop with our collaborators. Under our strategic collaborations to date, we have received significant non-dilutive funding and continue to have rights to additional funding upon completion of certain research, achievement of key product development milestones and royalties and other payments upon the commercial sale of products. Each of our collaborations has a unique set of terms and conditions, but in general, they fall into two categories:

- **MacroGenics-Originated Programs.** We have a number of collaborations relating to product candidates that we have created from our internal research efforts. These include Incyte for MGA012; Servier for flotetuzumab and MGD007 and Green Cross Corp., or Green Cross, for margetuximab. In the case of these product candidates, we entered into collaborations because we believed that our collaborator could further enable development of the program or provide additional capabilities and funding to supplement MacroGenics' investment, or both. We obtained financial terms and retained certain rights that we believed were beneficial to us. For example, under the Incyte agreement, we retained the right to develop our pipeline assets in combination with MGA012 and to manufacture a portion of the global clinical and commercial supply needs of MGA012. Under the Servier agreement, we retain full commercialization and development rights in the United States, Canada, Mexico, Japan, South Korea and India, and regain worldwide

rights if Servier opts not to continue co-developing MGD007. Under the Green Cross agreement, we retain full commercialization rights worldwide except for South Korea.

- *Joint Research Programs.* We have several programs under which collaborators have sought to utilize some aspect of our protein engineering platforms with new product concepts that are jointly directed, sometimes employing a collaborator's own proprietary technology. These collaborations give us the ability to expand the breadth of our potential products, develop greater scientific expertise and obtain additional funding for research. F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., or Roche, and Pfizer, Inc. are currently advancing projects in their own pipelines based on these types of programs. With these collaborators, we have more limited development or commercial rights related to the product candidates that may emerge from joint research programs, although we are eligible to receive royalties from these programs as well as other consideration upon the occurrence of specified development and sales milestones.

Intellectual Property

We strive to protect the proprietary technologies that we believe are important to our business, including seeking and maintaining patents intended to protect, for example, the composition of matter of our product candidates, their methods of use, the technology platforms used to generate them, related technologies and/or other aspects of the inventions that are important to our business. We also rely on trade secrets, confidentiality and invention assignment agreements and careful monitoring of our proprietary information to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection.

Our success will depend significantly on our ability to obtain and maintain patent and other proprietary protection for commercially important technology, inventions and know-how related to our business. In addition, there is cost and risk to our business in defending and enforcing our patents, maintaining our licenses to use intellectual property owned by third parties and preserving the confidentiality of our trade secrets and operating without infringing the valid and enforceable patents and other proprietary rights of third parties. We also rely on know-how, continuing technological innovation and in-licensing opportunities to develop, strengthen and maintain our proprietary positions. We currently use multiple industry-standard patent monitoring systems to monitor new United States Patent and Trademark Office, or USPTO, filings for any applications by third parties that may infringe on our patents.

The patent positions of biopharmaceutical companies like us are generally uncertain and involve complex legal, scientific and factual questions. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted by the courts after issuance. Consequently, we do not know whether any of our product candidates will be protectable or remain protected by enforceable patents. We cannot predict whether the patent applications we are currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Any patents that we hold may be challenged, narrowed, circumvented or invalidated by third parties.

A third party may hold patents or other intellectual property rights that are important to or necessary for the development of our product candidates or use of our technology platforms. It may be necessary for us to use the patented or proprietary technology of third parties to commercialize our product candidates, in which case we would be required to obtain a license from these third parties on commercially reasonable terms, or our business could be harmed, possibly materially. For example, certain patents held by third parties cover Fc engineering methods and mutations in Fc regions to enhance the binding of Fc regions to Fc receptors on immune cells. Although we believe that these patents are not infringed, invalid, and unenforceable, should a court find that they cover margetuximab or enoblituzumab and we are unable to invalidate them, or if licenses for them are not available on commercially reasonable terms, our business could be harmed, perhaps materially.

Because patent applications in the United States and certain other jurisdictions can be maintained in secrecy for 18 months or potentially even longer, and because publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain of the priority of inventions covered by pending patent applications. Moreover, we may have to participate in interference proceedings declared by the USPTO to determine priority of invention. In the ordinary course of business we participate in post-grant challenge proceedings, such as oppositions, that challenge the patentability of third party patents. Such proceedings could result in substantial cost, even if the eventual outcome is favorable to us.

Pipeline Patent Protection

As of December 31, 2017, we held 87 patents in the United States with 41 patent applications pending and 349 patents in other countries of the world with 528 patent applications pending. In addition to patents and patent applications generally providing protection for various aspects of our Fc Optimization, DART, and TRIDENT platforms, we have patent and patent applications for the composition of matter of each of our clinical pipeline product candidates and, in some cases, we also have

other patents and patent application related to various aspects of the technology underlying these product candidates or their methods of use.

Patent terms may be adjusted or extended, as described in greater detail below, in certain circumstances. However, assuming no adjustments or extensions, the primary composition of matter patent for each of our clinical pipeline product candidates is expected to expire in the following timeframes:

Product Candidate	Expiration Date
margetuximab	2029
enoblituzumab	2031
flotetuzumab	2034
MGD007	2034*
MGD010	2034*
MGD009	2036*
MGA012	2036*
MGD013	2036*
MGD019	2036*
MGC018	2037*

* pending

Patent Term Extension and Reference Product Exclusivity

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 biosimilarity 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, or 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.

Trade Secrets

We also rely on trade secret protection for our confidential and proprietary information. Although we take steps to protect our proprietary information and trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology. Thus, we may not be able to meaningfully protect our trade secrets. It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These

agreements provide that all confidential information concerning our business or financial affairs developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions conceived by the individual, and which are related to our current or planned business or research and development or made during normal working hours, on our premises or using our equipment or proprietary information, are our exclusive property. In many cases our confidentiality and other agreements with consultants, outside scientific collaborators, sponsored researchers and other advisors require them to assign or grant us licenses to inventions they invent as a result the work or services they render under such agreements or grant us an option to negotiate a license to use such inventions.

In-Licensed Intellectual Property

We have entered into patent and know-how license agreements that grant us the rights to use certain technologies related to biological manufacturing for our clinical product candidates. We anticipate using these technologies for future product candidates. These licensors have businesses dedicated to licensing this type of technology and we anticipate that licenses to use these technologies for our future products will be available. The licenses typically include yearly maintenance payments and sales royalties, and may also include upfront payments or milestone payments.

Manufacturing

We currently manufacture our drug substance for our clinical trials at our manufacturing facility located in Rockville, Maryland. For our antibody product candidates, we have supplemented our drug substance manufacturing capacity through an arrangement with AGC Biologics, Inc., or AGC (formerly CMC Biologics, Inc.), a contract manufacturing organization, and plan to commercially produce margetuximab at AGC assuming the success of the Phase 3 SOPHIA clinical trial on the expected timeline. We are also completing the build-out of a manufacturing suite at our headquarters building in Rockville, Maryland, which has been designed to increase our internal capacity to manufacture more drug substance lots, at larger scale and in full compliance with current Good Manufacturing Practices (cGMP) to be able to sell commercial product. In addition, we currently rely on and will continue to rely on contract fill-finish service providers, primarily Ajinomoto Althea, Inc. and Baxter Healthcare Corporation, to fulfill our fill-finish needs for our current and future product candidates.

Most of the principal materials we use in our manufacturing operations are available from more than one source. However, we obtain certain raw materials principally from only one source. In the event one of these suppliers was unable to provide the materials or product, we generally seek to maintain sufficient inventory to supply the market until an alternative source of supply can be implemented. However, in the event of an extended failure of a supplier, it is possible that we could experience an interruption in supply until we established new sources or, in some cases, implemented alternative processes.

Production processes for biological therapeutic products are complex, highly regulated, and vary widely from product to product. Shifting or adding manufacturing capacity can be a very lengthy process requiring significant capital expenditures, process modifications, and regulatory approvals. Accordingly, if we were to experience extended plant shutdowns at one of our own facilities, extended failure of a contract supplier or contract manufacturing organization, or extraordinary unplanned increases in demand, we could experience an interruption in supply of certain products or product shortages until production could be resumed or expanded.

Commercialization

We cannot market or promote a new product until a marketing application has been approved by the FDA. We currently have no approved products in the United States. We have not yet established a sales, marketing or product distribution infrastructure. We believe that it will be possible for us to access the United States oncology market through a specialty sales force. Subject to receiving marketing authorization in the United States, we expect to commence commercialization via our then-in-place sales and marketing organizations. We believe that these organizations will be able to serve the oncology community in treating the patient populations for which our oncology product candidates are being developed. Outside the United States, we expect to enter into arrangements with third-party commercial partners for any of our product candidates that obtain marketing approval.

Competition

There are a large number of companies developing or marketing treatments for cancer and autoimmune disorders, including many major pharmaceutical and biotechnology companies. These treatments consist both of small molecule drug products, as well as biologic therapeutics that work by using next-generation antibody technology platforms to address specific cancer targets. In particular, margetuximab is directed against HER2 and several companies have cancer therapeutics directed against HER2 marketed or in development, such as Roche, particularly through its affiliate, Genentech, Inc., as well as Puma Biotechnology, Inc., Daiichi Sankyo Company, Limited, and Cascadian Therapeutics. Market competition may limit the

utilization of margetuximab as a therapeutic, even if market approval and adequate reimbursement is obtained, and competition among development-stage programs for patients enrolling in clinical trials for HER2-directed therapies may delay expected timelines for our clinical trials.

In addition, the immuno-oncology field is competitive, with treatments currently approved and on the market or in development for various tumor types and patient populations from a variety of different companies such as Merck & Co., Inc., or Merck, The Bristol Myers Squibb Company, or BMS, and Roche, all of which have significantly greater resources than we do. Many of our pipeline programs, if successful, will likely face significant competition both by therapeutics that are already being marketed as well as those that will be approved for marketing before our programs. In particular, we are developing a franchise of PD-1-directed product candidates, which includes a monoclonal antibody and two DART molecules. Merck, BMS and Roche all have approved products that target either the PD-1 receptor or its ligand, PD-L1, and there are several other companies that have anti-PD-1 or anti-PD-L1 antibodies in clinical development, all of which would compete with our PD-1-directed programs.

Finally, several companies are also developing therapeutics that work by targeting multiple specificities using a single recombinant molecule. Amgen Inc. has obtained marketing approval for one product that works by targeting antigens both on immune effector cell populations and those expressed on certain cancer cells, and has other product candidates in development that use this mechanism. In addition, other companies are developing new treatments for cancer and autoimmune diseases that utilize multi-specific approaches, including Roche, Genmab A/S, Merus B.V., Abbvie Inc., Affimed Therapeutics AG Corporation, Eli Lilly and Company and Xencor, Inc.

Many of our competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining top qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

The key competitive factors affecting the success of all of our therapeutic product candidates, if approved, are likely to be their efficacy, safety, dosing convenience, price, the effectiveness of companion diagnostics in guiding the use of related therapeutics, the level of generic or biosimilar competition and the availability of reimbursement from government and other third-party payors. In addition, the standard of medical care provided to cancer patients continues to evolve as more scientific and medical information becomes available. These changes in medical care relate to pharmaceutical products, but are also affected by other factors, and such changes can positively or negatively affect the prospects of our product candidates as well as those of our competitors.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are more effective, have fewer or less severe effects, are more convenient or are less expensive than any products that we may develop, or the standards of care for cancer patients change while our clinical trials are ongoing. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third party payors seeking to encourage the use of biosimilar products. Biosimilar products are expected to become available over the coming years. For example, a trastuzumab biosimilar has been approved in the U.S. by FDA.

The most common methods of treating patients with cancer are surgery, radiation and drug therapy. There are a variety of available drug therapies marketed for cancer. Many of these approved drugs are well established therapies and are widely accepted by physicians, patients and third party payors. In many cases, these drugs are administered in combination to enhance efficacy. While our product candidates may compete with many existing drug and other therapies, to the extent an approved drug is ultimately used in combination with or as an adjunct to these therapies, our product candidates will not be competitive with the approved drug.

Government Regulation and Product Approval

Government authorities in the United States, at the federal, state and local level, and in other countries extensively regulate, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, import and export of pharmaceutical products such as those we are developing. The processes for obtaining regulatory approvals in the United States and in foreign countries, along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources.

FDA Regulation

All of our current product candidates are subject to regulation in the United States by the FDA as biological products, or biologics. The FDA subjects biologics to extensive pre- and post-market regulation. The Public Health Service Act, the Federal Food, Drug, and Cosmetic Act and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of biologics. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as FDA refusal to approve pending BLAs, withdrawal of approvals, clinical holds, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties, or criminal penalties.

Preclinical Studies. Drug development in our industry is complex, challenging and risky; failure rates are high. Product development cycles are long - approximately 10 to 15 years from discovery to market. A potential new biological product must undergo many years of preclinical and clinical testing to establish it is pure, potent and safe.

Preclinical studies include laboratory evaluation of product chemistry, formulation and toxicity, pharmacology, as well as animal trials to assess the characteristics and potential safety and efficacy of the product. The conduct of the preclinical tests must comply with federal regulations and requirements including FDA's good laboratory practice, or GLP, regulations and the U.S. Department of Agriculture's regulations implementing the Animal Welfare Act. After laboratory analysis and preclinical testing in animals, we file an IND with FDA to begin human testing. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature, and a proposed clinical trial protocol, among other things, to the FDA as part of an IND application. Certain preclinical tests, such as animal tests of reproductive toxicity and carcinogenicity, may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the clinical trial on a clinical hold or agrees on an alternate approach with us. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence.

Clinical Development. Clinical trials involve the administration of the investigational new drug to human subjects (healthy volunteers or patients) under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with all applicable federal regulations and guidance, including those pertaining to good clinical practice, or GCP, standards that are meant to protect the rights, safety, and welfare of human subjects and to define the roles of clinical trial sponsors, investigators, and monitors; as well as (ii) under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol involving testing of a new drug in the United States (whether in patients or healthy volunteers) must be included in the IND submission, and FDA must be notified of subsequent protocol amendments. In addition, the protocol must be reviewed and approved by an institutional review board, or IRB, and all study subjects must provide informed consent prior to participating in the study. Typically, each institution participating in the clinical trial will require review of the protocol before any clinical trial commences at that institution. Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health, or NIH, for public dissemination on their ClinicalTrials.gov website. Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and there are additional, more frequent reporting requirements for suspected unexpected serious adverse events.

A study sponsor might choose to discontinue a clinical trial or a clinical development program for a variety of reasons. The FDA may impose a temporary or permanent clinical hold, or other sanctions, if it believes that the clinical trial either is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial subjects. An IRB may also require the clinical trial at the site to be halted, either temporarily or permanently, for failure to comply with the IRB's requirements, or may impose other conditions.

Clinical trials to support BLAs for marketing approval are typically conducted in three pre-approval phases, but the phases may overlap or be combined, particularly in testing for oncology indications. In Phase 1, testing is conducted in a small group of subjects who may be patients with the target disease or condition or healthy volunteers, to evaluate its safety, determine a safe dosage range, and identify side effects. In Phase 2, the drug is given to a larger group of subjects with the target condition to further evaluate its safety and gather preliminary evidence of efficacy. Phase 3 studies typically last multiple years for oncology indications. In Phase 3, the drug is given to a large group of subjects with the target disease or condition (several hundred to several thousand), often at multiple geographical sites, to confirm its effectiveness, monitor side effects, and collect data to support drug approval. In some cases, FDA may require post-market studies, known as Phase 4 studies, to be conducted as a condition of approval in order to gather additional information on the drug's effect in various populations and any side effects associated with long-term use. Depending on the risks posed by the drugs, other post-market requirements may be imposed. Only a small percentage of investigational drugs complete all three phases and obtain marketing approval.

Product Approval. After completion of the required clinical testing, a BLA can be prepared and submitted to the FDA. FDA approval of the BLA is required before marketing of the product may begin in the United States. The BLA must include the results of preclinical, clinical and other testing and a compilation of data relating to the product's chemistry, manufacture and controls. The cost of preparing and submitting a BLA is substantial. Under federal law, the submission of most BLAs is additionally subject to a substantial application user fee, and annual product and establishment user fees also apply. These fees are typically increased annually.

The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the FDA's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins a substantive review, and the review period under the Prescription Drug User Fee Act begins. The standard for reviewing a BLA is whether the product is safe, pure and potent, which has been interpreted to include that the product is safe and effective and has a favorable benefit-risk profile. FDA's current performance goals call for FDA to complete review of 90 percent of standard (non-priority) BLAs within 10 months of receipt and within six months for priority BLAs, which is 12 months and eight months, respectively, if the 60-day review of the initial application is included in the timeline. In addition, the FDA has developed approaches intended to make certain qualifying products available to patients rapidly - Priority Review, Breakthrough Therapy, Accelerated Approval, and Fast Track. While the timelines for approval under these pathways may be shorter, there are requirements and conditions associated with each pathway, and there can be no assurance that any of our investigational products will be able to meet the conditions or requirements necessary to receive any such designation or be able to receive the review or approval benefits associated with such designations.

The FDA may refer applications for novel products or products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes outside clinicians and other experts, for review, evaluation and a recommendation as to whether sufficient data exist in the application to support product approval. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations.

Before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will typically inspect the facility or the facilities at which the drug is manufactured. FDA will not approve the product unless compliance with cGMPs is satisfactory. FDA also reviews the proposed labeling submitted with the BLA and typically requires changes in the labeling text.

After the FDA evaluates the BLA and the manufacturing and testing facilities, it issues either an approval letter or a complete response letter. Complete response letters generally outline the deficiencies in the submission and delineate the additional testing or information needed in order for the FDA to reconsider the application. If and when those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the BLA, the FDA will issue an approval letter. The FDA has committed to reviewing 90 percent of resubmissions within two or six months from receipt depending on the type of information included.

An approval letter authorizes commercial marketing of the drug for the approved indication or indications and the other conditions of use set out in the approved prescribing information. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

As a condition of BLA approval, the FDA may require substantial post-approval testing and surveillance to monitor the drug's safety or efficacy and may impose other conditions, including labeling restrictions that can materially affect the potential market and profitability of the product. As a condition of approval, or after approval, the FDA also may require submission of a risk evaluation and mitigation strategy, or REMS, to mitigate any identified or suspected serious risks. The REMS may include medication guides, physician communication plans, assessment plans, and elements to assure safe use, such as restricted distribution methods, patient registries, or other risk minimization tools.

Other U.S. Post-Marketing Regulatory Requirements. Once a BLA is approved, a product will be subject to certain post-approval requirements, including those relating to advertising, promotion, adverse event reporting, recordkeeping, and cGMPs, as well as registration, listing, and inspection. There also are continuing, annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data.

FDA regulates the content and format of prescription drug labeling, advertising, and promotion, including direct-to-consumer advertising and promotional Internet communications. FDA also establishes parameters for permissible non-promotional communications between industry and the medical community, including industry-supported scientific and educational activities. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion for uses not consistent with the approved labeling, and a company that is found to have improperly promoted off-label uses or otherwise not to have met applicable promotion rules may be subject to significant liability under both the FDCA and other statutes, including the False Claims Act. See "Other Healthcare Laws and Compliance Requirements" below for more information.

All aspects of pharmaceutical manufacture must conform to cGMPs after approval. Drug manufacturers and certain of their subcontractors are required to register their establishments with FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA during which the FDA inspects manufacturing facilities to assess compliance with cGMPs. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMPs and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with cGMPs.

Products may be marketed only for the approved indications and in accordance with the provisions of the approved labeling. Changes to some of the conditions established in an approved application, including changes in indications, labeling, product formulation or manufacturing processes or facilities, require submission and FDA approval of a new BLA or BLA supplement, in some cases before the change may be implemented. A BLA supplement for a new indication typically requires clinical data similar to that in the original application, and the FDA uses the same procedures and actions in reviewing BLA supplements as it does in reviewing BLAs.

Manufacturers are subject to requirements for adverse event reporting and submission of periodic reports following FDA approval of a BLA. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, or failure of Phase 4 studies to meet their specified endpoints, may result in revisions to the approved labeling to add new safety information, the need to conduct additional post-market studies or clinical trials to assess new safety risks, imposition of distribution or other restrictions under a REMS program, or recall of the product and withdrawal of the BLA.

Noncompliance with postmarket requirements can result in one or more of the following consequences:

- Restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- Warning letters;
- Holds on post-approval clinical trials;
- Refusal of the FDA to approve pending BLAs or supplements to approved BLAs, or suspension or revocation of product license approvals;
- Product seizure or detention, or refusal to permit the import or export of products; or
- Injunctions or the imposition of civil or criminal penalties.

In addition, the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution.

Approval of Biosimilars. The ACA authorized the FDA to approve biosimilars via a separate, abbreviated pathway. In many cases, this allows biosimilars to be brought to market without conducting the full suite of clinical trials typically required of originators. The law establishes a period of 12 years of data exclusivity for reference products in order to preserve incentives for future innovation and outlines statutory criteria for science-based biosimilar approval standards that take into account patient safety considerations. Under this framework, data exclusivity protects the data in the innovator's regulatory application by prohibiting others, for a period of 12 years, from granting FDA approval based in part on reliance on or reference to the innovator's data in their application to the FDA. The law does not change the duration of patents granted on biological products. There have been recent proposals to repeal or modify the ACA and it is uncertain how any of those proposals, if approved, would affect the provisions governing biosimilars.

Other Healthcare Laws and Compliance Requirements

In the United States, our activities are potentially subject to regulation by federal, state, and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services, other divisions of the U.S. Department of Health and Human Services (e.g., the Office of Inspector General), the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments.

For example, certain financial interactions with healthcare professionals may be subject to the anti-kickback and fraud and abuse provisions of the Social Security Act and the False Claims Act, and in addition our activities may be affected by the privacy regulations issued under the Health Insurance Portability and Accountability Act, as amended, and similar state laws.

International Regulation

In addition to regulations in the United States, a variety of foreign regulations govern clinical trials, commercial sales, distribution of product candidates and other areas outlined above. These regulations can vary between jurisdictions and can be more onerous than regulations in the United States. Penalties for violating such regulations also exist in these jurisdictions. The approval process varies from country to country and the time to approval may be longer or shorter than that required for FDA approval.

Pharmaceutical Coverage, Pricing, and Reimbursement

In the United States and other countries, sales of any future products for which we receive regulatory approval for commercial sale will depend in part on the availability of adequate reimbursement from third-party payors, including government health administrative authorities, managed care providers, private health insurers, and other organizations. Third-party payors are increasingly examining the medical necessity and cost effectiveness of medical products and services in addition to safety and efficacy and, accordingly, significant uncertainty exists as to the reimbursement status of newly approved therapeutics. Third-party reimbursement adequate to enable us to realize an appropriate return on our investment in research and product development may not be available for our products.

Drug prices have become a subject of increased focus in recent years. Although there are currently no direct government price controls over private sector purchases in the U.S., federal law requires pharmaceutical manufacturers to pay prescribed rebates on certain Medicaid-reimbursed drugs to enable them to be eligible for reimbursement under certain public healthcare programs such as Medicaid and Medicare Part B. Various states have adopted further mechanisms that seek to control drug prices, including by disfavoring certain higher priced drugs or by seeking supplemental rebates from manufacturers. Managed care has also become a potent force in the market place that increases downward pressure on the prices of pharmaceutical products.

Public and private healthcare payers control costs and influence drug pricing through a variety of mechanisms, including through negotiating discounts with the manufacturers and through the use of tiered formularies and other mechanisms that provide preferential access to certain drugs over others within a therapeutic class. Payers also set other criteria to govern the uses of a drug that will be deemed medically appropriate and therefore reimbursed or otherwise covered.

Facilities

Our headquarters building, located in Rockville, Maryland, currently houses laboratory and office space and we are also completing the build-out of a suite for manufacturing at commercial quantities and scale. This space is occupied under a lease that expires in 2027 and may be extended for up to two additional seven-year terms. We also have a smaller-scale manufacturing facility, also in Rockville. The lease for a portion of that facility expires on March 31, 2023 and may be extended for a five-year term, and the lease for the remainder of that facility expires on December 31, 2019 and may be extended for up to two additional five-year terms. Finally, we have additional laboratory and office space in Rockville under two leases that each expire in 2020, and each of those leases may be extended for a five-year term.

We also lease office and laboratory space in South San Francisco, California under a lease that expires on February 28, 2018. In December 2017, we moved the South San Francisco operations into different space in Brisbane, California, which is leased until 2023.

Employees

As of February 27, 2018, we had 330 full-time employees, 274 of whom were primarily engaged in research and development activities and 60 of whom had an M.D. or Ph.D. degree.

Legal Proceedings

From time to time we may be involved in various disputes and litigation matters that arise in the ordinary course of business. We are not currently a party to any material legal proceedings.

Available Information

Our website address is www.macrogenics.com. We post links to our website to the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission, or the SEC: annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and any amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are available through our website free of charge. Our filings may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also 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

Our business and results of operations are subject to numerous risks, uncertainties and other factors that you should be aware of, some of which are described below.

Any of the risks, uncertainties and other factors described below could have a materially adverse effect on our business, financial condition or results of operations and could cause the trading price of our common stock to decline substantially.

Risks Related to Our Business and the Development and Commercialization of Our Product Candidates.

All of our product candidates are in preclinical or clinical development. Clinical drug development is expensive, time consuming and uncertain and we may ultimately not be able to obtain regulatory approvals for the commercialization of some or all of our product candidates.

The research, testing, manufacturing, labeling, approval, selling, marketing and distribution of drug products are subject to extensive regulation by the U.S. Food and Drug Administration, or FDA, and non-U.S. regulatory authorities, which regulations differ from country to country. We are not permitted to market our product candidates in the United States or in other countries until we receive approval of a Biologics License Application, or BLA, from the FDA or marketing approval from applicable regulatory authorities outside the United States. Our product candidates are in various stages of development and are subject to the risks of failure inherent in drug development. We have not submitted an application for or received marketing approval for any of our product candidates. We have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals, including approval by the FDA. Obtaining approval of a BLA can be a lengthy, expensive and uncertain process. In addition, failure to comply with FDA and non-U.S. regulatory requirements may, either before or after product approval, if any, subject our company to administrative or judicially imposed sanctions, including:

- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;
- restrictions on the products, manufacturers, manufacturing facilities or manufacturing process;
- warning letters;
- civil and criminal penalties;
- injunctions;
- suspension or withdrawal of regulatory approvals;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- total or partial suspension of production;
- imposition of restrictions on operations, including costly new manufacturing requirements; and
- refusal to approve pending BLAs or supplements to approved BLAs or analogous marketing approvals outside the United States.

The FDA and foreign regulatory authorities also have substantial discretion in the drug approval process. The number of preclinical studies and clinical trials that will be required for regulatory approval varies depending on the product candidate, the disease or condition that the product candidate is designed to address, and the regulations applicable to any particular drug candidate. Regulatory agencies can delay, limit or deny approval of a product candidate for many reasons, including:

- a product candidate may not be deemed safe or effective;
- the results may not confirm the positive results from earlier preclinical studies or clinical trials;
- regulatory agencies may not find the data from preclinical studies and clinical trials sufficient;
- regulatory agencies might not approve or might require changes to our manufacturing processes or facilities; or
- regulatory agencies may change their approval policies or adopt new regulations.

Any delay in obtaining or failure to obtain required approvals could materially adversely affect our ability to generate revenue from the particular product candidate, which likely would result in significant harm to our financial position and adversely impact our stock price. Furthermore, any regulatory approval to market a product may be subject to limitations on the indicated uses for which we may market the product. These limitations may limit the size of the market for the product.

If clinical trials for our product candidates are prolonged, delayed or stopped, we may be unable to obtain regulatory approval and commercialize our product candidates on a timely basis, which would require us to incur additional costs and delay our receipt of any product revenue.

We are currently enrolling patients in clinical trials for margetuximab, enoblituzumab, flotetuzumab, MGD007, MGD009, MGA012 and MGD013, and anticipate initiating or continuing clinical trials for these product candidates as monotherapies or in combination with other product candidates in 2018. In addition, our collaborators are currently enrolling patients in clinical trials for PF-06671008 and teplizumab. The commencement of new clinical trials could be substantially delayed or prevented by several factors, including:

- further discussions with the FDA or other regulatory agencies regarding the scope or design of our clinical trials;
- the limited number of, and competition for, suitable sites to conduct our clinical trials, many of which may already be engaged in other clinical trial programs, including some that may be for the same indication as our product candidates;
- any delay or failure to obtain regulatory approval or agreement to commence a clinical trial in any of the countries where enrollment is planned;
- inability to obtain sufficient funds required for a clinical trial;
- clinical holds on, or other regulatory objections to, a new or ongoing clinical trial;
- delay or failure to manufacture sufficient supplies of the product candidate for our clinical trials;
- delay or failure to reach agreement on acceptable clinical trial agreement terms or clinical trial protocols with prospective sites or clinical research organizations, CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different sites or CROs; and
- delay or failure to obtain institutional review board, or IRB, approval to conduct a clinical trial at a prospective site.

The completion of our clinical trials could also be substantially delayed or prevented by several factors, including:

- slower than expected rates of patient recruitment and enrollment;
- failure of patients to complete the clinical trial;
- unforeseen safety issues, including severe or unexpected drug-related adverse effects experienced by patients, including possible deaths;
- lack of efficacy during clinical trials;
- termination of our clinical trials by one or more clinical trial sites;
- inability or unwillingness of patients or clinical investigators to follow our clinical trial protocols;
- inability to monitor patients adequately during or after treatment by us and/or our CROs; and
- the need to repeat or terminate clinical trials as a result of inconclusive or negative results or unforeseen complications in testing.

Changes in regulatory requirements and guidance may also occur and we may need to significantly amend clinical trial protocols to reflect these changes with appropriate regulatory authorities. Amendments may require us to renegotiate terms with CROs or resubmit clinical trial protocols to IRBs for re-examination, which may impact the costs, timing or successful completion of a clinical trial. Our clinical trials may be suspended or terminated at any time by the FDA, other regulatory authorities, the IRB overseeing the clinical trial at issue, any of our clinical trial sites with respect to that site, or us, due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- unforeseen safety issues or any determination that a clinical trial presents unacceptable health risks;
- lack of adequate funding to continue the clinical trial due to unforeseen costs or other business decisions; and
- upon a breach or pursuant to the terms of any agreement with, or for any other reason by, current or future collaborators that have responsibility for the clinical development of any of our product candidates.

Any failure or significant delay in completing clinical trials for our product candidates would adversely affect our ability to obtain regulatory approval and our commercial prospects and ability to generate product revenue will be diminished.

The results of previous clinical trials may not be predictive of future results, and the results of our current and planned clinical trials may not satisfy the requirements of the FDA or non-U.S. regulatory authorities.

Clinical failure can occur at any stage of clinical development. Clinical trials may produce negative or inconclusive results, and we or any of our current and future collaborators may decide, or regulators may require us, to conduct additional clinical or preclinical testing. Success in early clinical trials does not mean that future larger registration clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and non-U.S. regulatory authorities despite having progressed through initial clinical trials. A number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials.

Further, our product candidates may not be approved even if they achieve their primary endpoints in Phase 3 clinical trials or registration trials. The FDA or other non-U.S. regulatory authorities may disagree with our trial design and our interpretation of data from preclinical studies and clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a pivotal Phase 3 clinical trial. In addition, any of these regulatory authorities may also approve a product candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. The FDA or other non-U.S. regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our product candidates.

We use new technologies in the development of our product candidates and the FDA and other regulatory authorities have not approved products that utilize these technologies.

Our products in development are based on new technologies, such as Fc Optimization, DART molecules and TRIDENT molecules. Given the novelty of our technologies, we intend to work closely with the FDA and other regulatory authorities to perform the requisite scientific analyses and evaluation of our methods to obtain regulatory approval for our product candidates. The validation process takes time and resources, may require independent third-party analyses, and may not be accepted by the FDA and other regulatory authorities. For some of our product candidates that are based on these technology platforms, the regulatory approval path and requirements may not be clear or evolve as more data becomes available for this product candidates, which could add significant delay and expense. Delays or failure to obtain regulatory approval of any of the product candidates that we develop would adversely affect our business.

We may not be successful in our efforts to use and expand our technology platforms to build a pipeline of product candidates. We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

A key element of our strategy is to use and expand our technology platforms to build a pipeline of product candidates and progress these product candidates through clinical development for the treatment of a variety of different types of diseases. Although our research and development efforts to date have resulted in a pipeline of product candidates directed at various cancers, as well as autoimmune disorders and infectious diseases, we may not be able to develop product candidates that are safe and effective. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we do not continue to successfully develop and begin to commercialize product candidates, we will face difficulty in obtaining product revenues in future periods, which could result in significant harm to our financial position and adversely affect our stock price.

Because we have limited financial and managerial resources, we focus on research programs and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

Even if we obtain FDA approval of any of our product candidates, we may never obtain approval or commercialize our products outside of the United States, which would limit our ability to realize their full market potential.

In order to market any products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and may require additional preclinical studies or clinical trials or additional administrative review periods, which could result in significant

delays, difficulties and costs for us. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We do not have any product candidates approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, our target market will be reduced and our ability to realize the full market potential of our products will be harmed.

Our product candidates may have undesirable side effects which may delay or prevent marketing approval, or, if approval is received, require them to be taken off the market, require them to include safety warnings or otherwise limit their sales.

Although all of our product candidates have undergone or will undergo safety testing, not all adverse effects of drugs can be predicted or anticipated. Unforeseen side effects from any of our product candidates could arise either during clinical development or, if approved by regulatory authorities, after the approved product has been marketed. All of our product candidates are still in clinical or preclinical development. While our clinical trials for our initial product candidates to date have demonstrated an acceptable safety profile, the results from future trials may not support this conclusion. The results of future clinical or preclinical trials may show that our product candidates cause undesirable or unacceptable side effects, which could interrupt, delay or halt clinical trials, and result in delay of, or failure to obtain, marketing approval from the FDA and other regulatory authorities, or result in marketing approval from the FDA and other regulatory authorities with restrictive label warnings or potential product liability claims.

If any of our product candidates receives marketing approval and we or others later identify undesirable or unacceptable side effects caused by such products:

- regulatory authorities may require us to take our approved product off the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- we may be required to change the way the product is administered, impose other risk-management measures, conduct additional clinical trials or change the labeling of the product;
- we may be subject to limitations on how we may promote the product;
- sales of the product may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us, our collaborators or our potential future partners from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenue from the sale of our products.

Even if approved, if any of our product candidates do not achieve broad market acceptance among physicians, patients, the medical community, and third-party payors our revenue generated from their sales will be limited.

The commercial success of our product candidates will depend upon their acceptance among physicians, patients and the medical community. The degree of market acceptance of our product candidates will depend on a number of factors, including:

- limitations or warnings contained in the approved labeling for a product candidate;
- changes in the standard of care for the targeted indications for any of our product candidates;
- limitations in the approved clinical indications for our product candidates;
- demonstrated clinical safety and efficacy compared to other products;
- lack of significant adverse side effects;
- sales, marketing and distribution support;
- availability and extent of reimbursement from managed care plans and other third-party payors;
- timing of market introduction and perceived effectiveness of competitive products;
- the degree of cost-effectiveness of our product candidates;
- availability of alternative therapies at similar or lower cost, including generic and over-the-counter products;
- the extent to which the product candidate is approved for inclusion on formularies of hospitals and managed care organizations;

- whether the product is designated under physician treatment guidelines as a first-line therapy or as a second- or third-line therapy for particular diseases;
- adverse publicity about our product candidates or favorable publicity about competitive products;
- convenience and ease of administration of our products; and
- potential product liability claims.

If any of our product candidates are approved, but do not achieve an adequate level of acceptance by physicians, patients and the medical community, we may not generate sufficient revenue from these products, and we may not become or remain profitable. In addition, efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may never be successful.

The manufacture of our product candidates is complex, and we may encounter difficulties in production. If we encounter any such difficulties, our ability to supply our product candidates for clinical trials or, if approved, for commercial sale could be delayed or halted entirely.

The process of manufacturing our product candidates is extremely susceptible to product loss due to a variety of factors, including but not limited to contamination, equipment failure or improper installation or operation of equipment, vendor or operator error, contamination and inconsistency in yields, variability in product characteristics, and difficulties in scaling the production process. Even minor deviations from manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Any adverse developments affecting manufacturing operations for our product candidates, if any are approved, may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

We are in the process of completing the build-out of a manufacturing suite that could support future commercial production of our product candidates, if and when any are commercialized. We have no experience in large-scale or commercial manufacturing, and there can be no assurance that we will be able to complete our manufacturing facility or, if completed, we will be able to manufacture commercial products.

We are in the process of expanding our manufacturing capacity to support future commercial production and are building a suite with additional capacity at our current headquarters for this purpose.

Although some of our employees have experience in the manufacturing of pharmaceutical products from prior employment at other companies, we as a company have no prior experience in large-scale or commercial manufacturing. Designing and building a manufacturing facility is time-consuming, expensive, and may be subject to delays or cost overruns. In addition, government approvals will be required for us to operate a commercial manufacturing facility and can be time-consuming to obtain, and there can be no assurance that such approval will be obtained. As a manufacturer of pharmaceutical products, we also will be required to demonstrate and maintain compliance with cGMPs which include requirements related to production processes, quality control and assurance and recordkeeping. Furthermore, establishing and maintaining commercial manufacturing operations may require a reallocation of other resources, particularly the time and attention of certain of our senior management. Any failure or delay in the development of our commercial manufacturing capabilities could adversely impact the commercialization of our product candidates or one or more of our collaborations.

Our manufacturing facilities are subject to significant government regulations and approvals, which are often costly and could result in adverse consequences to our business if we fail to comply with the regulations or maintain the approvals.

We must comply with the FDA's current Good Manufacturing Practice, or cGMP, requirements, as set out in statute, regulations and guidance. We may encounter difficulties in achieving quality control and quality assurance and may experience shortages in qualified personnel. We are subject to inspections by the FDA and comparable agencies in other jurisdictions to confirm compliance with applicable regulatory requirements. See "Other U.S. Post-Marketing Regulatory Requirements" above for additional information. Any failure to follow cGMP or other regulatory requirements or delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our product candidates as a result of a failure of our facilities or the facilities or operations of third parties to comply with regulatory requirements or pass any regulatory authority inspection could significantly impair our ability to develop and commercialize our product candidates, including leading to significant delays in the availability of drug product for our clinical trials or the termination or hold on a clinical trial, or the delay or prevention of a filing or approval of marketing applications for our product candidates. Significant noncompliance could also result in the imposition of sanctions, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approvals for our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or

recalls of products, operating restrictions and criminal prosecutions, any of which could damage our reputation. If we are not able to maintain regulatory compliance, we may not be permitted to market our product candidates and/or may be subject to product recalls, seizures, injunctions, or criminal prosecution.

We currently have no marketing, sales or distribution infrastructure. If we are unable to develop sales, marketing and distribution capabilities on our own or through collaborations, we will not be successful in commercializing our product candidates.

We currently have no marketing, sales and distribution infrastructure and we have limited sales and marketing experience within our organization. If any of our product candidates are approved, we intend to establish a sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize our product candidates in the United States and, potentially, to outsource this function to a third party outside of the United States. Both of these options would be expensive and time consuming. These costs may be incurred in advance of any approval of our product candidates. In addition, we may not be able to engage a sales force in the United States that is sufficient in size or has adequate expertise in the medical markets that we intend to target. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of our products.

With respect to certain of our existing and future product candidates, we have entered into collaboration or other licensing arrangements with third party collaborators that have direct sales forces and established distribution systems. To the extent that we enter into additional collaboration agreements, our product revenue may be lower than if we directly marketed or sold any approved products. In addition, any revenue we receive will depend in whole or in part upon the efforts of these third party collaborators, which may not be successful and are generally not within our control. If we are unable to enter into additional arrangements on acceptable terms or at all, we may not be able to successfully commercialize certain approved products. If we are not successful in commercializing approved products, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

We face significant competition and if our competitors develop and market products that are more effective, safer or less expensive than our product candidates, our commercial opportunities will be negatively impacted.

The life sciences industry is highly competitive and subject to rapid and significant technological change. We are currently developing therapeutics that will compete with other drugs and therapies that currently exist or are being developed. Products we may develop in the future are also likely to face competition from other drugs and therapies, some of which we may not currently be aware. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies, universities and other research institutions. Many of our competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do. Large pharmaceutical companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and manufacturing pharmaceutical products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product candidates that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection and/or FDA approval or discovering, developing and commercializing products in our field before we do.

Specifically, there are a large number of companies developing or marketing treatments for cancer and autoimmune disorders, including many major pharmaceutical and biotechnology companies. These treatments consist both of small molecule drug products, as well as biologic therapeutics that work by using next-generation antibody technology platforms to address specific cancer targets. In addition, several companies are developing therapeutics that work by targeting multiple specificities using a single recombinant molecule. See "Competition" above for additional information.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third party payors seeking to encourage the use of biosimilar products. Biosimilar products are expected to become available over the coming years. For example, certain HER2 biosimilar products are approved in certain countries and others may be approved prior to margetuximab. Even if our product candidates achieve marketing approval, they may be priced at a significant premium over competitive biosimilar products if any have been approved by then.

Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and

retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. In addition, the biopharmaceutical industry is characterized by rapid technological change. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Technological advances or products developed by our competitors may render our technologies or product candidates obsolete, less competitive or not economical.

Reimbursement decisions by third-party payors may have an adverse effect on pricing and market acceptance. If there is not sufficient reimbursement for our products, it is less likely that our products will be widely used.

Even if our product candidates are approved for sale by the appropriate regulatory authorities, market acceptance and sales of these products will depend on reimbursement policies and may be affected by future healthcare reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs they will reimburse and establish payment levels and, in some cases, utilization management strategies, such as tiered formularies and prior authorization. We cannot be certain that reimbursement will be available for any products that we develop or that the reimbursement level will be adequate to allow us to operate profitably. Also, we cannot be certain that reimbursement policies will not reduce the demand for, or the price paid for, our products. Our ability to commercialize our products may depend, in part, on the extent to which reimbursement for the products will be available from government authorities and third-party payors. If reimbursement for our products is not available or is available on a limited basis, or if the reimbursement amount for our products is inadequate, we may not be able to successfully commercialize any of our approved products.

Actual or anticipated changes to the laws and regulations governing the health care system may have a negative impact on cost and access to health insurance coverage and reimbursement of healthcare items and services.

The United States and several foreign jurisdictions are considering, or have already enacted, a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell any of our future approved products profitably. 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 to healthcare. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives, including the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Affordability Reconciliation Act, collectively the ACA, which became law in 2010. While it is difficult to assess the impact of the ACA in isolation, either in general or on our business specifically, it is widely thought that the ACA increases downward pressure on pharmaceutical reimbursement, which could negatively affect market acceptance of, and the price we may charge for, any products we develop that receive regulatory approval. Further, the United States and foreign governments regularly consider reform measures that affect healthcare coverage and costs. Such reforms may include changes to the coverage and reimbursement of healthcare services and products. In particular, there have been recent judicial and Congressional challenges to the ACA, which could have an impact on coverage and reimbursement for healthcare services covered by plans authorized by the ACA, and we expect there will be additional challenges and amendments to the ACA in the future.

In September 2017, members of the United States Congress introduced legislation with the announced intention to repeal major provisions of the ACA. Although it is unclear whether such legislation will ultimately become law, executive or legislative branch attempts to repeal, reform or to repeal and replace the ACA will likely continue. In addition, various other healthcare reform proposals have also emerged at the federal and state level. In addition, recent changes to United States tax laws could negatively impact the ACA. We cannot predict what healthcare initiatives, if any, will be implemented at the federal or state level, however, government and other regulatory oversight and future regulatory and government interference with the healthcare systems could adversely impact our business and results of operations.

We expect to experience pricing pressures in connection with the sale of any products that we develop, due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative proposals.

If any product liability lawsuits are successfully brought against us or any of our collaborators, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability lawsuits related to the testing of our product candidates in seriously ill patients, and will face an even greater risk if product candidates are approved by regulatory authorities and introduced commercially. Product liability claims may be brought against us or our collaborators by participants enrolled in our clinical trials, patients, health care providers or others using, administering or selling any of our future approved products. If we cannot successfully defend ourselves against any such claims, we may incur substantial liabilities. Regardless of their merit or eventual outcome, liability claims may result in:

- decreased demand for our future approved products;
- injury to our reputation;
- withdrawal of clinical trial participants;
- termination of clinical trial sites or entire trial programs;
- increased regulatory scrutiny;
- significant litigation costs;
- substantial monetary awards to or costly settlement with patients or other claimants;
- product recalls or a change in the indications for which they may be used;
- loss of revenue;
- diversion of management and scientific resources from our business operations; and
- the inability to commercialize our product candidates.

If any of our product candidates are approved for commercial sale, we will be highly dependent upon consumer perceptions of us and the safety and quality of our products. We could be adversely affected if we are subject to negative publicity. We could also be adversely affected if any of our products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to patients. Because of our dependence upon consumer perceptions, any adverse publicity associated with illness or other adverse effects resulting from patients' use or misuse of our products or any similar products distributed by other companies could have a material adverse impact on our financial condition or results of operations.

We currently hold \$20 million in product liability insurance coverage in the aggregate, with a per incident limit of \$20 million, which may not be adequate to cover all liabilities that we may incur. We may need to increase our insurance coverage when we begin the commercialization of our product candidates. Insurance coverage is becoming increasingly expensive. As a result, we may be unable to maintain or obtain sufficient insurance at a reasonable cost to protect us against losses that could have a material adverse effect on our business. A successful product liability claim or series of claims brought against us, particularly if judgments exceed any insurance coverage we may have, could decrease our cash resources and adversely affect our business, financial condition and results of operation.

The contract with the National Institute of Allergy and Infectious Diseases (NIAID) makes us a government contractor. Laws and regulations affecting government contracts may make it more costly and difficult for us to successfully conduct our business.

We must comply with numerous laws and regulations relating to the procurement, formation, administration and performance of government contracts. Failure to comply with these laws could result in significant civil and criminal penalties. Among the most significant government contracting regulations that may affect our business are: the Federal Acquisition Regulation, or FAR, and NIH-NIAID-specific regulations supplemental to the FAR, which comprehensively regulate the procurement, formation, administration and performance of government contracts; business ethics and public integrity obligations, which govern conflicts of interest and the hiring of former government employees, restrict the granting of gratuities and funding of lobbying activities and incorporate other requirements such as the Anti-Kickback Act, the Procurement Integrity Act, and the False Claims Act; export and import control laws and regulations; and laws, regulations and executive orders restricting the use and dissemination of sensitive information we may receive pursuant to our performance of the government contract. U.S. government agencies routinely audit and investigate government contractors for compliance with applicable laws and standards. If we are audited, such audit could result in disallowance of expected cost reimbursement, or if such audit were to uncover improper or illegal activities, we could be subject to civil and criminal penalties, administrative sanctions, including suspension or debarment from government contracting and significant reputational harm.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, Public Law no. 115-97 (the Tax Act), was signed into law. The Tax Act introduced significant changes to the Internal Revenue Code of 1986, as amended.

The Tax Act, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of

current year taxable income in respect of losses arising in taxable years beginning after 2017 and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits.

Although we have incurred significant losses since inception and anticipate that we will continue to incur losses for the foreseeable future, we continue to examine the impact the Tax Act may have on our business. As a result, the overall impact of the Tax Act is uncertain and our business and financial condition could be adversely affected.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant losses since inception and anticipate that we will continue to incur losses for the foreseeable future. We have no products approved for commercial sale, and to date we have not generated any revenue or profit from product sales. We may never achieve or sustain profitability.

We are a clinical-stage biopharmaceutical company. We have incurred significant losses since our inception. As of December 31, 2017, our accumulated deficit was approximately \$312.3 million. We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates, prepare for and begin to commercialize any approved products, and add infrastructure and personnel to support our product development efforts and operations as a public company. The net losses and negative cash flows incurred to date, together with expected future losses, have had, and likely will continue to have, an adverse effect on our stockholders' deficit and working capital. The amount of future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. For example, our expenses could increase if we are required by the FDA to perform trials in addition to those that we currently expect to perform, or if there are any delays in completing our currently planned clinical trials or in the development of any of our product candidates.

To become and remain profitable, we must succeed in developing and commercializing products with significant market potential. This will require us to be successful in a range of challenging activities for which we are only in the preliminary stages, including developing product candidates, obtaining regulatory approval for them, and manufacturing, marketing and selling those products for which we may obtain regulatory approval. We may never succeed in these activities and may never generate revenue from product sales that is significant enough to achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become or remain profitable would depress our market value and could impair our ability to raise capital, expand our business, develop other product candidates, or continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

We will require substantial additional funding, which may not be available to us on acceptable terms, or at all, and, if not available, may require us to delay, scale back, or cease our product development programs or operations.

We are advancing our product candidates through clinical development. Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive. In order to obtain such regulatory approval, we will be required to conduct clinical trials for each indication for each of our product candidates. We will continue to require additional funding beyond what was raised in our public offerings and through our collaborations and license agreements to complete the development and commercialization of our product candidates and to continue to advance the development of our other product candidates, and such funding may not be available on acceptable terms or at all. Although it is difficult to predict our funding requirements, based upon our current operating plan, we anticipate that our cash, cash equivalents and marketable securities as of December 31, 2017, combined with the proceeds from collaboration payments we anticipate receiving, will enable us to fund our operations for approximately two years, assuming all of our programs and collaborations advance as currently contemplated. 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 to commercialize our product candidates.

Our future funding requirements will depend on many factors, including but not limited to:

- the number and characteristics of other product candidates and indications that we pursue;
- the scope, progress, timing, cost and results of research, preclinical development, and clinical trials;

- the costs, timing and outcome of seeking and obtaining FDA and non-U.S. regulatory approvals;
- the costs associated with manufacturing our product candidates and establishing sales, marketing, and distribution capabilities;
- our ability to maintain, expand, and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make in connection with the licensing, filing, defense and enforcement of any patents or other intellectual property rights;
- our need and ability to hire additional management, scientific, and medical personnel;
- the effect of competing products that may limit market penetration of our product candidates;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems; and
- the economic and other terms, timing of and success of our existing collaborations, and any collaboration, licensing, or other arrangements into which we may enter in the future, including the timing of receipt of any milestone or royalty payments under these agreements.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through a combination of public or private equity offerings, debt financings, strategic collaborations, and grant funding. If sufficient funds on acceptable terms are not available when needed, or at all, we could be forced to significantly reduce operating expenses and delay, scale back or eliminate one or more of our development programs or our business operations.

Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish substantial rights.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these new securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing, if available at all, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, product candidates, or future revenue streams, or grant licenses on terms that are not favorable to us. We cannot assure you that we will be able to obtain additional funding if and when necessary. If we are unable to obtain adequate financing on a timely basis, we could be required to delay, scale back or eliminate one or more of our development programs or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

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

Our ability to utilize our federal net operating losses, or NOLs, and federal tax credits is currently limited, and may be limited further, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended. The limitations apply if an ownership change, as defined by Section 382, occurs. Generally, an ownership change occurs when certain shareholders increase their aggregate ownership by more than 50 percentage points over their lowest ownership percentage in a testing period, which is typically three years or since the last ownership change. We are already subject to Section 382 limitations due to acquisitions we made in 2002 and 2008. As of December 31, 2017, we had federal and state NOL carryforwards of \$239.7 million and research and development tax credit carryforwards of \$42.8 million available. Future changes in stock ownership may also trigger an ownership change and, consequently, another Section 382 limitation. Any limitation may result in expiration of a portion of the net operating loss or tax credit carryforwards before utilization which would reduce our gross deferred income tax assets and corresponding valuation allowance. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards and tax credit carryforwards to reduce United States federal income tax may be subject to limitations, which could potentially result in increased future cash tax liability to us.

Risks Related to Our Dependence on Third Parties

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

We have limited capabilities for drug development and do not yet have any capability for sales, marketing or distribution. We have entered into collaborations with other companies that we believe can provide such capabilities, including our collaboration and license agreements with, for example, Les Laboratoires Servier and Institut de Recherches Servier, or

collectively Servier, Pfizer, Inc., or Pfizer, Green Cross Corp., or Green Cross, Incyte Corporation or Incyte, and F. Hoffman La Roche Ltd and Hoffman-La Roche, Inc, or Roche. These collaborations also have provided us with important funding for our development programs and technology platforms and we expect to receive additional funding under these collaborations in the future. Our existing therapeutic collaborations, and any future collaborations we enter into, may pose a number of risks, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;
- a collaborator with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend 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 or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates. For example, each of our collaboration and license agreements may be terminated for convenience upon the completion of a specified notice period.

If our therapeutic collaborations 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 funding or milestone or royalty payments under the collaboration. If we do not receive the funding we expect under these agreements, our development of our technology platforms and product candidates could be delayed and we may need additional resources to develop product candidates and our technology platforms. All of the risks relating to product development, regulatory approval and commercialization described in this report also apply to the activities of our program collaborators.

Additionally, subject to its contractual obligations to us, if one of our collaborators is involved in a business combination, the collaborator might deemphasize or terminate the development or commercialization of any product candidate licensed to it by us. If one of our collaborators terminates its agreement with us, we may find it more difficult to attract new collaborators.

For some of our product candidates, we may in the future determine to collaborate with additional pharmaceutical and biotechnology companies for development and potential commercialization of therapeutic products. We face significant competition in seeking appropriate collaborators. Our ability to reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. These factors may include the design or results

of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate.

Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market or continue to develop our technology platforms and our business may be materially and adversely affected.

We may also be restricted under existing collaboration agreements from entering into future agreements on certain terms with potential collaborators. Aside from our agreement with Green Cross, subject to certain specified exceptions, each of our existing therapeutic collaborations contains a restriction on our engaging in activities that are the subject of the collaboration with third parties for specified periods of time.

Independent clinical investigators and CROs that we engage to conduct our clinical trials may not devote sufficient time or attention to our clinical trials or be able to repeat their past success.

We expect to continue to depend on independent clinical investigators and CROs to conduct our clinical trials. CROs may also assist us in the collection and analysis of data. There is a limited number of third-party service providers that specialize or have the expertise required to achieve our business objectives. Identifying, qualifying and managing performance of third-party service providers can be difficult, time consuming and cause delays in our development programs. These investigators and CROs will not be our employees and we will not be able to control, other than by contract, the amount of resources, including time, which they devote to our product candidates and clinical trials. If independent investigators or CROs fail to devote sufficient resources to the development of our product candidates, or if their performance is substandard, it may delay or compromise the prospects for approval and commercialization of any product candidates that we develop. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. Further, the FDA requires that we comply with standards, commonly referred to as current Good Clinical Practice, or GCP, for conducting, recording and reporting clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial subjects are protected. Failure of clinical investigators or CROs to meet their obligations to us or comply with GCP procedures could adversely affect the clinical development of our product candidates and harm our business.

Failure of third-party contractors to successfully develop and commercialize companion diagnostics for use with our product candidates could harm our ability to commercialize our product candidates.

We plan to develop companion diagnostics for our product candidates where appropriate. We expect that, at least in some cases, the FDA and similar regulatory authorities outside the United States may require the development and regulatory approval of a companion diagnostic as a condition to approving our product candidates. We do not have experience or capabilities in developing or commercializing diagnostics and plan to rely in large part on third parties to perform these functions.

In most cases, we will likely outsource the development, production and commercialization of companion diagnostics to third parties. By outsourcing these companion diagnostics to third parties, we become dependent on the efforts of our third party contractors to successfully develop and commercialize these companion diagnostics. Our contractors:

- may not perform their obligations as expected;
- may encounter production difficulties that could constrain the supply of the companion diagnostic;
- may have difficulties gaining acceptance of the use of the companion diagnostic in the clinical community;

- may not commit sufficient resources to the marketing and distribution of such product; and
- may terminate their relationship with us.

If any companion diagnostic for use with one of our product candidates fails to gain market acceptance, our ability to derive revenues from sales of such product candidate could be harmed. If our third party contractors fail to commercialize such companion diagnostic, we may not be able to enter into arrangements with another diagnostic company to obtain supplies of an alternative diagnostic test for use in connection with such product candidate or do so on commercially reasonable terms, which could adversely affect and delay the development or commercialization of such product candidate.

We expect to contract with third parties for the manufacture of some of our product candidates for clinical testing in the future and expect to continue to do so for commercialization. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We currently have a manufacturing facility located in Rockville, Maryland. We manufacture drug substance at this facility that we use for research and development purposes and for clinical trials of our product candidates. We believe we currently have capacity to produce some but not all of the material required for our clinical trials. Our current facility will be insufficient to support our needs for our Phase 3 clinical trials for our antibody product candidates and for commercial quantities of such candidates. We are also completing the build-out of a manufacturing suite at our headquarters building in Rockville, Maryland, which has been designed to increase our internal capacity to manufacture more drug substance lots, at larger scale and in full compliance with current Good Manufacturing Practices (cGMP) to be able to sell commercial product. We do not have experience in manufacturing products at commercial scale.

We have entered into agreements with contract manufacturing organizations to supplement our clinical supply and internal capacity as we advance our product candidate pipeline. We expect to use third parties for the manufacture of certain of our product candidates for clinical testing, as well as for commercial manufacture of some of our product candidates that receive marketing approval and that are not manufactured by one of our third party collaborators. We have entered into two long-term supply agreements with manufacturers for commercial supply, and may in the future enter into one or more additional supply agreements for our product candidates. We may be unable to reach agreement with any of these contract manufacturers, or to identify and reach arrangements on satisfactory terms with other contract manufacturers, to manufacture any of our product candidates. Additionally, the facilities used by any contract manufacturer to manufacture any of our product candidates must be the subject of a satisfactory inspection before the FDA and other regulatory authorities approve a BLA or marketing authorization for the product candidate manufactured at that facility. We will depend on these third-party manufacturing partners for compliance with the FDA's requirements for the manufacture of our finished products. If our manufacturers cannot successfully manufacture material that conforms to our specifications and the FDA and other regulatory authorities' cGMP requirements, our product candidates will not be approved or, if already approved, may be subject to recalls.

Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured the product candidates ourselves, including:

- the possibility of a breach of the manufacturing agreements by the third parties because of factors beyond our control;
- the possibility of termination or nonrenewal of the agreements by the third parties before we are able to arrange for a qualified replacement third-party manufacturer; and
- the possibility that we may not be able to secure a manufacturer or manufacturing capacity in a timely manner and on satisfactory terms in order to meet our manufacturing needs.

Any of these factors could cause the delay of approval or commercialization of our product candidates, cause us to incur higher costs or prevent us from commercializing our product candidates successfully. Furthermore, if any of our product candidates are approved and contract manufacturers fail to deliver the required commercial quantities of finished product on a timely basis and at commercially reasonable prices, and we are unable to find one or more replacement manufacturers capable of production at a substantially equivalent cost, in substantially equivalent volumes and quality and on a timely basis, we would likely be unable to meet demand for our products and could lose potential revenue. It may take several years to establish an alternative source of supply for our product candidates and to have any such new source approved by the FDA or any other relevant regulatory authorities.

A disruption in our computer networks, including those related to cybersecurity, could adversely affect our financial performance.

We rely on our computer networks and systems, some of which are managed by third parties, to manage and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers and other business partners), and to manage or support a variety of critical business processes and activities. We may face threats to our networks from unauthorized access, security breaches and other system disruptions. Despite our security measures, our infrastructure may be vulnerable to external or internal attacks. Any such security breach may compromise information stored on our networks and may result in significant data losses or theft of sensitive or proprietary information. In addition, a cybersecurity attack could result in other negative consequences, including disruption of our internal operations, increased cyber security protection costs, lost revenue, regulatory actions or litigation. Any disruption could also have a material adverse impact on our operations.

Risks Related to Our Intellectual Property

Our commercial success depends significantly on our ability to operate without infringing the valid patents and other proprietary rights of third parties.

Our success will depend in part on our ability to operate without infringing the proprietary rights of third parties. Other entities may have or obtain patents or proprietary rights that could limit our ability to make, use, sell, offer for sale or import our future approved products or impair our competitive position. For example, certain patents held by third parties cover Fc engineering methods and mutations in Fc regions to enhance the binding of Fc regions to Fc receptors on immune cells. Although we believe that these patents are not infringed, invalid, and unenforceable, if a court should find that they cover margetuximab or enoblituzumab and we are unable to invalidate their patents, or if licenses for them are not available on commercially reasonable terms, our business could be harmed, perhaps materially.

Patents that we may ultimately be found to infringe could be issued to third parties. Third parties may have or obtain valid and enforceable patents or proprietary rights that could block us from developing product candidates using our technology. Our failure to obtain a license to any technology that we require may materially harm our business, financial condition and results of operations. Moreover, our failure to maintain a license to any technology that we require may also materially harm our business, financial condition, and results of operations. Furthermore, we would be exposed to a threat of litigation.

In the pharmaceutical industry, significant litigation and other proceedings regarding patents, patent applications, trademarks and other intellectual property rights have become commonplace. The types of situations in which we may become a party to such litigation or proceedings include:

- we or our collaborators may initiate litigation or other proceedings against third parties seeking to invalidate the patents held by those third parties or to obtain a judgment that our products or processes do not infringe those third parties' patents;
- if our competitors file patent applications that claim technology also claimed by us or our licensors, we or our licensors may be required to participate in interference or opposition proceedings to determine the priority of invention, which could jeopardize our patent rights and potentially provide a third party with a dominant patent position;
- if third parties initiate litigation claiming that our processes or products infringe their patent or other intellectual property rights, we and our collaborators will need to defend against such proceedings; and
- if a license to necessary technology is terminated, the licensor may initiate litigation claiming that our processes or products infringe or misappropriate their patent or other intellectual property rights and/or that we breached our obligations under the license agreement, and we and our collaborators would need to defend against such proceedings.

These lawsuits would be costly and could affect our results of operations and divert the attention of our management and scientific personnel. There is a risk that a court would decide that we or our collaborators are infringing the third party's patents and would order us or our collaborators to stop the activities covered by the patents. In that event, we or our collaborators may not have a viable alternative to the technology protected by the patent and may need to halt work on the affected product candidate or cease commercialization of an approved product. In addition, there is a risk that a court will order us or our collaborators to pay the other party damages. An adverse outcome in any litigation or other proceeding could subject us to significant liabilities to third parties and require us to cease using the technology that is at issue or to license the

technology from third parties. We may not be able to obtain any required licenses on commercially acceptable terms or at all. Any of these outcomes could have a material adverse effect on our business.

The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform or predictable. 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. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Patent litigation is costly and time consuming. We may not have sufficient resources to bring these actions to a successful conclusion. In addition, if we do not obtain a license, develop or obtain non-infringing technology, fail to defend an infringement action successfully or have infringed patents declared invalid, we may incur substantial monetary damages, encounter significant delays in bringing our product candidates to market and be precluded from manufacturing or selling our product candidates.

The cost of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the cost of such litigation and proceedings more effectively than we can because of their substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

If we are unable to obtain and enforce patent protection for our product candidates and related technology, our business could be materially harmed.

Issued patents may be challenged, narrowed, invalidated or circumvented. In addition, court decisions may introduce uncertainty in the enforceability or scope of patents owned by biotechnology companies. The legal systems of certain countries do not favor the aggressive enforcement of patents, and the laws of foreign countries may not allow us to protect our inventions with patents to the same extent as the laws of the United States. Because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publications of discoveries in scientific literature lag behind actual discoveries, we cannot be certain that we were the first to make the inventions claimed in our issued patents or pending patent applications, or that we were the first to file for protection of the inventions set forth in our patents or patent applications. As a result, we may not be able to obtain or maintain protection for certain inventions. Therefore, the enforceability and scope of our patents in the United States and in foreign countries cannot be predicted with certainty and, as a result, any patents that we own or license may not provide sufficient protection against competitors. We may not be able to obtain or maintain patent protection from our pending patent applications, from those we may file in the future, or from those we may license from third parties. Moreover, even if we are able to obtain patent protection, such patent protection may be of insufficient scope to achieve our business objectives.

Our strategy depends on our ability to identify and seek patent protection for our discoveries. This process is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner or in all jurisdictions where protection may be commercially advantageous. Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary.

The issuance of a patent does not ensure that a court or agency finds or will find the patent valid or enforceable, so even if we obtain patents, they may not be valid or enforceable against third parties. In addition, the issuance of a patent does not give us the right to practice the patented invention. Third parties may have blocking patents that could prevent us from marketing our own patented product and practicing our own patented technology. Third parties may also seek to market biosimilar versions of any approved products. Alternatively, third parties may seek approval to market their own products similar to or otherwise competitive with our products. In these circumstances, we may need to defend and/or assert our patents, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or agency with jurisdiction may find our patents invalid and/or unenforceable. Even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives.

The patent position of pharmaceutical or biotechnology companies, including ours, is generally uncertain and involves complex legal and factual considerations. The standards which the United States Patent and Trademark Office, or USPTO, and its foreign counterparts use to grant patents are not always applied predictably or uniformly and can change. There is also no uniform, worldwide policy regarding the subject matter and scope of claims granted or allowable in pharmaceutical or

biotechnology patents. The laws of some foreign countries do not protect proprietary information to the same extent as the laws of the United States, and many companies have encountered significant problems and costs in protecting their proprietary information in these foreign countries. Outside the United States, patent protection must be sought in individual jurisdictions, further adding to the cost and uncertainty of obtaining adequate patent protection outside of the United States. Accordingly, we cannot predict whether additional patents protecting our technology will issue in the United States or in foreign jurisdictions, or whether any patents that do issue will have claims of adequate scope to provide competitive advantage. Moreover, we cannot predict whether third parties will be able to successfully obtain claims or the breadth of such claims. The allowance of broader claims may increase the incidence and cost of patent interference proceedings, opposition proceedings, and/or reexamination proceedings, the risk of infringement litigation, and the vulnerability of the claims to challenge. On the other hand, the allowance of narrower claims does not eliminate the potential for adversarial proceedings, and may fail to provide a competitive advantage. Our issued patents may not contain claims sufficiently broad to protect us against third parties with similar technologies or products, or provide us with any competitive advantage.

We may become involved in lawsuits to protect or enforce our patents, which could be expensive, time consuming and unsuccessful.

Even after they have been issued, our patents and any patents which we license may be challenged, narrowed, invalidated or circumvented. If our patents are invalidated or otherwise limited or will expire prior to the commercialization of our product candidates, other companies may be better able to develop products that compete with ours, which could adversely affect our competitive business position, business prospects and financial condition.

The following are examples of litigation and other adversarial proceedings or disputes that we could become a party to involving our patents or patents licensed to us:

- we or our collaborators may initiate litigation or other proceedings against third parties to enforce our patent rights;
- third parties may initiate litigation or other proceedings seeking to invalidate patents owned by or licensed to us or to obtain a declaratory judgment that their product or technology does not infringe our patents or patents licensed to us;
- third parties may initiate opposition, reexamination or inter partes review proceedings challenging the validity or scope of our patent rights, requiring us or our collaborators and/or licensors to participate in such proceedings to defend the validity and scope of our patents;
- there may be a challenge or dispute regarding inventorship or ownership of patents currently identified as being owned by or licensed to us;
- the U.S. Patent and Trademark Office may initiate an interference between patents or patent applications owned by or licensed to us and those of our competitors, requiring us or our collaborators and/or licensors to participate in an interference proceeding to determine the priority of invention, which could jeopardize our patent rights; or
- third parties may seek approval to market biosimilar versions of our future approved products prior to expiration of relevant patents owned by or licensed to us, requiring us to defend our patents, including by filing lawsuits alleging patent infringement.

These lawsuits and proceedings would be costly and could affect our results of operations and divert the attention of our managerial and scientific personnel. There is a risk that a court or administrative body would decide that our patents are invalid or not infringed by a third party's activities, or that the scope of certain issued claims must be further limited. An adverse outcome in a litigation or proceeding involving our own patents could limit our ability to assert our patents against these or other competitors, affect our ability to receive royalties or other licensing consideration from our licensees, and may curtail or preclude our ability to exclude third parties from making, using and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to develop a platform that is similar to, or better than, ours in a way that is not covered by the claims of our patents;
- others may be able to make compounds that are similar to our product candidates but that are not covered by the claims of our patents;
- we might not have been the first to make the inventions covered by patents or pending patent applications;

- we might not have been the first to file patent applications for these inventions;
- any patents that we obtain may not provide us with any competitive advantages or may ultimately be found invalid or unenforceable; or
- we may not develop additional proprietary technologies that are patentable.

If we fail to comply with our obligations under our intellectual property licenses with third parties, we could lose license rights that are important to our business.

We are currently party to various intellectual property license agreements. These license agreements impose, and we expect that future license agreements may impose, various diligence, milestone payment, royalty, insurance and other obligations on us. For example, we have entered into patent and know-how license agreements that grant us the right to use certain technologies related to biological manufacturing to manufacture our clinical product candidates. These licenses typically include an obligation to pay yearly maintenance payments and royalties on sales, and may also include upfront and milestone payments. If we fail to comply with our obligations under the licenses, the licensors may have the right to terminate their respective license agreements, in which event we might not be able to market any product that is covered by the agreements. Termination of the license agreements or reduction or elimination of our licensed rights may result in our having to negotiate new or reinstated licenses with less favorable terms, which could adversely affect our competitive business position and harm our business.

If we are unable to protect the confidentiality of our proprietary information, the value of our technology and products could be adversely affected.

In addition to patent protection, we also rely on other proprietary rights, including protection of trade secrets, and other proprietary information. To maintain the confidentiality of trade secrets and proprietary information, we enter into confidentiality agreements with our employees, consultants, collaborators and others upon the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. Our agreements with employees and our personnel policies also provide that any inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. However, we may not obtain these agreements in all circumstances, and individuals with whom we have these agreements may not comply with their terms. Thus, despite such agreement, such inventions may become assigned to third parties. In the event of unauthorized use or disclosure of our trade secrets or proprietary information, these agreements, even if obtained, may not provide meaningful protection, particularly for our trade secrets or other confidential information. To the extent that our employees, consultants or contractors use technology or know-how owned by third parties in their work for us, disputes may arise between us and those third parties as to the rights in related inventions. To the extent that an individual who is not obligated to assign rights in intellectual property to us is rightfully an inventor of intellectual property, we may need to obtain an assignment or a license to that intellectual property from that individual, or a third party or from that individual's assignee. Such assignment or license may not be available on commercially reasonable terms or at all.

Adequate remedies may not exist in the event of unauthorized use or disclosure of our proprietary information. The disclosure of our trade secrets would impair our competitive position and may materially harm our business, financial condition and results of operations. Costly and time consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to maintain trade secret protection could adversely affect our competitive business position. In addition, others may independently discover or develop our trade secrets and proprietary information, and the existence of our own trade secrets affords no protection against such independent discovery.

As is common in the biotechnology and pharmaceutical industries, we employ individuals who were previously or concurrently employed at research institutions and/or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We 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, or that patents and applications we have filed to protect inventions of these employees, even those related to one or more of our product candidates, are rightfully owned by their former or concurrent employer. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to the USPTO and various foreign patent offices at various points over the lifetime of our patents and/or applications. We have systems in place to remind us to pay these fees, and we rely on our outside counsel to pay these fees when due. Additionally, the USPTO and various foreign patent offices require compliance with a number of procedural,

documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply, and in many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with rules applicable to the particular jurisdiction. However, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If such an event were to occur, it could have a material adverse effect on our business. In addition, we are responsible for the payment of patent fees for patent rights that we have licensed from other parties. If any licensor of these patents does not itself elect to make these payments, and we fail to do so, we may be liable to the licensor for any costs and consequences of any resulting loss of patent rights.

If we do not obtain protection under the Hatch-Waxman Amendments and similar foreign legislation for extending the term of patents covering each of our product candidates, our business may be materially harmed.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced, possibly materially.

Risks Related to Legal Compliance Matters

If we do not comply with laws regulating the protection of the environment and health and human safety, our business could be adversely affected.

Our research and development involves, and may in the future involve, the use of potentially hazardous materials and chemicals. Our operations may produce hazardous waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards mandated by local, state and federal laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. If an accident occurs, we could be held liable for resulting damages, which could be substantial. We are also subject to numerous environmental, health and workplace safety laws and regulations and fire and building codes, including those governing laboratory procedures, exposure to blood-borne pathogens, use and storage of flammable agents and the handling of biohazardous materials. Although we maintain workers' compensation insurance as prescribed by the States of Maryland and California to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of these materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. Additional federal, state and local laws and regulations affecting our operations may be adopted in the future. We may incur substantial costs to comply with, and substantial fines or penalties if we violate, any of these laws or regulations.

If we market products in a manner that violates healthcare fraud and abuse laws, or if we violate government price reporting laws, we may be subject to civil or criminal penalties.

In addition to FDA restrictions on marketing of pharmaceutical products, several other types of state and federal healthcare laws commonly referred to as "fraud and abuse" laws have been applied in recent years to restrict certain marketing practices in the pharmaceutical industry. These laws include false claims and anti-kickback statutes.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a claim paid. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce, or in return for, purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Although there are several statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exemption or safe harbor. In addition, under the Sunshine Act provisions of the ACA, pharmaceutical manufacturers with one or more products for which payment is available under a federal health care program are subject to federal reporting and disclosure requirements with regard to payments or other transfers of value made to

physicians and teaching hospitals. Most states also have statutes or regulations similar to the federal anti-kickback law and federal false claims laws, which may apply to items such as pharmaceutical products and services reimbursed by private insurers. Some state laws also prohibit certain gifts to healthcare providers, require pharmaceutical companies to report payments to healthcare professionals, and/or require companies to adopt compliance programs or codes of conduct. Administrative, civil and criminal sanctions may be imposed under these federal and state laws.

Over the past few years, a number of pharmaceutical and other healthcare companies have been prosecuted under these laws for a variety of promotional and marketing activities, such as: providing free trips, free goods, sham consulting fees and grants and other monetary benefits to prescribers; reporting to pricing services inflated average wholesale prices that were then used by federal programs to set reimbursement rates; engaging in off-label promotion; and submitting inflated best price information to the Medicaid Rebate Program to reduce liability for Medicaid rebates. At such time, if ever, as we market any of our future approved products and these products are paid for by governmental programs, it is possible that some of our business activities could also be subject to challenge under one or more of these "fraud and abuse" laws.

We are subject to the U.S. Foreign Corrupt Practices Act and other anti-corruption laws. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, results of operations and financial condition.

Our operations are subject to anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws that apply in countries where we do business. The FCPA and these other laws generally prohibit us and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We and our commercial partners operate in a number of jurisdictions that pose a risk of potential FCPA violations, and we participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the FCPA or other anti-corruption laws. There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws. If we violate provisions of the FCPA or other anti-corruption laws or are subject to an investigation or audit pursuant to these laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures and legal expenses, which could have an adverse impact on our business, financial condition and results of operations.

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 or other agencies, to comply with federal and state health care fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. 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 conduct, 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 comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Risks Relating to Employee Matters and Managing Growth

Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on the research and development, clinical and business development expertise of Scott Koenig, M.D., Ph.D., our President and Chief Executive Officer, as well as the other members of our senior management, scientific and clinical team. Although we have entered into employment agreements with certain of our executive officers, each of them may terminate their employment with us at any time. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. In addition, we will need to expand and effectively manage our managerial, operational, financial, development and other resources in order to successfully pursue our research, development and commercialization efforts for our existing and future product candidates. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and

experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

We will need to grow our organization, and we may experience difficulties in managing this growth, which could disrupt our operations.

As of February 27, 2018, we had 330 full-time employees. As our development and commercialization plans and strategies develop, we expect to expand our employee base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. Also, our management may need to divert a disproportionate amount of their attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations which may result in weaknesses in our infrastructure, give rise to operational errors, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of existing and additional product candidates. If our management is unable to effectively manage our expected growth, our expenses may increase more than expected, our ability to generate and/or grow revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize our product candidates and compete effectively with others in our industry will depend, in part, on our ability to effectively manage any future growth.

Risks Relating to Our Common Stock

Our stock price may be volatile and fluctuate substantially, which may subject us to securities class action litigation.

Our stock price is likely to be volatile. The stock market has experienced significant volatility, particularly with respect to pharmaceutical, biotechnology, and other life sciences company stocks. The volatility of pharmaceutical, biotechnology, and other life sciences company stocks often does not relate to the operating performance of the companies represented by the stock.

In the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit and divert the time and attention of our management, which could seriously harm our business.

Provisions of our charter, bylaws, third-party agreements and Delaware law may make an acquisition of us or a change in our management more difficult.

Certain provisions of our restated certificate of incorporation and amended and restated bylaws could discourage, delay, or prevent a merger, acquisition, or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. Stockholders who wish to participate in these transactions may not have the opportunity to do so. Furthermore, since our board of directors is responsible for appointing the members of our management team, these provisions could prevent or frustrate attempts by our stockholders to replace or remove our management by making it more difficult for stockholders to replace members of our board of directors. These provisions:

- allow the authorized number of directors to be changed only by resolution of our board of directors;
- establish a classified board of directors, providing that not all members of the board of directors be elected at one time;
- authorize our board of directors to issue without stockholder approval blank check preferred stock that, if issued, could operate as a "poison pill" to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that is not approved by our board of directors;

- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit stockholder action by written consent;
- establish advance notice requirements for stockholder nominations to our board of directors or for stockholder proposals that can be acted on at stockholder meetings;
- limit who may call stockholder meetings; and
- require the approval of the holders of 75% of the outstanding shares of our capital stock entitled to vote in order to amend certain provisions of our restated certificate of incorporation and restated bylaws.

Furthermore, in the ordinary course of our business, from time to time we discuss and enter into collaborations, licenses and other transactions with various third parties, including other pharmaceutical companies and biotechnology companies. When we deem it appropriate, our agreements with such third parties may include standstill provisions. These standstill provisions, several of which may be in force from time-to-time, typically prohibit such parties from acquiring our securities for a period of time, which may discourage such parties from acquiring MacroGenics even if doing so would be beneficial to our stockholders.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a prescribed period of time. 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We lease approximately 200,000 square feet of manufacturing, office and laboratory space in Rockville, Maryland under five leases that have terms that expire between 2019 and 2027 unless renewed. We also lease office and laboratory space in South San Francisco, California under a lease that expires in February 2018. In December 2017, we moved the South San Francisco operations into different space in Brisbane, CA which is leased until 2023. We believe that our properties are generally in good condition, well maintained, suitable and adequate to carry on our business. We believe our capital resources are sufficient to lease any additional facilities required to meet our expected growth needs.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are involved in various legal proceedings, including, among others, patent oppositions, patent revocations, patent infringement litigation and other matters incidental to our business. We are not currently a party to any material legal proceedings.

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 has been listed on the Nasdaq Global Select Market under the symbol "MGNX" since October 10, 2013.

On February 23, 2018, the closing price for our common stock as reported on the Nasdaq Global Select Market was \$23.46. The following table sets forth the high and low intra-day sale prices per share of our common stock as reported on the Nasdaq Global Select Market for the periods indicated.

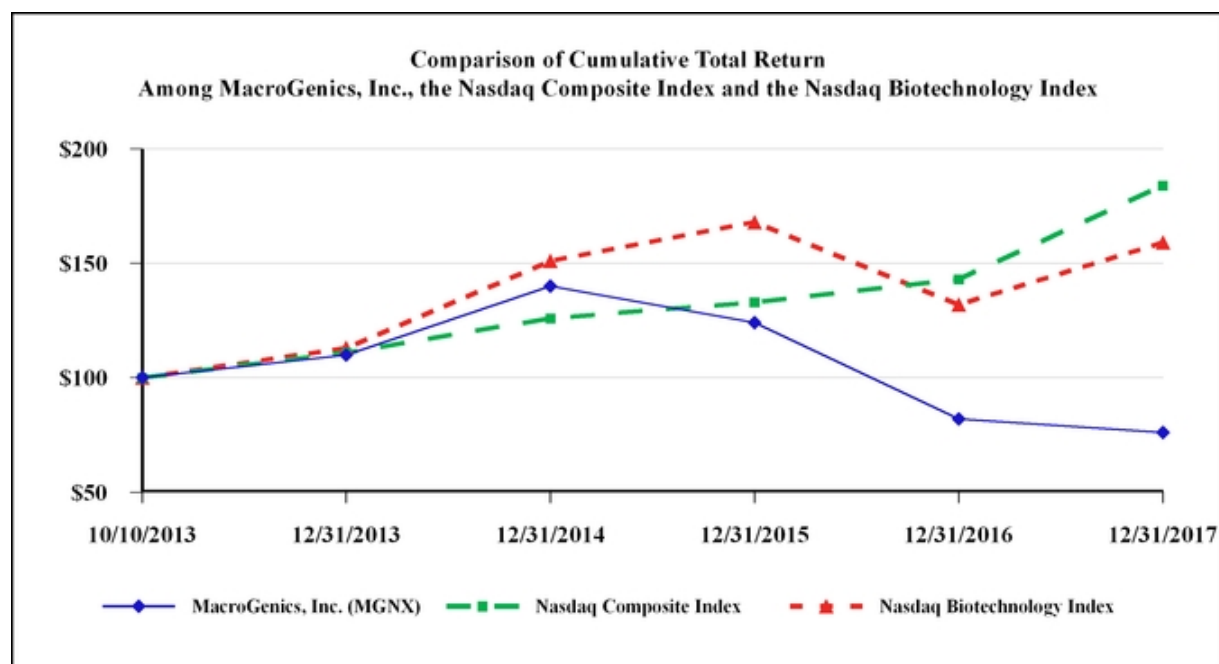
	High	Low
2017		
First Quarter	\$ 22.00	\$ 17.29
Second Quarter	\$ 22.31	\$ 16.63
Third Quarter	\$ 19.30	\$ 14.36
Fourth Quarter	\$ 21.50	\$ 16.12
2016		
First Quarter	\$ 30.66	\$ 14.84
Second Quarter	\$ 28.37	\$ 16.28
Third Quarter	\$ 33.30	\$ 25.25
Fourth Quarter	\$ 31.85	\$ 18.22

Shareholders

As of February 23, 2018, we had 36,918,852 shares of common stock outstanding held by approximately 79 holders of record, which include shares held by a broker, bank or other nominee. We have never declared or paid any cash dividends. We do not anticipate declaring or paying cash dividends for the foreseeable future. Instead, we will retain our earnings, if any, for the future operation and expansion of our business.

Performance Graph

The following graph compares the performance of our common stock to the performance of the Nasdaq Composite Index (U.S.) and the Nasdaq Biotechnology Index since October 10, 2013 (the first date that shares of our common stock were publicly traded). The comparison assumes a \$100 investment on October 10, 2013 in our common stock, the stocks comprising the Nasdaq Composite Index, and the stocks comprising the Nasdaq Biotechnology Index, and assumes reinvestment of the full amount of all dividends, if any. Historical stockholder return is not necessarily indicative of the performance to be expected for any future periods.



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.

ITEM 6. SELECTED FINANCIAL DATA

The consolidated statement of operations and comprehensive loss data for the years ended December 31, 2017, 2016 and 2015 and the consolidated balance sheet data as of December 31, 2017 and 2016 presented below have been derived from our audited consolidated financial statements and footnotes included elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations and comprehensive loss data for the years ended December 31, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015, 2014 and 2013 have been derived from our audited consolidated financial statements which are not included herein. Historical results are not necessarily indicative of future results. The following data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Year Ended December 31,

	2017	2016	2015	2014	2013
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(in thousands, except share and per share data)

Consolidated Statement of Operations and Comprehensive Loss:

Total revenues	\$ 157,742	\$ 91,880	\$ 100,854	\$ 47,797	\$ 58,035
Costs and expenses:					
Research and development	147,232	122,091	98,271	70,186	46,582
General and administrative	32,653	29,831	22,765	15,926	11,087
Total costs and expenses	179,885	151,922	121,036	86,112	57,669
Income (loss) from operations	(22,143)	(60,042)	(20,182)	(38,315)	366
Other income (expense)	2,517	1,514	42	2	(627)
Net loss	(19,626)	(58,528)	(20,140)	(38,313)	(261)
Other comprehensive loss:					
Unrealized loss on investments	(21)	(77)	(5)	—	—
Comprehensive loss	\$ (19,647)	\$ (58,605)	\$ (20,145)	\$ (38,313)	\$ (261)
Basic and diluted net loss per common share	\$ (0.54)	\$ (1.69)	\$ (0.63)	\$ (1.40)	\$ (0.04)
Basic and diluted weighted average number of common shares	36,095,080	34,685,274	31,801,645	27,384,990	6,847,697

As of December 31,

	2017	2016	2015	2014	2013
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(in thousands)

Consolidated Balance Sheet Data:

Cash, cash equivalents and marketable securities	\$ 305,121	\$ 284,982	\$ 339,049	\$ 157,591	\$ 116,481
Total assets	373,883	311,263	359,269	173,886	125,782
Deferred revenue	20,839	14,306	18,497	30,720	27,403
Total stockholders' equity	299,238	268,751	313,337	121,286	78,914

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our selected consolidated financial data and the consolidated financial statements and related notes included elsewhere herein. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors including, but not limited to, those set forth under the sections entitled "Risk Factors" and "Forward-Looking Statements", our actual results may differ materially from those anticipated in such forward-looking statements.

Overview

We are a biopharmaceutical company focused on discovering and developing innovative antibody-based therapeutics to modulate the human immune response for the treatment of cancer. We currently have a pipeline of product candidates in human clinical testing that have been created primarily using our proprietary technology platforms, which also have broad applicability across other therapeutic domains, including autoimmune disorders and infectious disease. We believe our programs have the potential to have a meaningful effect on treating patients' unmet medical needs as monotherapy or, in some cases, in combination with other therapeutic agents.

We commenced active operations in 2000, and have since devoted substantially all of our resources to staffing our company, developing our technology platforms, identifying potential product candidates, undertaking preclinical studies, conducting clinical trials, developing collaborations, business planning and raising capital. We have not generated any revenues from the sale of any products to date. We have financed our operations primarily through the public and private offerings of our securities, collaborations with other biopharmaceutical companies, and government grants and contracts. Although it is difficult to predict our funding requirements, based upon our current operating plan, we anticipate that our cash, cash equivalents and marketable securities as of December 31, 2017, combined with collaboration payments we anticipate receiving, will enable us to fund our operations for approximately two years based on our current business plan.

Through December 31, 2017, we had an accumulated deficit of \$312.3 million. We expect that over the next several years this deficit will increase as we increase our expenditures in research and development in connection with our ongoing activities with several clinical trials.

Strategic Collaborations

We pursue a balanced approach between product candidates that we develop ourselves and those that we develop with our collaborators. Under our strategic collaborations to date, we have received significant non-dilutive funding and continue to have rights to additional funding upon completion of certain research, achievement of key product development milestones and royalties and other payments upon the commercial sale of products. Currently, our most significant strategic collaborations include the following:

- *Incyte*. In October 2017, we entered into an exclusive global collaboration and license agreement with Incyte Corporation (Incyte) for MGA012, an investigational monoclonal antibody that inhibits programmed cell death protein 1 (PD-1). Incyte has obtained exclusive worldwide rights for the development and commercialization of MGA012 in all indications, while we retain the right to develop our pipeline assets in combination with MGA012. The transaction closed in the fourth quarter of 2017 and we received a \$150.0 million upfront payment from Incyte upon the closing.

Under the terms of the collaboration, Incyte will lead global development of MGA012. Assuming successful development and commercialization by Incyte, we could receive up to approximately \$420.0 million in development and regulatory milestones, and up to \$330.0 million in commercial milestones. If commercialized, we would be eligible to receive tiered royalties of 15% to 24% on any global net sales and we have the option to co-promote with Incyte. We retain the right to develop our pipeline assets in combination with MGA012, with Incyte commercializing MGA012 and MacroGenics commercializing our asset(s), if any such potential combinations are approved. In addition, we retain the right to manufacture a portion of both companies' global clinical and commercial supply needs of MGA012, through utilization of our commercial-scale GMP facility, which is expected to be fully operational in 2018.

Finally, Incyte will fund our activities related to our ongoing monotherapy clinical study until such time as we can transfer the Investigational New Drug application (IND) to Incyte.

- *Servier*. In September 2012, we entered into an agreement with Les Laboratoires Servier and Institut de Recherches Servier (Servier) to develop and commercialize three DART® molecules in all countries other than

the United States, Canada, Mexico, Japan, South Korea and India. We received a \$20.0 million upfront option fee. In addition, we will be eligible to receive up to approximately \$700 million in additional license fees and clinical, development, regulatory and sales milestone payments if Servier exercises its remaining options and successfully develops, obtains regulatory approval for, and commercializes a product under each license. Additionally, assuming exercise of its options, Servier may share Phase 2 and Phase 3 development costs and would be obligated to pay us low double-digit to mid-teen royalties on product sales in its territories.

In February 2014, Servier exercised its option to develop and commercialize flotetuzumab, for which we received a \$15.0 million license option fee. We also received two \$5.0 million milestone payments from Servier in 2014 in connection with the IND applications for flotetuzumab and MGD007 clearing the 30-day review period by the U.S. Food and Drug Administration (FDA). As of December 31, 2017, Servier still retains an option to obtain a license for MGD007, but has notified us that they have terminated their rights to license the third DART molecule.

In addition, we have sought to complement our internal expertise and capabilities with collaborators that may help us advance our programs. For example, in December 2017, we entered into a research collaboration and license agreement with F. Hoffmann-La Roche Ltd. and Hoffmann-La Roche Inc. (collectively, Roche) to jointly discover and develop novel bispecific molecules to undisclosed targets. During the research term, both companies will leverage their respective platforms, including our DART platform and Roche's CrossMAB and DutaFab technologies, to select a bispecific format and lead product candidate. Roche would then further develop and commercialize any such product candidate.

Financial Operations Overview

Revenue

Our revenue consists primarily of collaboration revenue, including amounts recognized relating to upfront nonrefundable payments for licenses or options to obtain future licenses, research and development funding and milestone payments earned under our collaboration and license agreements with our strategic collaborators. In addition, we have earned revenues through several grants and/or contracts with the U.S. government and other research institutions on behalf of the U.S. government, primarily with respect to research and development activities related to infectious disease product candidates.

Research and Development Expense

Research and development expense consists of expenses incurred in performing research and development activities. These expenses include conducting preclinical experiments and studies, clinical trials, manufacturing efforts and regulatory filings for all product candidates, and other indirect expenses in support of our research and development activities. We capture research and development expense on a program-by-program basis for our product candidates that are in clinical development and recognize these expenses as they are incurred. The following are items we include in research and development expense:

- Employee-related expenses, such as salaries and benefits;
- Employee-related overhead expenses, such as facilities and other allocated items;
- Stock-based compensation expense to employees engaged in research and development activities;
- Depreciation of laboratory equipment, computers and leasehold improvements;
- Fees paid to consultants, subcontractors, clinical research organizations (CROs) and other third party vendors for work performed under our preclinical and clinical trials including, but not limited to, investigator grants, laboratory work and analysis, database management, statistical analysis, and other items;
- Amounts paid to vendors and suppliers for laboratory supplies;
- Costs related to manufacturing clinical trial materials, including vialing, packaging and testing;
- License fees and other third party vendor payments related to in-licensed product candidates and technology; and
- Costs related to compliance with regulatory requirements.

It is difficult to determine with certainty the duration and completion costs of our current or future preclinical programs and clinical trials of our product candidates, or if, when or to what extent we will generate revenues from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in

achieving regulatory approval for any of our product candidates. The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors, including the uncertainties of future clinical trials and preclinical studies, uncertainties in clinical trial enrollment rates and significant and changing government regulation. In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability. We will determine which programs to pursue and how much to fund each program in response to the scientific and clinical success of each product candidate, as well as an assessment of each product candidate's commercial potential.

General and Administrative Expenses

General and administrative expenses consist of salaries and related benefit costs for employees in our executive, finance, legal and intellectual property, business development, human resources and other support functions, travel expenses and other legal and professional fees.

Other Income (Expense)

Other income (expense) consists of interest income earned on our cash, cash equivalents and marketable securities, offset by other expenses.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial conditions and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheets and the reported amount of the revenue and expenses recorded during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable. We review and evaluate these estimates on an on-going basis. These assumptions and estimates form the basis for making judgments about the carrying values of assets and liabilities and amounts that have been recorded as revenues and expenses. Actual results and experiences may differ from these estimates. The results of any material revisions would be reflected in the consolidated financial statements prospectively from the date of the change in estimate.

While a summary of significant accounting policies is described fully in Note 2 in our consolidated financial statements, we believe that the following accounting policies are the most critical to assist you in fully understanding and evaluating our financial results and the effect of the estimates and judgments we used in preparing our consolidated financial statements.

Revenue Recognition

We enter into collaboration and license agreements with collaborators for the development of monoclonal antibody-based therapeutics to treat cancer and other complex diseases. The terms of these agreements contain multiple deliverables which may include (i) licenses, or options to obtain licenses, to our technological platforms, such as our Fc engineering and DART technologies, (ii) rights to future technological improvements, (iii) research and development activities to be performed on behalf of the collaborator or as part of the collaboration, and (iv) the manufacture of preclinical or clinical materials for the collaborator. Payments to us under these agreements may include nonrefundable license fees, option fees, exercise fees, payments for research and development activities, payments for the manufacture of preclinical or clinical materials, license maintenance payments, payments based upon the achievement of certain milestones and royalties on product sales. Other benefits to us from these agreements include the right to sell products resulting from the collaborative efforts of the parties in specific geographic territories. We follow the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 605-25, *Revenue Recognition—Multiple-Element Arrangements*, and ASC Topic 605-28, *Revenue Recognition—Milestone Method*, in accounting for these agreements. In order to account for these agreements, we must identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on the achievement of certain criteria, including whether the delivered element has stand-alone value to the collaborator. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units.

As of December 31, 2017, we had two types of agreements: i) exclusive development and commercialization licenses to use our technology and/or certain other intellectual property to develop compounds against specified targets, which we refer to as exclusive licenses; and ii) option/research agreements to secure on established terms development and commercialization licenses to therapeutic product candidates to collaborator-selected targets developed by us during an option period, which we refer to as right-to-develop agreements.

Exclusive Licenses

The deliverables under an exclusive license agreement generally include the exclusive license to our technology with respect to a specified antigen target, and may also include deliverables related to rights to future technological improvements, research and preclinical development activities to be performed on behalf of the collaborator. In some cases, we may have an option to participate in the co-development of product candidates that result from such agreements.

Generally, exclusive license agreements contain nonrefundable terms for payments and, depending on the terms of the agreement, provide that we will (i) at the collaborator's request, provide research and preclinical development services at negotiated prices which are generally consistent with what other third parties would charge, (ii) earn payments upon the achievement of certain milestones, (iii) earn royalty payments, and (iv) in some cases, grant us an option to participate in the development and commercialization of products that result from such agreements. Royalty rates may vary over the royalty term depending on our intellectual property rights and whether we exercise any co-development and co-commercialization rights. We do not directly control when any collaborator will achieve milestones or become liable for royalty payments.

In determining the separate units of accounting, management evaluates whether the exclusive license has stand-alone value from the undelivered elements to the collaborator based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the research and development capabilities of the collaborator and the availability of technology platform and product research expertise in the general marketplace. In addition, we consider whether or not (i) the collaborator could use the license for its intended purpose without the receipt of the remaining deliverables, (ii) the value of the license was dependent on the undelivered items and (iii) the collaborator or other vendors could provide the undelivered items. If we conclude that the license has stand-alone value and therefore will be accounted for as a separate unit of accounting, we then determine the estimated selling prices of the license and all other units of accounting based on market conditions, similar arrangements entered into by third parties, and entity-specific factors such as the terms of our previous collaboration agreements, recent preclinical and clinical testing results of therapeutic product candidates that use our technology platforms, our pricing practices and pricing objectives, the likelihood that technological improvements will be made, the likelihood that technological improvements made will be used by our collaborators and the nature of the research services to be performed on behalf of our collaborators and market rates for similar services. The upfront payment is recognized upon delivery of the license if facts and circumstances dictate that the license has stand-alone value from the undelivered elements.

Upfront payments on exclusive licenses are deferred if facts and circumstances dictate that the license does not have stand-alone value, and revenue is then recognized throughout the period of performance. We reassess the period of performance over which we recognize deferred upfront license fees and make adjustments as appropriate. In the event a collaborator elects to discontinue development of a specific product candidate under a single target license, but retains its right to use our technology to develop an alternative product candidate to the same target or a target substitute, we would cease amortization of any remaining portion of the upfront fee until there is substantial preclinical activity on another product candidate and its remaining period of substantial involvement can be estimated. In the event that a single target license were to be terminated, we would recognize as revenue any portion of the upfront fee that had not previously been recorded as revenue, but was classified as deferred revenue, at the date of such termination or through the remaining substantial involvement in the wind down of the agreement.

We recognize revenue related to research and preclinical development services that represent separate units of accounting as they are performed, as long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection is reasonably assured. We recognize revenue related to the rights to future technological improvements over the estimated term of the applicable license.

We typically perform research activities and preclinical development services, including generating and engineering product candidates, on behalf of our licensees during the early evaluation and preclinical testing stages of drug development under our exclusive licenses. We record amounts received for research materials produced or services performed as revenue from collaborative agreements.

Our license agreements have milestone payments which for reporting purposes are aggregated into three categories: (i) development milestones, (ii) regulatory milestones, and (iii) sales milestones. Development milestones are typically payable when a product candidate initiates or advances into different clinical trial phases. Regulatory milestones are typically payable upon submission for marketing approval with the FDA or other countries' regulatory authorities or on receipt of actual marketing approvals for the compound or for additional indications. Sales milestones are typically payable when annual sales reach certain levels.

At the inception of each agreement that includes milestone payments, we evaluate whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an

assessment of whether (i) the consideration is commensurate with either (1) our performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from our performance to achieve the milestone, (ii) the consideration relates solely to past performance and (iii) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. We evaluate factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

Non-refundable development and regulatory milestones that are expected to be achieved as a result of our efforts during the period of substantial involvement are considered substantive and are recognized as revenue upon the achievement of the milestone, assuming all other revenue recognition criteria are met. Milestones that are not considered substantive because we did not contribute effort to their achievement are generally recognized as revenue upon achievement of the milestone, as there are no undelivered elements remaining and no continuing performance obligations, assuming all other revenue recognition criteria are met.

Right-to-Develop Agreements

Our right-to-develop agreements provide collaborators with an exclusive option to obtain licenses to develop and commercialize in specified geographic territories product candidates developed by us under agreed upon research and preclinical development programs. The product candidates resulting from each program are all directed to a specific target selected by the collaborator. Under these agreements, fees may be due to us (i) at the inception of the arrangement (referred to as "upfront" fees or payments), (ii) upon the selection of a target for a program, (iii) upon the exercise of an option to acquire a development and commercialization license, referred to as exercise fee, for a program, or (iv) some combination of all of these fees.

The accounting for right-to-develop agreements is dependent on the nature of the options granted to the collaborator. Options are considered substantive if, at the inception of a right-to-develop agreement, we are at risk as to whether the collaborator will choose to exercise the options to secure development and commercialization licenses. Factors that are considered in evaluating whether options are substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the total upfront consideration, and the additional financial commitments imposed on the collaborator as a result of exercising the options.

For right-to-develop agreements where the options to secure development and commercialization licenses to a product program are considered substantive, we do not consider the development and commercialization licenses to be a deliverable at the inception of the agreement, and therefore defer any upfront payments received and recognize this revenue over the period during which the collaborator could elect to exercise options for development and commercialization licenses. These periods are specific to each collaboration agreement. If a collaborator selects a target for a product program, any substantive option fee is deferred and recognized over the life of the option. If a collaborator exercises an option and acquires a development and commercialization license to a product program, we attribute the exercise fee to the development and commercialization license.

Upon exercise of an option to acquire a development and commercialization license, we would also attribute any remaining deferred option fee, in addition to the consideration received for the license upon exercise of the option, to the development and commercialization license. We then apply the multiple-element revenue recognition criteria to the development and commercialization license and other deliverables, if any, to determine the appropriate revenue recognition method. This method is consistent with our accounting policy for upfront payments on exclusive licenses (discussed above). In the event a right-to-develop agreement were to be terminated, we would recognize as revenue any portion of the upfront fee that had not previously been recorded as revenue, but was classified as deferred revenue, at the date of such termination.

For right-to-develop agreements where the options to secure development and commercialization licenses to product programs are not considered substantive, we consider the development and commercialization licenses to be a deliverable at the inception of the agreement and apply the multiple-element revenue recognition criteria to determine the appropriate revenue recognition. All of our right-to-develop agreements have been determined to contain substantive options. We do not directly control when any collaborator will exercise its options for development and commercialization licenses.

Research and Development Expense and related Accrued Expenses

As part of the process of preparing our consolidated financial statements, we may be required to estimate accrued expenses. In order to obtain reasonable estimates, we review open contracts and purchase orders. In addition, we communicate with applicable personnel in order to identify services that have been performed, but for which we have not yet been invoiced.

In most cases, our vendors provide us with monthly invoices in arrears for services performed. We confirm our estimates with these vendors and make adjustments as needed. The following are examples of our accrued expenses:

- Fees paid to CROs for services performed on clinical trials;
- Fees paid to investigator sites for performance on clinical trials;
- Fees paid for professional services; and
- Development expenses incurred by our collaborators that we share.

The majority of expenses related to clinical trials performed by our CROs are dependent on the successful enrollment of patients. These expenses can vary from site to site and contract to contract. We base our estimated accruals on the time period over which the services are to be performed and the level of effort to be expended in each period based on the estimated enrollment of patients in each trial. We also receive estimates from our collaborators when we are sharing development expenses. We use these estimates to record an increase or decrease in research and development expense, depending on how much we have each spent during the period. We will adjust accordingly should the estimates vary from the actual expenses. However, we do not anticipate that our actual expenses will differ materially from our estimates.

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 recorded net deferred tax assets of \$0.8 million as of December 31, 2017, which have been 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 federal and state tax net operating loss (NOL) carryforwards and research and development tax credit carryforwards. As of December 31, 2017, we had federal and state NOL carryforwards of \$239.7 million and research and development tax credit carryforwards of \$42.8 million available. The federal NOL carryforwards will begin to expire at various dates starting in 2025. We are already subject to Section 382 limitations due to acquisitions we made in 2002 and 2008. Future changes in stock ownership may also trigger an ownership change and, consequently, another Section 382 limitation. Any limitation may result in expiration of a portion of the net operating loss or tax credit carryforwards before utilization which would reduce our gross deferred income tax assets and corresponding valuation allowance. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards and tax credit carryforwards to reduce United States federal income tax may be subject to limitations, which could potentially result in increased future cash tax liability to us.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law making significant changes to the Internal Revenue Code, which included how the U.S. imposes income tax on multinational corporations. Key changes in the Tax Act which are relevant to us, and generally effective January 1, 2018, include a flat corporate income tax rate of 21% to replace the marginal rates that range from 15% to 35% and the elimination of the corporate alternative minimum tax. The Tax Act also imposes limits on executive compensations and interest expense deductions, while permitting the immediate expensing for the cost of new investments in certain property acquired after September 27, 2017.

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 (SAB 118) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 allows registrants to include a provisional amount to account for the implications of the Tax Act where a reasonable estimate can be made and requires the completion of the accounting no later than one year from the date of the enactment of the Tax Act, or December 22, 2018.

ASC 740 requires changes in tax rates and tax laws to be accounted for in the period of enactment in continuing operations. Accordingly, of significance, we recorded a provisional estimate for the re-measurement of our U.S. deferred tax assets and liabilities to 21%. This change in value of these deferred tax assets and liabilities, which is provisional, was offset by a corresponding change in our valuation allowance, thus no tax expense or benefit was recorded. The ultimate impact may

differ from these provisional amounts, possibly materially, due to, among other things, additional information necessary to complete the computation and analysis thereof, additional regulatory guidance that may be issued, and actions we may take as a result of the Tax Act. The accounting is expected to be complete by December 22, 2018.

Stock-Based Compensation

We recognize stock-based compensation expense in accordance with the provisions of ASC Topic 718, *Compensation—Stock Compensation*. The fair value of stock-based payments is estimated, on the date of grant, using a Black-Scholes model. The resulting fair value is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the option. The use of a Black-Scholes model requires us to apply judgment and make assumptions and estimates that include the following:

- *Fair Value of Common Stock* – Before our entry into the public market on October 10, 2013, our Board of Directors determined the fair value of the common stock. The Board of Directors made determinations of fair value based, in part, upon contemporaneous valuations to determine fair value. The contemporaneous valuations were performed in accordance with applicable methodologies, approaches and assumptions of the technical practice-aid issued by the American Institute of Certified Public Accountants Practice Aid entitled *Valuation of Privately-Held Company Equity Securities Issued as Compensation*.
- *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. As we do not yet have sufficient history of our own volatility, we have identified several public entities of similar size, complexity and stage of development and estimate volatility based on the volatility of these companies.
- *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 6.25 years. We use a simplified method to calculate the average expected term.
- *Expected Forfeiture Rate* – The forfeiture rate is the estimated percentage of options granted that is expected to be forfeited or canceled on an annual basis before becoming fully vested. We estimate the forfeiture rate based on turnover data with further consideration given to the class of the employees to whom the options were granted.

Recent Accounting Pronouncements

See Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements for information under the caption "Recently Issued Accounting Standards."

Results of Operations for the Years Ended December 31, 2017 and 2016

Revenue

The following represents a comparison of our research and development revenue for the years ended December 31, 2017 and 2016:

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016		
	(dollars in millions)			
Revenue from collaborative agreements	\$ 155.5	\$ 86.6	\$ 68.9	80 %
Revenue from government agreements	2.2	5.3	(3.1)	(58)%
Total revenue	\$ 157.7	\$ 91.9	\$ 65.8	72 %

Revenue from collaborative agreements for the year ended December 31, 2017 includes the \$150.0 million upfront payment recognized under the Incyte agreement. Revenue from collaborative agreements for the year ended December 31, 2016 includes the \$75.0 million upfront payment recognized under our MGD015 agreement with Janssen Biotech, Inc.

(Janssen). The remaining change in revenue from collaborative agreements is primarily due to a \$2.0 million milestone payment from Pfizer, Inc. in 2016 and a decrease in revenue recognized under the our MGD010 agreement with Takeda Pharmaceutical Company, Limited (Takeda) of \$2.1 million for the year ended December 31, 2017 compared to 2016.

Revenue from government agreements decreased for the year ended December 31, 2017 compared to 2016 primarily due to lower costs incurred under our cost plus fixed fee contract with the National Institute of Allergy and Infectious Diseases.

Research and Development Expense

The following represents a comparison of our research and development expense for the years ended December 31, 2017 and 2016:

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016		
	(dollars in millions)			
Margetuximab	\$ 48.2	\$ 35.4	\$ 12.8	36 %
Enoblituzumab	21.8	18.0	3.8	21 %
Flotetuzumab (a)	6.3	3.8	2.5	66 %
MGD007	6.2	3.6	2.6	72 %
MGD009	3.9	3.3	0.6	18 %
MGD010	3.6	7.8	(4.2)	(54)%
MGA012	13.8	9.3	4.5	48 %
MGD013	5.7	8.7	(3.0)	(34)%
MGC018	10.1	3.5	6.6	189 %
MGD019	6.6	4.8	1.8	38 %
Other immune modulator programs	6.3	1.5	4.8	320 %
Discovery and other pipeline programs, collectively	14.7	22.4	(7.7)	(34)%
Total research and development expense	\$ 147.2	\$ 122.1	\$ 25.1	21 %

(a) - Expenses are shown net of reimbursements from collaborator.

During the year ended December 31, 2017 our research and development expense increased by \$25.1 million compared to 2016. This increase was primarily due to the continued enrollment in our various clinical trials, including two margetuximab studies, multiple enoblituzumab studies, and the flotetuzumab and MGD007 Phase 1 studies. Also contributing to the increase was the initiation of the Phase 1 clinical trial of MGA012 in late 2016, as well as IND-enabling activities for both MGC018 and MGD019. These increases were partially offset by decreased spending on MGD010 due to the completion of a Phase 1 study and decreased spending on MGD013, as IND-enabling activities ended and the dose escalation study began in 2017.

General and Administrative Expense

The following represents a comparison of our general and administrative expense for the years ended December 31, 2017 and 2016:

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016		
	(dollars in millions)			
General and administrative expense	\$ 32.7	\$ 29.8	\$ 2.9	10%

General and administrative expense increased for the year ended December 31, 2017 by \$2.9 million compared to 2016 primarily due to an increase in labor-related costs, including stock-based compensation expense, and information technology-related expenses, partially offset by lower patent expenses.

Other Income

The increase in other income for the years ended December 31, 2017 and 2016 is primarily due to an increase in interest income earned on marketable securities.

Results of Operations for the Years Ended December 31, 2016 and 2015

Revenue

The following represents a comparison of our research and development revenue for the years ended December 31, 2016 and 2015:

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015		
(dollars in millions)				
Revenue from collaborative agreements	\$ 86.6	\$ 99.4	\$ (12.8)	(13)%
Revenue from government agreements	5.3	1.5	3.8	253 %
Total revenue	\$ 91.9	\$ 100.9	\$ (9.0)	(9)%

The decrease in collaboration revenue of \$12.8 million for the year ended December 31, 2016 compared to 2015 is primarily due to the decrease in revenue recognition related to the Boehringer Ingelheim GmbH (Boehringer) and Takeda agreements. Revenue under the Boehringer agreement decreased because the development period, and therefore the related revenue recognition period, was completed in September 2015. Revenue under the Takeda MGD010 agreement decreased primarily due to a \$3.0 million milestone being recognized during the year ended December 31, 2015. These decreases were partially offset by the \$75.0 million in revenue recognized during the year ended December 31, 2016 under the Janssen MGD015 agreement compared to \$72.3 million recognized during the year ended December 31, 2015 under the Janssen duvortuzumab agreement.

Revenue from government agreements increased for the year ended December 31, 2016 compared to 2015 due to revenue from the NIAID contract which began in September 2015.

Research and Development Expense

The following represents a comparison of our research and development expense for the years ended December 31, 2016 and 2015:

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015		
(dollars in millions)				
Margetuximab	\$ 35.4	\$ 41.2	\$ (5.8)	(14)%
Enoblituzumab	18.0	11.9	6.1	51 %
Flotetuzumab (a)	3.8	3.0	0.8	27 %
MGD007	3.6	3.9	(0.3)	(8)%
MGD009	3.3	4.0	(0.7)	(18)%
MGD010	7.8	7.6	0.2	3 %
MGA012	9.3	3.6	5.7	158 %
MGD013	8.7	5.4	3.3	61 %
Immune checkpoint programs	6.3	—	6.3	NA
Other preclinical and clinical programs, collectively	25.9	17.7	8.2	46 %
Total research and development expense	\$ 122.1	\$ 98.3	\$ 23.8	24 %

(a) - Expenses are shown net of reimbursements from collaborator.

During the year ended December 31, 2016 our research and development expense increased by \$23.8 million compared to 2015. This increase was primarily due to increased activity in our preclinical immune checkpoint programs,

including MGD013, the initiation of two Phase 1 clinical trials combining enoblituzumab with other compounds, the initiation of a Phase 1 clinical trial of MGA012 and the addition of the NIAID MGD014 contract (which is included in Other preclinical and clinical studies, collectively above). These increases were partially offset by decreased manufacturing costs for margetuximab.

General and Administrative Expense

The following represents a comparison of our general and administrative expense for the years ended December 31, 2016 and 2015:

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	(dollars in millions)	
General and administrative expense	\$ 29.8	\$ 22.8	\$ 7.0	31%

General and administrative expense increased for the year ended December 31, 2016 by \$7.0 million compared to 2015 primarily due to increased staff, recruiting costs, stock-based compensation expense and patent expense.

Other Income

The increase in other income for the year ended December 31, 2016 compared to 2015 is primarily due to an increase in interest income earned on marketable securities.

Liquidity and Capital Resources

We have historically financed our operations primarily through public and private offerings of equity, upfront fees, milestone payments and license option fees from collaborators and reimbursement through government grants and contracts. As of December 31, 2017, we had \$305.1 million in cash, cash equivalents and marketable securities. In addition to our existing cash, cash equivalents and marketable securities, we are eligible to receive additional reimbursement from our collaborators, including under various government grants or contracts, for certain research and development services rendered, additional milestone and opt-in payments and grant revenue. However, our ability to receive these milestone payments is dependent upon our ability to successfully complete specified research and development activities and is therefore uncertain at this time.

Funding Requirements

We have not generated any revenue from product sales to date and do not expect to do so until such time as we obtain regulatory approval for and commercialize one or more of our product candidates. As we are currently in the clinical trial stage of development, it will be some time before we expect to generate revenue from product sales and it is uncertain that we ever will. We expect that we will continue to increase our operating expenses in connection with ongoing as well as additional clinical trials and preclinical development of product candidates in our pipeline. We expect to continue our collaboration arrangements and will look for additional collaboration opportunities. We also expect to continue our efforts to pursue additional grants and contracts from the U.S. government in order to further our research and development. Although it is difficult to predict our funding requirements, based upon our current operating plan, we anticipate that our existing cash, cash equivalents and marketable securities as of December 31, 2017, as well as other collaboration payments we anticipate receiving, will enable us to fund our operations for approximately two years, assuming all of our programs and collaborations advance as currently contemplated.

Cash Flows

The following table represents a summary of our cash flows for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
	(dollars in millions)		
Net cash provided by (used in):			
Operating activities	\$ 14.4	\$ (43.7)	\$ (13.7)
Investing activities	77.9	(70.2)	(152.1)
Financing activities	35.3	1.9	204.3
Net increase (decrease) in cash and cash equivalents	\$ 127.6	\$ (112.0)	\$ 38.5

Operating Activities

Net cash provided by or used in operating activities reflects, among other things, the amounts used to run our clinical trials and preclinical activities. Net cash provided by operating activities during the year ended December 31, 2017 is primarily due to cash received under the Incyte agreement partially offset by an increase in the number of ongoing clinical trials and the expenses associated with increased enrollment in clinical trials. The increase in net cash used in operating activities for the year ended December 31, 2016 compared to 2015 is primarily due to an increase in the number of ongoing clinical trials, the expenses associated with increased enrollment in clinical trials and an increase in the number of employees.

Investing Activities

Net cash provided by investing activities during the year ended December 31, 2017 is primarily due to maturities of marketable securities, partially offset by purchases of marketable securities and making leasehold improvements to our facilities, including the build out of a manufacturing suite at our headquarters building in Rockville, Maryland. Net cash used in investing activities during the years ended December 31, 2016 and 2015 is primarily due to investing our cash in marketable securities and making leasehold improvements to our facilities.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2017 reflects net cash proceeds from our securities offerings of approximately \$34.3 million, cash from stock option exercises and proceeds from the purchase of shares under our employee stock purchase plan. Net cash provided by financing activities for the year ended December 31, 2016 includes cash from stock option exercises. Net cash provided by financing activities for the year ended December 31, 2015 includes net proceeds from the Johnson & Johnson Innovation – JJDC, Inc. investment (described more fully in Note 9 to the financial statements), the follow-on equity offering, and cash from stock option exercises.

Contractual Obligations and Contingent Liabilities

The following table represents future minimum operating lease payments under non-cancelable operating leases as of December 31, 2017:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(in millions)				
Operating Leases	\$ 45.8	\$ 6.6	\$ 11.1	\$ 9.6	\$ 18.5

Our current obligations and contingent liabilities are limited to the operating leases at our facilities in Rockville, Maryland and Brisbane, California.

In July 2008, we acquired Raven Biotechnologies (Raven). The Raven purchase agreement provides for certain contingent payments that are based on the achievement of development and commercialization activities for product candidates derived from the acquired Raven technology. We are required to make a one-time payment of \$5.0 million to the former Raven stockholders upon the initiation of patient dosing in the first Phase 2 clinical trial of any product derived from the Raven cancer stem cell program. No payment shall be made if the Phase 2 trial start date has not occurred on or before July 15, 2018. Other consideration includes a percentage of revenue (excluding consideration for research and development, equity and certain cost reimbursements) we may recognize for each license of a product candidate derived from the Raven cancer stem cell program. The revenue percentage in each case is based upon the execution date of the subject license. No consideration is owed for licenses executed after July 16, 2018. There is additional contingent consideration of one-time payments of \$8.0 million and \$12.0 million, which depend upon the achievement of a specified level of sales of a product derived from the Raven cancer

stem cell program. At our sole discretion, each payment can be made in cash, common stock or a combination thereof. No additional amounts related to the Raven purchase agreement were recorded during the three years ended December 31, 2017.

The contractual obligations table does not include any potential future payments we may be required to make under the purchase agreement with Raven. Due to the uncertainty of the achievement and timing of the events requiring payment under that agreement, the amounts to be paid by us are not fixed or determinable at this time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined under the rules and regulations of the Securities and Exchange Commission.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary objective when considering our investment activities is to preserve capital in order to fund our operations. We also seek to maximize income from our investments without assuming significant risk. Our current investment policy is to invest principally in deposits and securities issued by the U.S. government and its agencies, Government Sponsored Enterprise agency debt obligations, corporate debt obligations and money market instruments. As of December 31, 2017, we had cash, cash equivalents and marketable securities of \$305.1 million. Our primary exposure to market risk is related to changes in interest rates. Due to the short-term maturities of our cash equivalents and marketable securities and the low risk profile of our marketable securities, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents and marketable securities. We have the ability to hold our marketable securities until maturity, and we therefore do not expect a change in market interest rates to affect our operating results or cash flows to any significant degree.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is set forth on pages F-1 - F-29.

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in this annual report on Form 10-K has been appropriately recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control

Our management, including our principal executive and principal financial officers, has evaluated any changes in our internal control over financial reporting that occurred during the quarterly period ended December 31, 2017, and has concluded that there was no change that occurred during the quarterly period ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- pertain to the management of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- 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. 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. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, the Company's 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 our assessment, management believes that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

ITEM 9B. OTHER INFORMATION

None.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of MacroGenics, Inc.

Opinion on Internal Control over Financial Reporting

We have audited MacroGenics, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, MacroGenics, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated February 27, 2018, expressed an unqualified opinion thereon.

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 included 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 the 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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 generally accepted accounting principles. 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 generally accepted accounting principles, 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/ Ernst & Young LLP

Baltimore, Maryland

February 27, 2018

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We incorporate herein by reference the relevant information concerning directors, executive officers and corporate governance to be included in our definitive proxy statement for the 2018 annual meeting of stockholders (the "2018 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

We incorporate herein by reference the relevant information concerning executive compensation to be included in the 2018 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We incorporate herein by reference the relevant information concerning security ownership of certain beneficial owners and management to be included in the 2018 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We incorporate herein by reference the relevant information concerning certain other relationships and related transactions to be included in the 2018 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We incorporate herein by reference the relevant information concerning principal accountant fees and services to be included in the 2018 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations and Comprehensive Loss	F-4
Consolidated Statements of Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

(2) Financial Statement Schedules:

All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the financial statements or the notes thereto.

(3) Exhibits

The exhibits filed as part of this Annual Report on Form 10-K are set forth on the Exhibit Index immediately following our consolidated financial statements. The Exhibit Index is incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

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

MacroGenics, Inc.

By: /s/ Scott Koenig

Scott Koenig, M.D., Ph.D.

President and CEO and Director

Pursuant to the requirements of the Securities Act of 1934, as amended, this Report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Scott Koenig</u> Scott Koenig, M.D., Ph.D.	President and CEO and Director (Principal Executive Officer)	February 27, 2018
<u>/s/ James Karrels</u> James Karrels	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	February 27, 2018
<u>/s/ Lynn Cilinski</u> Lynn Cilinski	Vice President, Controller and Treasurer (Principal Accounting Officer)	February 27, 2018
<u>/s/ Paulo Costa</u> Paulo Costa	Director	February 27, 2018
<u>/s/ Karen Ferrante, M.D.</u> Karen Ferrante, M.D.	Director	February 27, 2018
<u>/s/ Matthew Fust</u> Matthew Fust	Director	February 27, 2018
<u>/s/ Kenneth Galbraith</u> Kenneth Galbraith	Director	February 27, 2018
<u>/s/ Edward Hurwitz</u> Edward Hurwitz	Director	February 27, 2018
<u>/s/ Scott Jackson</u> Scott Jackson	Director	February 27, 2018
<u>/s/ Jay Siegel, M.D.</u> Jay Siegel, M.D.	Director	February 27, 2018
<u>/s/ David Stump, M.D.</u> David Stump, M.D.	Director	February 27, 2018

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page Number
<u>Report of Ernst & Young LLP, Independent Registered Public Accounting Firm</u>	<u>F - 2</u>
<u>Consolidated Balance Sheets at December 31, 2017 and December 31, 2016</u>	<u>F - 3</u>
<u>Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2017, 2016 and 2015</u>	<u>F - 4</u>
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015</u>	<u>F - 5</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015</u>	<u>F - 6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F - 7</u>

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of MacroGenics, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MacroGenics, Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have 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, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2018, expressed an unqualified opinion thereon.

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 the 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.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2006.

Baltimore, Maryland
February 27, 2018

MACROGENICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 211,727	\$ 84,098
Marketable securities	93,394	192,898
Accounts receivable	13,643	2,764
Prepaid expenses	3,151	3,483
Other current assets	383	704
Total current assets	322,298	283,947
Property, equipment and software, net	49,983	17,961
Marketable securities, non-current	—	7,986
Other assets	1,602	1,369
Total assets	\$ 373,883	\$ 311,263
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,451	\$ 3,995
Accrued expenses	38,581	16,134
Deferred revenue	7,202	4,261
Deferred rent	1,048	1,319
Lease exit liability	298	1,593
Other current liabilities	175	—
Total current liabilities	49,755	27,302
Deferred revenue, net of current portion	13,637	10,045
Deferred rent, net of current portion	11,253	4,867
Lease exit liability, net of current portion	—	298
Total liabilities	74,645	42,512
Stockholders' equity:		
Common stock, \$0.01 par value – 125,000,000 shares authorized, 36,859,077 and 34,870,607 shares outstanding at December 31, 2017 and 2016, respectively	369	349
Additional paid-in capital	611,270	561,198
Accumulated other comprehensive loss	(61)	(82)
Accumulated deficit	(312,340)	(292,714)
Total stockholders' equity	299,238	268,751
Total liabilities and stockholders' equity	\$ 373,883	\$ 311,263

See accompanying notes.

MACROGENICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Year Ended December 31,		
	2017	2016	2015
Revenues:			
Revenue from collaborative agreements	\$ 155,516	\$ 86,582	\$ 99,368
Revenue from government agreements	2,226	5,298	1,486
Total revenues	157,742	91,880	100,854
Costs and expenses:			
Research and development	147,232	122,091	98,271
General and administrative	32,653	29,831	22,765
Total costs and expenses	179,885	151,922	121,036
Loss from operations	(22,143)	(60,042)	(20,182)
Other income	2,517	1,514	42
Net loss	(19,626)	(58,528)	(20,140)
Other comprehensive loss:			
Unrealized loss on investments	(21)	(77)	(5)
Comprehensive loss	\$ (19,647)	\$ (58,605)	\$ (20,145)
Basic and diluted net loss per common share			
	\$ (0.54)	\$ (1.69)	\$ (0.63)
Basic and diluted weighted average number of common shares			
	36,095,080	34,685,274	31,801,645

See accompanying notes.

MACROGENICS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2014	27,995,638	\$ 280	865	\$ (19)	\$ 335,071	\$ (214,046)	\$ —	\$ 121,286
Share-based compensation	—	—	—	—	7,847	—	—	7,847
Issuance of common stock, net of offering costs	5,976,827	60	—	—	203,407	—	—	203,467
Stock plan related activity	373,289	3	925	(29)	908	—	—	882
Retirement of treasury stock	—	—	(1,790)	48	(48)	—	—	—
Unrealized loss on investments	—	—	—	—	—	—	(5)	(5)
Net loss	—	—	—	—	—	(20,140)	—	(20,140)
Balance, December 31, 2015	34,345,754	343	—	—	547,185	(234,186)	(5)	313,337
Share-based compensation	—	—	—	—	12,165	—	—	12,165
Stock plan related activity	524,853	6	1,862	(39)	1,887	—	—	1,854
Retirement of treasury stock	—	—	(1,862)	39	(39)	—	—	—
Unrealized loss on investments	—	—	—	—	—	—	(77)	(77)
Net loss	—	—	—	—	—	(58,528)	—	(58,528)
Balance, December 31, 2016	34,870,607	349	—	—	561,198	(292,714)	(82)	268,751
Share-based compensation	—	—	—	—	14,744	—	—	14,744
Issuance of common stock, net of offering costs	1,699,284	17	—	—	34,227	—	—	34,244
Stock plan related activity	289,186	3	1,862	(40)	1,141	—	—	1,104
Retirement of treasury stock	—	—	(1,862)	40	(40)	—	—	—
Unrealized gain on investments	—	—	—	—	—	—	21	21
Net loss	—	—	—	—	—	(19,626)	—	(19,626)
Balance, December 31, 2017	36,859,077	\$ 369	—	\$ —	\$ 611,270	\$ (312,340)	\$ (61)	\$ 299,238

See accompanying notes.

MACROGENICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Operating activities			
Net loss	\$ (19,626)	\$ (58,528)	\$ (20,140)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	7,228	7,608	2,863
Share-based compensation	14,744	12,165	7,847
Changes in operating assets and liabilities:			
Accounts receivable	(10,878)	(1,540)	1,711
Prepaid expenses	332	(1,677)	2,405
Restricted cash	—	—	300
Other assets	262	276	(285)
Accounts payable	(1,544)	2,232	(163)
Accrued expenses	12,832	4,659	3,545
Lease exit liability	(1,593)	(2,822)	(3,293)
Deferred revenue	6,533	(4,191)	(12,223)
Deferred rent	6,115	(1,134)	4,650
Other liabilities	—	(727)	(878)
Net cash provided by (used in) operating activities	14,405	(43,679)	(13,661)
Cash flows from investing activities			
Purchases of marketable securities	(135,122)	(347,762)	(142,910)
Proceeds from sales and maturities of marketable securities	242,401	288,894	—
Purchases of property, equipment and software	(29,403)	(11,381)	(9,197)
Net cash provided by (used in) investing activities	77,876	(70,249)	(152,107)
Cash flows from financing activities			
Proceeds from issuance of common stock, net of offering costs	34,244	—	203,467
Proceeds from stock option exercises and ESPP purchases	1,144	1,893	911
Purchase of treasury stock	(40)	(39)	(29)
Net cash provided by financing activities	35,348	1,854	204,349
Net change in cash and cash equivalents	127,629	(112,074)	38,581
Cash and cash equivalents at beginning of period	84,098	196,172	157,591
Cash and cash equivalents at end of period	\$ 211,727	\$ 84,098	\$ 196,172

See accompanying notes.

MACROGENICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Operations

MacroGenics, Inc. (the Company) was incorporated in Delaware on August 14, 2000. The Company is a biopharmaceutical company focused on discovering and developing innovative antibody-based therapeutics designed to modulate the human immune response for the treatment of cancer. The Company currently has a pipeline of product candidates in human clinical testing that have been created primarily using its proprietary technology platforms, which have broad applicability across other therapeutic domains, including autoimmune disorders and infectious disease. The Company believes its programs have the potential to have a meaningful effect on treating patients' unmet medical needs as monotherapy or, in some cases, in combination with other therapeutic agents.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of MacroGenics, Inc. and its wholly owned subsidiary, MacroGenics UK Limited. All intercompany accounts and transactions have been eliminated in consolidation. The Company currently operates in one operating segment. Operating segments are defined as components of an enterprise about which separate discrete information is available for the chief operating decision maker, or decision making group, in deciding how to allocate resources and assessing performance. The Company views its operations and manages its business in one segment, which is developing monoclonal antibody-based therapeutics for cancer, autoimmune and infectious diseases.

Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) requires the Company to make estimates and judgments in certain circumstances that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. In preparing these consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, fair values of assets, stock-based compensation, income taxes, preclinical study and clinical trial accruals and other contingencies. Management bases its estimates on historical experience or on various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from these estimates.

Cash, Cash Equivalents and Marketable Securities

The Company considers all investments in highly liquid financial instruments with a maturity of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents includes investments in money market funds with commercial banks and financial institutions, securities issued by the U.S. government and its agencies, Government Sponsored Enterprise agency debt obligations and corporate debt obligations. Cash equivalents are stated at amortized cost, plus accrued interest, which approximates fair value.

The Company carries marketable securities classified as available-for-sale at fair value as determined by prices for identical or similar securities at the balance sheet date. Marketable securities consist of Level 2 financial instruments in the fair-value hierarchy. The Company records unrealized gains and losses as a component of other comprehensive loss within the statements of operations and comprehensive loss and as a separate component of stockholders' equity. Realized gains or losses on available-for-sale securities are determined using the specific identification method and the Company includes net realized gains and losses in other income (expense).

At each balance sheet date, the Company assesses available-for-sale securities in an unrealized loss position to determine whether the unrealized loss is other-than-temporary. The Company considers factors including: the significance of the decline in value compared to the cost basis, underlying factors contributing to a decline in the prices of securities in a single asset class, the length of time the market value of the security has been less than its cost basis, the security's relative performance versus its peers, sector or asset class, expected market volatility and the market and economy in general. The Company also evaluates whether it is more likely than not that it will be required to sell a security prior to recovery of its fair value. An impairment loss is recognized at the time the Company determines that a decline in the fair value below its cost basis is other-than-temporary. There were no unrealized losses at December 31, 2017 or 2016 that the Company determined to be other-than-temporary.

Accounts Receivable

Accounts receivable that management has the intent and ability to collect are reported in the consolidated balance sheets at outstanding amounts, less an allowance for doubtful accounts. The Company writes off uncollectible receivables when the likelihood of collection is remote.

The Company evaluates the collectability of accounts receivable on a regular basis. The allowance, if any, is based upon various factors including the financial condition and payment history of customers, an overall review of collections experience on other accounts and economic factors or events expected to affect future collections experience. No allowance was recorded as of December 31, 2017 or 2016, as the Company has a history of collecting on all outstanding accounts.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued expenses. The carrying amount of accounts receivable, accounts payable and accrued expenses are generally considered to be representative of their respective fair values because of their short-term nature. The Company accounts for recurring and non-recurring fair value measurements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value, and requires expanded disclosures about fair value measurements. The ASC 820 hierarchy ranks the quality of reliability of 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 and 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 and liabilities in active markets or quoted prices for identical assets and liabilities in inactive markets. 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 a reporting entity – e.g., determining an appropriate adjustment to a discount factor for illiquidity associated with a given security.

The Company evaluates financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the ASC 820 hierarchy.

Financial assets measured at fair value on a recurring basis were as follows (in thousands):

	Fair Value Measurement at December 31, 2017			
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 61,512	\$ 61,512	\$ —	\$ —
U.S Treasury securities	3,990	—	3,990	—
Government-sponsored enterprises	11,990	—	11,990	—
Corporate debt securities	78,418	—	78,418	—
Total assets measured at fair value ^(a)	<u>\$ 155,910</u>	<u>\$ 61,512</u>	<u>\$ 94,398</u>	<u>\$ —</u>

(a) Total assets measured at fair value at December 31, 2017 includes approximately \$62.5 million reported in cash and cash equivalents on the balance sheet.

Fair Value Measurement at December 31, 2016

	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 46,781	\$ 46,781	\$ —	\$ —
U.S Treasury securities	8,826	—	8,826	—
Government-sponsored enterprises	29,759	—	29,759	—
Corporate debt securities	166,300	—	166,300	—
Total assets measured at fair value ^(a)	\$ 251,666	\$ 46,781	\$ 204,885	\$ —

(a) Total assets measured at fair value at December 31, 2016 includes approximately \$50.8 million reported in cash and cash equivalents on the balance sheet.

The fair value of Level 2 securities is determined from market pricing and other observable market inputs for similar securities obtained from various third-party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data. There were no transfers between Level 1 and Level 2 investments during the periods presented.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, marketable securities and accounts receivable. We maintain our cash and money market funds with financial institutions that are federally insured. While balances deposited in these institutions often exceed Federal Deposit Insurance Corporation limits, we have not experienced any losses on related accounts to date. Our investment policy limits investments to certain types of debt securities issued by the U.S. government, its agencies and institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issuer. The counterparties are various corporations, financial institutions and government agencies of high credit standing.

The Company's revenue relates to agreements with various collaborators and contracts and research grants received from U.S. government agencies. The following table includes those collaborators that represent more than 10% of total revenue earned in the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
Incyte Corporation (Incyte)	96%	*	*
Janssen Biotech, Inc. (Janssen)	*	85%	72%
Boehringer Ingelheim GmbH (Boehringer)	*	*	12%

The following table includes those counterparties that represent more than 10% of accounts receivable at the date indicated:

	December 31,	
	2017	2016
F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (Roche)	73%	*
Les Laboratoires Servier and Institut de Recherches Servier (Servier)	12%	31%
Janssen	*	40%
U.S. Government	*	19%

* Balance is less than 10%

Property, Equipment and Software

Property, equipment and software are stated at cost. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is credited or charged to operations. Repairs and maintenance costs are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Software	3 years
Furniture	10 years
Laboratory and office equipment	5 years
Leasehold improvements	Shorter of lease term or useful life

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets in accordance with the provisions of ASC 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset or asset group. If carrying value exceeds the sum of undiscounted cash flows, the Company then determines the fair value of the underlying asset group. Any impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the estimated fair value of the asset group. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. As of December 31, 2017 and 2016, the Company determined that there were no impaired assets and had no assets held-for-sale.

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 likely than not to be realized upon ultimate settlement. The Company's policy is to record interest and penalties related to uncertain tax positions as a component of income tax expense.

Revenues

Revenue Recognition

The Company enters into collaboration and license agreements with collaborators for the development of monoclonal antibody-based therapeutics to treat cancer and other complex diseases. The terms of these agreements contain multiple deliverables which may include (i) licenses, or options to obtain licenses, to the Company's technological platforms, such as its Fc Optimization and DART® technologies, (ii) rights to future technological improvements, (iii) research and development activities to be performed on behalf of the collaborator or as part of the collaboration, and (iv) the manufacture of preclinical or clinical materials for the collaborator. Payments to the Company under these agreements may include nonrefundable license fees, option fees, exercise fees, payments for research and development activities, payments for the manufacture of preclinical or clinical materials, license maintenance payments, payments based upon the achievement of certain milestones and royalties on product sales. Other benefits to the Company of these agreements include the right to sell products resulting from the collaborative efforts of the parties in specific geographic territories. The Company follows the provisions of FASB ASC Topic 605-25, *Revenue Recognition – Multiple-Element Arrangements*, and FASB ASC Topic 605-28, *Revenue Recognition–Milestone Method*, in accounting for these agreements. In order to account for these agreements, the Company must identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on the achievement of certain criteria, including whether the delivered element has stand-alone value to the collaborator. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units.

For the periods presented, the Company had the following two types of agreements: 1) exclusive development and commercialization licenses to use the Company's technology and/or certain other intellectual property to develop compounds against specified targets (referred to herein as exclusive licenses); and 2) option/research agreements to secure on established terms, development and commercialization licenses to therapeutic product candidates to collaborator-selected targets developed by the Company during an option period (referred to herein as right-to-develop agreements).

There are no performance, cancellation, termination or refund provisions in any of the arrangements that contain material financial consequences to the Company.

Exclusive Licenses

The deliverables under an exclusive license agreement generally include the exclusive license to the Company's DART technology with respect to a specified antigen target, and may also include deliverables related to rights to future technological improvements, research and preclinical development activities to be performed on behalf of the collaborator. In some cases, the Company may have an option to participate in the co-development of product candidates that result from such agreements.

Generally, exclusive license agreements contain nonrefundable terms for payments and, depending on the terms of the agreement, provide that the Company will (i) at the collaborator's request, provide research and preclinical development services at negotiated prices which are generally consistent with what other third parties would charge, (ii) earn payments upon the achievement of certain milestones, (iii) earn royalty payments, and (iv) in some cases grant the Company an option to participate in the development and commercialization of products that result from such agreements. Royalty rates may vary over the royalty term depending on the Company's intellectual property rights and whether the Company exercises any co-development and co-commercialization rights. The Company does not directly control when any collaborator will achieve milestones or become liable for royalty payments.

When entering into a new collaboration arrangement or materially modifying an existing arrangement, the Company must identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on the achievement of certain criteria, including whether the delivered element has stand-alone value to the collaborator. The selling prices of deliverables under an arrangement may be derived using third-party evidence (TPE), or a best estimate of selling price (BESP), if vendor specific objective evidence (VSOE) is not available. The objective of BESP is to determine the price at which the Company would transact a sale if the element within the license agreement was sold on a standalone basis. Establishing BESP involves management's judgment and considers multiple factors, including market conditions, company-specific factors, and factors contemplated in negotiating the agreements, as well as internally developed models that include assumptions related to market opportunity, discounted cash flows, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the license. In validating the BESP, management considers whether changes in key assumptions used to determine the BESP will have a significant effect on the allocation of the arrangement consideration between the multiple deliverables. Deliverables under the arrangement are separate units of accounting if (i) the delivered item has value to the customer on a standalone basis and (ii) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially within the Company's control. The arrangement consideration that is fixed or determinable at the inception of the arrangement is allocated to the separate units of accounting based on their relative selling prices. The appropriate revenue recognition model is applied to each element and revenue is accordingly recognized as each element is delivered. Management exercises significant judgment in determining whether a deliverable is a separate unit of accounting.

In determining the separate units of accounting, the Company evaluates whether the exclusive license has standalone value to the collaborator based on consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the research and development capabilities of the collaborator and the availability of relevant research expertise in the marketplace. In addition, the Company considers whether or not (i) the collaborator could use the license for its intended purpose without the receipt of the remaining deliverables, (ii) the value of the license was dependent on the undelivered items and (iii) the collaborator or other vendors could provide the undelivered items. If the Company concludes that the license has stand-alone value and therefore will be accounted for as a separate unit of accounting, the Company then determines the estimated selling prices of the license and all other units of accounting based on market conditions, similar arrangements entered into by third parties, and entity-specific factors such as the terms of the Company's previous collaboration agreements, recent preclinical and clinical testing results of therapeutic product candidates that use the Company's technology platforms, the Company's pricing practices and pricing objectives, the likelihood that technological improvements will be made, the likelihood that technological improvements made will be used by the Company's collaborators and the nature of the research services to be performed on behalf of its collaborators and market rates for similar services. Total arrangement consideration is then allocated to each of the units of accounting using the relative-selling-price method. If facts and circumstances dictate that the exclusive license does not have stand-alone value, then the related payments are deferred and revenue is recognized throughout the period of performance.

Management reassesses the period of performance over which the Company recognizes deferred upfront license fees and makes adjustments as appropriate in the period in which a change in the estimated period of performance is identified. In the event a collaborator elects to discontinue development of a specific product candidate under a single target license, but retains its right to use the Company's technology to develop an alternative product candidate to the same target or a target substitute, the Company would cease amortization of any remaining portion of the upfront fee until there is substantial preclinical activity on another product candidate and its remaining period of substantial involvement can be estimated. In the event that a single target license was to be terminated, the Company would recognize as revenue any portion of the upfront fee that had not previously been recorded as revenue, but was classified as deferred revenue, at the date of such termination or through the remaining substantial involvement in the wind down of the agreement.

Upfront payments on exclusive licenses may be recognized upon delivery of the license if facts and circumstances dictate that the license has stand-alone value from the undelivered elements, which generally include rights to future technological improvements, research services and the manufacture of preclinical and clinical materials.

The Company recognizes revenue related to research and preclinical development services that represent separate units of accounting as they are performed, as long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection is reasonably assured. The Company recognizes revenue related to the rights to future technological improvements over the estimated term of the applicable license.

The Company typically performs research activities and preclinical development services, including generating and engineering product candidates, on behalf of its licensees during the early evaluation and preclinical testing stages of drug development under its exclusive licenses. The Company records amounts received for research materials produced or services performed as revenue from collaborative agreements.

The Company's license agreements have milestone payments which for reporting purposes are aggregated into three categories: (i) development milestones, (ii) regulatory milestones, and (iii) sales milestones. Development milestones are typically payable when a product candidate initiates or advances into different clinical trial phases. Regulatory milestones are typically payable upon submission for marketing approval with the U.S. Food and Drug Administration (FDA) or other countries' regulatory authorities or on receipt of actual marketing approvals for the compound or for additional indications. Sales milestones are typically payable when annual sales reach certain levels.

At the inception of each agreement that includes milestone payments, the Company evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (i) the consideration is commensurate with either (a) the entity's performance to achieve the milestone, or (b) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (ii) the consideration relates solely to past performance and (iii) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

Non-refundable development and regulatory milestones that are expected to be achieved as a result of the Company's efforts during the period of substantial involvement are considered substantive and are recognized as revenue upon the achievement of the milestone, assuming all other revenue recognition criteria are met. Milestones that are not considered substantive because the Company does not contribute effort to their achievement are generally recognized as revenue upon achievement of the milestone, as there are no undelivered elements remaining and no continuing performance obligations, assuming all other revenue recognition criteria are met.

Right-to-Develop Agreements

The Company's right-to-develop agreements provide collaborators with an exclusive option to obtain licenses to develop and commercialize in specified geographic territories product candidates developed by the Company under agreed upon research and preclinical development product programs. The product candidates resulting from each program are all directed to a specific target selected by the collaborator. Under these agreements, fees may be due to the Company (i) at the inception of the arrangement (referred to as "upfront" fees or payments), (ii) the selection of a target for a program, (iii) upon the exercise of an option to acquire a development and commercialization license (referred to as exercise fees or payments earned) for a program, or (iv) some combination of all of these fees.

The accounting for right-to-develop agreements is dependent on the nature of the options granted to the collaborator. Options are considered substantive if, at the inception of a right-to-develop agreement, the Company is at risk as to whether the collaborator will choose to exercise the options to secure development and commercialization licenses. Factors that are

considered in evaluating whether options are substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the total upfront consideration, and the additional financial commitments imposed on the collaborator as a result of exercising the options.

For right-to-develop agreements where the options to secure development and commercialization licenses to a product program are considered substantive, the Company does not consider the development and commercialization licenses to be a deliverable at the inception of the agreement, and therefore defers any upfront payments received and recognizes this revenue over the period during which the collaborator could elect to exercise options for development and commercialization licenses. These periods are specific to each collaboration agreement. If a collaborator selects a target for a product program, any substantive option fee is deferred and recognized over the life of the option. For right-to-develop agreements that include multiple deliverables, the Company determines the selling prices of deliverables under the arrangement using TPE or a BESP, if VSOE is not available. The objective of BESP is to determine the price at which the Company would transact a sale if the element within the right-to-develop agreement was sold on a standalone basis. Establishing BESP involves management's judgment and considers multiple factors, including market conditions and company-specific factors, including those factors contemplated in negotiating the agreements, as well as internally developed models that include assumptions related to market opportunity, discounted cash flows, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the right-to-develop agreement. In validating the BESP, management considers whether changes in key assumptions used to determine the BESP will have a significant effect on the allocation of the arrangement consideration between the multiple deliverables. Deliverables under the arrangement are separate units of accounting if (i) the delivered item has value to the customer on a standalone basis and (ii) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially within the Company's control. The arrangement consideration that is fixed or determinable at the inception of the arrangement is allocated to the separate units of accounting based on their relative selling prices. The appropriate revenue recognition model is applied to each element and revenue is accordingly recognized as each element is delivered. Management exercises significant judgment in determining whether a deliverable is a separate unit of accounting.

If a collaborator exercises an option and acquires a development and commercialization license to a product program, the Company attributes the exercise fee to the development and commercialization license. The Company determines the selling price of the option license, upon exercise, through management's best estimate using the process for an exclusive license as described above.

Upon exercise of an option to acquire a development and commercialization license, the Company would also attribute any remaining deferred option fee, in addition to the consideration received for the license upon exercise of the option, to the development and commercialization license. The Company then applies the multiple-element revenue recognition criteria to the development and commercialization license and other deliverables, if any, to determine the appropriate revenue recognition method. This model is consistent with the Company's accounting policy for upfront payments on exclusive licenses (discussed above). In the event a right-to-develop agreement were to be terminated, the Company would recognize as revenue any portion of the upfront fee that had not previously been recorded as revenue, but was classified as deferred revenue, at the date of such termination. The Company's right-to-develop agreements have been determined to contain substantive options.

For right-to-develop agreements where the options to secure development and commercialization licenses to product programs are not considered substantive, the Company considers the development and commercialization licenses to be a deliverable at the inception of the agreement and applies the multiple-element revenue recognition criteria to determine the appropriate revenue recognition. The Company does not directly control when any collaborator will exercise its options for development and commercialization licenses.

Research and Development Costs

Research and development expenditures are expensed as incurred. Research and development costs primarily consist of employee related expenses, including salaries and benefits, expenses incurred under agreements with contract research organizations, investigative sites and consultants that conduct the Company's clinical trials, the cost of acquiring and manufacturing clinical trial materials and other allocated expenses, license fees for and milestone payments related to in-licensed products and technologies, stock-based compensation expense, and costs associated with non-clinical activities and regulatory approvals.

Right-to-develop agreements may contain cost-sharing provisions whereby the Company and the collaborator share the cost of research and development activities. Reimbursement of research and development expenses received in connection with these agreements is recorded as a reduction of such expenses.

Comprehensive Loss

Comprehensive loss represents net loss adjusted for the change during the periods attributed to unrealized gains and losses on available-for-sale securities.

Stock-based Compensation

Stock-based payments are accounted for in accordance with the provisions of ASC 718, *Compensation – Stock Compensation*. The fair value of stock-based payments is estimated, on the date of grant, using the Black-Scholes model. The resulting fair value is recognized ratably over the requisite service period, which is generally the vesting period of the option.

For all time-vesting awards granted, expense is amortized using the straight-line attribution method. For awards that contain a performance condition, expense is amortized using the accelerated attribution method. Recognition of stock-based compensation expense is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period.

The Company utilizes the Black-Scholes model for estimating fair value of its stock options granted. Option valuation models, including the Black-Scholes model, require the input of highly subjective assumptions, and changes in the assumptions used can materially affect the grant-date fair value of an award. These assumptions include the risk-free rate of interest, expected dividend yield, expected volatility and the expected life of the award.

Net Loss Per Share

Basic loss per common share is determined by dividing loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration of common stock equivalents. Diluted loss per share is computed by dividing the loss attributable to common stockholders by the weighted-average number of common share equivalents outstanding for the period. The treasury stock method is used to determine the dilutive effect of the Company's stock option grants.

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

	Year Ended December 31,		
	2017	2016	2015
Numerator:			
Net loss used for calculation of basic and diluted EPS	\$ (19,626)	\$ (58,528)	\$ (20,140)
Denominator:			
Weighted average shares outstanding, basic	36,095,080	34,685,274	31,801,645
Effect of dilutive securities:			
Stock options and restricted stock units	—	—	—
Weighted average shares outstanding, diluted	36,095,080	34,685,274	31,801,645
Net loss per share, basic and diluted	\$ (0.54)	\$ (1.69)	\$ (0.63)

The following common stock equivalents were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive:

	Year Ended December 31,		
	2017	2016	2015
Stock options	4,504,642	3,838,060	4,146,064

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods beginning after December

15, 2017 and interim periods therein, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2016. ASU 2014-09 may be adopted either retrospectively or on a modified retrospective basis whereby ASU 2014-09 would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for existing contracts with remaining performance obligations. In 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*, ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients* to provide supplemental adoption guidance and clarification to ASU 2014-09. The effective date for these new standards is the same as the effective date and transition requirements for ASU 2014-09. The Company will adopt the new standard in the first quarter of 2018 using the modified retrospective method.

The Company has substantially completed extensive contract specific reviews to determine the impact of the new standard on its historical and prospective revenue recognition. Due to the unique contract terms of certain agreements, the Company is still in the process of finalizing its analysis of those agreements. Upon completion of the Company's analysis, it will determine the cumulative effect of initially applying the new standard (if any). The Company is also finalizing its accounting policy and designing and implementing the necessary changes to processes and controls to account for revenue under the new standard. Based on the Company's timeline and planned resources, the Company anticipates completing its implementation in connection with its first quarter 2018 interim financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02) that provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires a lessee to recognize assets and liabilities on the balance sheet for operating leases and changes many key definitions, including the definition of a lease. ASU 2016-02 includes a short-term lease exception for leases with a term of 12 months or less, in which a lessee can make an accounting policy election not to recognize lease assets and lease liabilities. Lessees will continue to differentiate between finance leases (previously referred to as capital leases) and operating leases, using classification criteria that are substantially similar to the previous guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with earlier application permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the effect of the standard on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). This amendment addresses several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within that year. The Company adopted ASU 2016-09 effective January 1, 2017 and has elected to continue to estimate the number of stock-based awards expected to vest, as permitted by ASU 2016-09, rather than electing to account for forfeitures as they occur. The adoption of this standard did not have a material impact on the Company's financial statements or related disclosures.

The Company has evaluated all other ASUs issued through the date the consolidated financials were issued and believes that the adoption of these will not have a material impact on the Company's consolidated financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law making significant changes to the Internal Revenue Code, which included how the U.S. imposes income tax on multinational corporations. Key changes in the Tax Act which are relevant to us, and generally effective January 1, 2018, include a flat corporate income tax rate of 21% to replace the marginal rates that range from 15% to 35% and the elimination of the corporate alternative minimum tax. The Tax Act also imposes limits on executive compensations and interest expense deductions, while permitting the immediate expensing for the cost of new investments in certain property acquired after September 27, 2017.

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 (SAB 118) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 allows registrants to include a provisional amount to account for the implications of the Tax Act where a reasonable estimate can be made and requires the completion of the accounting no later than one year from the date of the enactment of the Tax Act, or December 22, 2018.

ASC 740 requires changes in tax rates and tax laws to be accounted for in the period of enactment in continuing operations. Accordingly, of significance, we recorded a provisional estimate for the re-measurement of our U.S. deferred tax assets and liabilities to 21%. This change in value of these deferred tax assets and liabilities, which is provisional, was offset

by a corresponding change in our valuation allowance, thus no tax expense or benefit was recorded. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional information necessary to complete the computation and analysis thereof, additional regulatory guidance that may be issued, and actions we may take as a result of the Tax Act. The accounting is expected to be complete by December 22, 2018.

3. Marketable Securities

Available-for-sale marketable securities as of December 31, 2017 and 2016 were as follows (in thousands):

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 3,995	\$ —	\$ (6)	\$ 3,989
Government-sponsored enterprises	11,998	—	(7)	11,991
Corporate debt securities	77,462	2	(50)	77,414
Total	<u>\$ 93,455</u>	<u>\$ 2</u>	<u>\$ (63)</u>	<u>\$ 93,394</u>

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 4,826	\$ —	\$ (1)	\$ 4,825
Government-sponsored enterprises	29,764	5	(10)	29,759
Corporate debt securities	166,376	51	(127)	166,300
Total	<u>\$ 200,966</u>	<u>\$ 56</u>	<u>\$ (138)</u>	<u>\$ 200,884</u>

All of the Company's available-for-sale securities held at December 31, 2017 had maturity dates of less than one year. The contractual maturities of the available-for-sale marketable securities as of December 31, 2016 were as follows (in thousands):

	Amortized Cost	Fair Value
Mature in one year or less	\$ 192,985	\$ 192,898
Mature between one and five years	7,981	7,986
Total	<u>\$ 200,966</u>	<u>\$ 200,884</u>

All available-for-sale securities in an unrealized loss position as of December 31, 2017 and 2016 were in a loss position for less than twelve months. There were no unrealized losses at December 31, 2017 or 2016 that the Company determined to be other-than-temporary. The Company recorded interest income of \$2.4 million, \$2.3 million and \$0.2 million during the years ended December 31, 2017, 2016 and 2015, respectively, which is included in other income.

4. Property, Equipment and Software

Property, equipment and software consists of the following (in thousands):

	December 31,	
	2017	2016
Computer equipment	\$ 2,261	\$ 2,520
Software	5,111	2,352
Furniture and office equipment	656	897
Lab equipment	20,549	20,208
Leasehold improvements	17,525	17,807
Construction in progress	32,800	—
Property, equipment and software	78,902	43,784
Less accumulated depreciation and amortization	(28,919)	(25,823)
Property, equipment and software, net	\$ 49,983	\$ 17,961

Construction in progress at December 31, 2017 consists of the costs incurred for the build-out of a manufacturing suite at our headquarters building in Rockville, Maryland, which is expected to be completed in mid-2018.

We had \$9.6 million in property, equipment and software at December 31, 2017 that was purchased in 2017 but was not paid for by year end. Property, equipment and software balance at December 31, 2016 includes approximately \$0.3 million in assets that were purchased in 2016 but were not paid for by year end. Depreciation and amortization expense related to property, equipment and software for the years ended December 31, 2017, 2016 and 2015 was \$7.0 million, \$6.8 million and \$3.2 million, respectively.

5. Stockholders' Equity

The Company's amended and restated certificate of incorporation authorizes 125,000,000 shares of common stock, and 5,000,000 shares of undesignated preferred stock, both with a par value of \$0.01 per share. There were no shares of undesignated preferred stock issued or outstanding as of December 31, 2017 or 2016.

In February 2014, the Company completed an equity offering, in which the Company sold 1,800,000 shares of its common stock at a price of \$36.50 per share. Additionally, the underwriters of the offering exercised the full amount of their over-allotment option resulting in the sale of an additional 450,000 shares of the Company's common stock at a price of \$36.50 per share. The Company received proceeds of \$76.7 million from this offering, net of underwriting discounts and commissions and other offering expenses.

In January 2015, the Company's stock purchase agreement and investor agreement, each with Johnson & Johnson Innovation – JJDC, Inc. (JJDC) became effective (see Note 9 for additional information). Under these agreements, JJDC purchased 1,923,077 new shares of the Company's common stock at a price of \$39.00 per share, representing proceeds of \$75.0 million.

In July 2015, the Company completed an equity offering, in which the Company sold 3,525,000 shares of its common stock at a price of \$37.00 per share. Additionally, the underwriters of the offering exercised the full amount of their over-allotment option resulting in the sale of an additional 528,750 shares of the Company's common stock at a price of \$37.00 per share. The Company received net proceeds of \$141.0 million from this offering, net of underwriting discounts and commissions and other estimated offering expenses.

On April 26, 2017, the Company entered into a definitive agreement with an institutional healthcare investor to purchase 1,100,000 shares of its common stock at a purchase price of \$21.50 per share in a registered direct offering. Proceeds to the Company, before deducting estimated offering expenses, were \$23.7 million. The shares were offered pursuant to the Company's effective shelf registration on Form S-3 that was filed with the SEC on November 2, 2016.

On May 3, 2017, the Company entered into a sales agreement with an agent to sell, from time to time, shares of its common stock having an aggregate sales price of up to \$75.0 million through an "at the market offering" (ATM Offering) as defined in Rule 415 under the Securities Act of 1933, as amended. The shares that may be sold under the sales agreement would be issued and sold pursuant to the Company's shelf registration statement on Form S-3 that was filed with the SEC on November 2, 2016. During the year ended December 31, 2017, the Company sold 599,284 shares of common stock resulting in net proceeds of \$10.8 million related to the ATM Offering.

6. Stock-based Compensation

Employee Stock Purchase Plan

In May 2017, the Company's stockholders approved the 2016 Employee Stock Purchase Plan (the 2016 ESPP). The 2016 ESPP is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. The Company reserved 800,000 shares of common stock for issuance under the 2016 ESPP. The 2016 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 10% of their eligible compensation, subject to any plan limitations. The 2016 ESPP provides for six-month offering periods ending on May 31 and November 30 of each year. At the end of each offering period, employees are able to purchase shares at 85% of the fair market value of the Company's common stock on the last day of the offering period. During the year ended December 31, 2017, employees purchased 38,012 shares of common stock under the 2016 ESPP for net proceeds to the Company of approximately \$0.6 million.

Employee Stock Option Plans

Effective February 2003, the Company implemented the 2003 Equity Incentive Plan (2003 Plan), and it was amended and approved by the Company's stockholders in 2005. The 2003 Plan originally allowed for the grant of awards in respect of an aggregate of 2,051,644 shares of the Company's common stock. Between 2006 and 2012, the maximum number of shares of common stock authorized to be issued by the Company under the 2003 Plan was increased to 4,336,730. Stock options granted under the 2003 Plan may be either incentive stock options as defined by the Internal Revenue Code (IRC), or non-qualified stock options. In 2013, the 2003 Plan was terminated, and no further awards may be issued under the plan. Any shares of common stock subject to awards under the 2003 Plan that expire, terminate, or are otherwise surrendered, canceled, forfeited or repurchased without having been fully exercised, or resulting in any common stock being issued, will become available for issuance under the 2013 Stock Incentive Plan (2013 Plan), up to a specified number of shares. As of December 31, 2017, under the 2003 Plan, there were options to purchase an aggregate of 955,296 shares of common stock outstanding at a weighted average exercise price of \$1.85 per share.

In October 2013, the Company implemented the 2013 Plan. The 2013 Plan provides for the grant of stock options and other stock-based awards, as well as cash-based performance awards. The aggregate number of shares of common stock initially available for issuance pursuant to awards under the 2013 Plan was 1,960,168 shares. The number of shares of common stock reserved for issuance will automatically increase on January 1 of each year from January 1, 2014 through and including January 1, 2023, by the lesser of (a) 1,960,168 shares, (b) 4.0% of the total number of shares of common stock outstanding on December 31 of the preceding calendar year, or (c) the number of shares of common stock determined by the Board of Directors. During the year ended December 31, 2017, the maximum number of shares of common stock authorized to be issued by the Company under the 2013 Plan was increased to 6,769,888. If an option expires or terminates for any reason without having been fully exercised, if any shares of restricted stock are forfeited, or if any award terminates, expires or is settled without all or a portion of the shares of common stock covered by the award being issued, such shares are available for the grant of additional awards. However, any shares that are withheld (or delivered) to pay withholding taxes or to pay the exercise price of an option are not available for the grant of additional awards. As of December 31, 2017, under the 2013 Plan, there were options to purchase an aggregate of 3,549,346 shares of common stock outstanding at a weighted average exercise price of \$24.62 per share.

The following stock-based compensation amounts were recognized for the periods indicated (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Research and development	\$ 7,388	\$ 5,778	\$ 3,623
General and administrative	7,356	6,387	4,224
Total stock-based compensation expense	\$ 14,744	\$ 12,165	\$ 7,847

Employee Stock Options

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model using the assumptions in the following table:

	Year Ended December 31,		
	2017	2016	2015
Expected dividend yield	0%	0%	0%
Expected volatility	67% - 68%	64% - 69%	73% - 75%
Risk-free interest rate	1.9% - 2.3%	1.2% - 2.4%	1.6% - 2.1%
Expected term	6.25 years	6.25 years	6.25 years

Expected Dividend Yield – The Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

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. As the Company does not yet have sufficient history of its own volatility, the Company has identified several public entities of similar size, complexity and stage of development and estimates volatility based on the volatility of these companies.

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. The Company uses a simplified method to calculate the average expected term.

In addition to the assumptions above, the Company estimates the forfeiture rate based on turnover data with further consideration given to the class of the employees to whom the options were granted. The forfeiture rate is the estimated percentage of options granted that is expected to be forfeited or canceled on an annual basis before becoming fully vested.

The following table summarizes stock option and restricted stock unit (RSU) activity for 2017:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2016	3,838,060	\$ 18.93	7.0	
Granted	1,246,225	20.05		
Options exercised or RSUs vested	(253,036)	2.16		
Forfeited or expired	(326,607)	24.26		
Outstanding, December 31, 2017	<u>4,504,642</u>	19.79	7.0	\$ 18,343
December 31, 2017:				
Exercisable	2,910,171	17.65	6.1	17,495
Vested and expected to vest	4,337,015	19.60	6.9	18,275

During 2017, 2016 and 2015 the Company issued 253,036, 526,715 and 374,214 net shares of common stock, respectively, in conjunction with stock option exercises and RSU lapses. The Company received cash proceeds from the exercise of stock options of approximately \$0.5 million, \$1.9 million and \$0.9 million during 2017, 2016 and 2015, respectively.

The weighted-average grant-date fair value of options granted during 2017, 2016 and 2015 was \$12.53, \$15.17 and \$20.90 per share, respectively. The total intrinsic value of options exercised during 2017, 2016 and 2015 was approximately \$4.2 million, \$10.8 million and \$10.9 million, respectively. The total fair value of stock options which vested during 2017, 2016 and 2015 was \$14.6 million, \$11.6 million and \$7.3 million, respectively. As of December 31, 2017, the total unrecognized compensation expense related to non-vested stock options and RSUs, net of related forfeiture estimates, was \$20.3 million, which the Company expects to recognize over a weighted-average period of approximately 2.3 years.

7. Income Taxes

For the years ended December 31, 2017, 2016 and 2015 there was no provision for income taxes due to taxable losses generated, fully offset by a valuation allowance.

The significant components of the Company's deferred income tax assets (liabilities) were as follows (in thousands):

	December 31,	
	2017	2016
Deferred income tax assets:		
Federal U.S. net operating loss carryforward	\$ 50,346	\$ 75,377
State net operating loss carryforward	7,551	6,583
Research and development credit, net	21,284	12,829
Orphan drug credit, net	21,708	19,855
Deferred rent	3,385	2,497
Deferred revenue	2,982	5,098
Depreciation	155	2,926
Other	5,847	5,085
Gross deferred income tax assets	113,258	130,250
Valuation allowance	(112,453)	(128,844)
Net deferred income tax assets	805	1,406
Deferred income tax liabilities:		
Prepaid expenditures	(805)	(1,406)
Gross deferred income tax liabilities	(805)	(1,406)
Net deferred income tax asset/(liability)	\$ —	\$ —

The Company recognizes valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers (i) future reversals of existing taxable temporary differences; (ii) future taxable income exclusive of reversing temporary difference and carryforwards; (iii) taxable income in prior carryback years if carryback is permitted under applicable tax law; and (iv) tax planning strategies. The Company's net deferred income tax asset is not more likely than not to be utilized due to the lack of sufficient sources of future taxable income and cumulative book losses which have resulted over the years. The net decrease in the valuation allowance in 2017 is primarily as a result of the legislation enacted in 2017, which lowers the statutory corporate tax rate from 35% to 21%, which decreased the net deferred tax asset.

As of December 31, 2017, the Company has U.S. federal and state NOL carryforwards of approximately \$239.7 million that will expire in various years beginning in 2025 through 2037. In addition, the Company has U.S. federal tax credits of \$42.8 million which will expire in various years beginning in 2025 through 2037.

The use of the Company's U.S. federal NOL and tax credit carryforwards in future years are restricted due to changes in the Company's ownership and tax attributes acquired through the Company's acquisitions. As of December 31, 2017, \$13.5 million of the Company's U.S. Federal NOLs are limited for use over the years 2018 – 2028 in which a range of such amounts could be utilized on an annual basis of \$0.2 million to \$1.4 million. The remaining \$226.2 million of NOLs is not limited and can be offset against future taxable income, subject to certain limitations for newly enacted tax legislation. The Company adopted ASU 2016-09 as of January 1, 2017. Accordingly, the Company recognized the previously unrecognized excess tax benefits of approximately \$18.6 million (\$6.5 million tax effected) recorded as deferred tax assets with a corresponding offsetting full valuation allowance at the beginning of 2017 without any tax impact. Further, despite the NOL and tax credit carryforwards, the Company may have a future tax liability due to recent changes in tax legislation or state tax requirements in which net operating losses do not exist. The Company is still quantifying the impact of these changes.

The reconciliation of the reported estimated income tax benefit to the amount that would result by applying the U.S. federal statutory tax rate to the net income is as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
United States federal tax at statutory rate	\$ (6,869)	\$ (20,489)	\$ (7,049)
State taxes (net of federal benefit)	(735)	(3,116)	(897)
Deferred income tax adjustments	607	173	661
Deferred state blended rate adjustments	(485)	(32)	(493)
Deferred federal rate change reduction in corporate rate	39,447	—	—
Research credit, net	(8,455)	(2,551)	(3,296)
Orphan drug credit, net	(1,853)	(571)	(106)
Other permanent items	276	145	(25)
Equity-based compensation	2,067	1,997	1,102
Change in valuation allowance	(24,000)	24,444	10,103
Income tax expense/(benefit)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Beginning balance	\$ 2,465	\$ 2,425	\$ 2,047
Increases for current year tax positions	569	308	357
Increases/(decreases) for prior year tax positions	361	(268)	21
Ending balance	<u>\$ 3,395</u>	<u>\$ 2,465</u>	<u>\$ 2,425</u>

As of December 31, 2017 and 2016, of the total gross unrecognized tax benefits, approximately \$3.4 million and \$2.4 million would favorably impact the Company's effective income tax rate, respectively. Although, due to the Company's determination that the deferred income tax asset would not more likely than not be realized, a valuation allowance would be recorded, therefore, zero net impact would result within the Company's effective income tax rate. The Company's uncertain income tax position liability has been recorded to deferred income taxes to offset the tax attribute carryforward amounts.

For the years ended December 31, 2017, 2016 and 2015, the Company has not recognized any interest or penalties related to the uncertain income tax positions due to the fact such position is related to tax attribute carryforwards which have not yet been utilized. The Company does not expect its unrecognized income tax position to significantly decrease within the next twelve months.

The Company's U.S. Federal and state income tax returns from 2001 forward remain open to examination due to the carryover of unused net operating losses and tax credits.

As more fully described in Note 2 to the consolidated financial statements, the Tax Act was signed into law making significant changes to the Internal Revenue Code on December 22, 2017. Under ASC 740-10-25-47, the effects of the new legislation are to be recognized in the period of enactment. As such, recognition of the tax impact of the Tax Act is required in the interim and annual periods that include December 22, 2017. As a result, the Company has revalued the deferred tax asset as of December 31, 2017, fully offset by a valuation allowance without impact to the financial statements. The Company does not anticipate that other provisions of the Act would have a material impact on its financial statements.

8. Lease Exit Liability

In 2008, the Company acquired Raven Biotechnologies, Inc. (Raven), a private South San Francisco-based company focused on the development of monoclonal antibody therapeutics for treating cancer. The Company undertook restructuring activities related to the acquisition of Raven. In connection with these restructuring activities, as part of the cost of acquisition, the Company established a restructuring liability attributed to an existing operating lease. During the year ended December 31,

2016, the Company entered into an agreement to sublease a portion of the space subject to this operating lease. The Company will receive approximately \$1.3 million in sublease payments over its term, which ends at the same time as the original lease in February 2018. No sublease income was contemplated when the restructuring liability was recorded in 2008; therefore, the Company adjusted the liability to reflect the future sublease income during the year ended December 31, 2016 and recorded an offset to research and development expense of approximately \$1.3 million in the same period.

Changes in the lease exit liability are as follows (in thousands):

Accrual balance at December 31, 2015	\$	4,713
Principal payments and other adjustments		(2,822)
Accrual balance at December 31, 2016		1,891
Principal payments and other adjustments (net of sublease receipts)		(1,593)
Accrual balance at December 31, 2017	\$	298

During 2015, the Company corrected an immaterial error attributed to the estimated lease term that resulted in a reduction of research and development expense of \$1.9 million.

9. Collaboration and Other Agreements

Incyte

In October 2017, the Company entered into an exclusive global collaboration and license agreement with Incyte Corporation (Incyte) for MGA012, an investigational monoclonal antibody that inhibits programmed cell death protein 1 (PD-1). Incyte has obtained exclusive worldwide rights for the development and commercialization of MGA012 in all indications, while the Company retains the right to develop its pipeline assets in combination with MGA012. The Company received a \$150.0 million upfront payment from Incyte when the transaction closed in the fourth quarter of 2017.

Under the terms of the collaboration and license agreement, Incyte will lead global development of MGA012. Assuming successful development and commercialization by Incyte, the Company could receive up to approximately \$420.0 million in development and regulatory milestones, and up to \$330.0 million in commercial milestones. The Company determined that each potential future clinical and regulatory milestone is substantive. Although the sales milestones are not considered substantive, they will be recognized upon achievement of the milestone (assuming all other revenue recognition criteria have been met) because there are no undelivered elements that would preclude revenue recognition at that time. If commercialized, the Company would be eligible to receive tiered royalties of 15% to 24% on any global net sales. The Company retains the right to develop its pipeline assets in combination with MGA012, with Incyte commercializing MGA012 and the Company commercializing its asset(s), if any such potential combinations are approved. In addition, the Company retains the right to manufacture a portion of both companies' global clinical and commercial supply needs of MGA012. The Company and Incyte have agreed to initiate negotiations for a separate clinical supply agreement that will set forth terms and conditions. Finally, Incyte will fund the Company's activities related to the ongoing monotherapy clinical study until such time as the Company can transfer the Investigational New Drug application (IND) to Incyte.

The Company evaluated the collaboration and license agreement with Incyte and determined that it is a revenue arrangement with multiple deliverables, or performance obligations. The Company's substantive performance obligations under the collaboration and license agreement include the delivery of the license and clinical activities through a brief technology transfer period. The Company evaluated the collaboration and license agreement with Incyte and determined that the license and clinical trial activities each represented separate deliverables and were accounted for as separate units of accounting. The Company concluded that the license had standalone value to Incyte and was separable from the clinical trial activities because the license was sublicensable and Incyte has significant capabilities in performing clinical trials. Thus, the total arrangement consideration for these two deliverables was allocated using the relative best estimate of selling price (BESP) to each deliverable. The BESP for the exclusive license was determined using information from other similar collaboration and license agreements. The BESP for the clinical trial activities was determined using similar arrangements and is estimated at approximately \$4.0 million, which will be recognized over the technology transfer period as work is performed and the expenses are reimbursed by Incyte.

The Company recognized revenue of \$151.1 million under the Incyte collaboration and license agreement during the year ended December 31, 2017, including the \$150.0 million upfront payment and \$1.1 million related to clinical trial activities performed.

Roche

In December 2017, the Company entered into a research collaboration and license agreement with Roche to jointly discover and develop novel bispecific molecules to undisclosed targets. During the research term, both companies will leverage their respective platforms, including the Company's DART platform and Roche's CrossMAB and DutaFab technologies to select a bispecific format and lead product candidate. Roche would then further develop and commercialize any such product candidate.

Under the terms of this agreement, Roche received rights to use certain of the Company's intellectual property rights to exploit collaboration compounds and products, and paid the Company an upfront payment of \$10.0 million which was received in January 2018. The Company will also be eligible to receive up to \$370.0 million in potential milestone payments and royalties on future sales.

The Company evaluated the research collaboration and license agreement with Roche and determined that it is a revenue arrangement with multiple deliverables, or performance obligations. The Company's substantive performance obligations under the research collaboration and license agreement include the delivery of the license and activities during the research period. The Company evaluated the collaboration and license agreement with Roche and determined that the license and research activities do not have value on a standalone basis and therefore represented one unit of accounting. The \$10.0 million will be recognized over the expected research period, which is 30 months. Each company will be responsible for their own expenses during the research period.

In addition, the Company determined that each potential future development and regulatory milestone is substantive. Although sales milestones are not considered substantive, they are still recognized upon achievement of the milestone (assuming all other revenue recognition criteria have been met) because there are no undelivered elements that would preclude revenue recognition at that time.

At December 31, 2017, \$10.0 million of revenue was deferred under this agreement, \$4.0 million of which was current and \$6.0 million of which was non-current.

Janssen

In December 2014, the Company entered into a collaboration and license agreement with Janssen for the development and commercialization of MGD011 (also known as JNJ-64052781 or duvortuxizumab), a product candidate that incorporates the Company's proprietary DART technology to simultaneously target CD19 and CD3 for the potential treatment of B-cell hematological malignancies (MGD011 Agreement). The Company contemporaneously entered into an agreement with JJDC under which JJDC agreed to purchase 1,923,077 new shares of the Company's common stock for proceeds of \$75.0 million. Upon closing the transaction in January 2015, the Company received a \$50.0 million upfront payment from Janssen as well as the \$75.0 million investment in the Company's common stock. In August 2017, Janssen notified the Company that they were terminating the MGD011 Agreement.

Under the MGD011 Agreement, the Company granted an exclusive license to Janssen to develop and commercialize duvortuxizumab. Following the Company's submission of the Investigational New Drug (IND) application, Janssen became fully responsible for the development and commercialization of duvortuxizumab.

At the inception of the MGD011 Agreement, the Company evaluated it and determined that it was a revenue arrangement with multiple deliverables, or performance obligations. The Company's substantive performance obligations under the collaboration and license agreement included the delivery of an exclusive license and research and development services during the preclinical research period (through the filing of the IND for duvortuxizumab). The Company evaluated the MGD011 Agreement and determined that the license and preclinical research and development activities each represented separate deliverables and were accounted for as separate units of accounting. The Company concluded that the license had standalone value to Janssen and was separable from the research and development services because the license was sublicensable, there were no restrictions as to Janssen's use of the license and Janssen or other third parties have significant research capabilities in this field. Thus, the total arrangement consideration for these two deliverables was allocated using the relative BESP method to each deliverable. The BESP for the exclusive license was determined using a discounted cash flow model that includes Level 3 fair value measurements. The BESP for the research and development services was determined using third party evidence of other similar research and development arrangements, which are Level 2 fair value measurements.

The Company evaluated the stock purchase agreement and the collaboration and license agreement as one arrangement and determined that the stock purchase price of \$39.00 per share exceeded the fair value of the common stock by \$12.3 million. This excess was recognized in the same manner as the upfront payment allocated to the license and preclinical

research and development activities. Of the total arrangement consideration of \$125.0 million, the Company allocated \$62.7 million to equity (representing the fair value of common stock purchased), \$62.3 million to the license and preclinical research and development activities, and a de minimis amount to the ongoing research and development activities. The Company submitted the IND application and therefore met its performance obligation during the year ended December 31, 2015.

In July 2015, Janssen dosed the first patient in an open-label Phase 1 study of duvortuzumab which triggered a \$10.0 million milestone to the Company. No revenue was recognized under the MGD011 Agreement during the year ended December 31, 2017. During the years ended December 31, 2016 and 2015, the Company recognized revenue of approximately \$2.0 million and \$72.3 million, respectively, under the MGD011 agreement.

In May 2016, the Company entered into a separate collaboration and license agreement with Janssen, a related party through ownership of the Company's common stock, for the development and commercialization of MGD015, a product candidate that incorporates the Company's proprietary DART technology to simultaneously target CD3 and an undisclosed tumor target for the potential treatment of various hematological malignancies and solid tumors (MGD015 Agreement). Under the MGD015 Agreement, the Company granted an exclusive license to Janssen to develop and commercialize MGD015. The Company received a \$75.0 million upfront payment from Janssen upon closing the transaction. In January 2018, Janssen notified the Company that they were terminating the MGD015 Agreement.

At the inception of the MGD015 Agreement, the Company evaluated it and determined that it was a revenue arrangement with multiple deliverables, or performance obligations. The Company's substantive performance obligations under the MGD015 Agreement included the delivery of an exclusive license and research and development services during the preclinical research period. The Company evaluated the MGD015 Agreement with Janssen and determined that the license and preclinical research and development activities each represented separate deliverables and were accounted for as two separate units of accounting. The Company concluded that the license had standalone value to Janssen and was separable from the research and development services because the license was sublicensable, there were no restrictions as to Janssen's use of the license and Janssen or other third parties have significant research capabilities in this field. Thus, the total arrangement consideration for these two deliverables was allocated using the BESP method to each deliverable. The BESP for the exclusive license was determined using information from the previous collaboration and license agreement with Janssen as well as other third party collaboration and license agreements, which are Level 2 fair value measurements. The BESP for the research and development services was determined using other similar research and development arrangements, which are also Level 2 fair value measurements.

During the years ended December 31, 2017 and 2016, the Company recognized revenue of \$0.6 million and \$75.8 million, respectively, under the MGD015 Agreement. Revenue recognized in 2016 included the \$75.0 million upfront fee for the exclusive license.

Takeda

In May 2014, the Company entered into a license and option agreement with Takeda for the development and commercialization of MGD010, a product candidate that incorporates the Company's proprietary DART technology to simultaneously engage CD32B and CD79B, which are two B-cell surface proteins. MGD010 is being developed for the treatment of autoimmune disorders. Upon execution of the agreement, Takeda made a non-refundable payment of \$15.0 million to the Company. Takeda had an option to obtain an exclusive worldwide license for MGD010 following the completion of a pre-defined Phase 1a study. Following the announcement of its therapeutic area re-prioritization, Takeda gave formal notification in September 2016 that it did not intend to exercise this option. As a result of Takeda not exercising the option, the Company regained worldwide development and commercialization rights to MGD010.

At the inception of the license and option agreement with Takeda, the Company evaluated it and determined that it was a revenue arrangement with multiple deliverables, or performance obligations. The Company's substantive performance obligations under the license and option agreement included exclusivity, research and development services through the Phase 1a study and delivery of a future license for an initial research compound. The Company concluded that the MGD010 option was substantive and that the license fee payable upon exercise of the option was not a deliverable at the inception of the arrangement as there was considerable uncertainty that the option would be exercised. The Company determined that each potential future clinical and regulatory milestone was substantive. Although sales milestones are not considered substantive, they are still recognized upon achievement of the milestone (assuming all other revenue recognition criteria have been met) because there are no undelivered elements that would preclude revenue recognition at that time. The Company determined that these performance obligations represent a single unit of accounting, because the exclusivity clause does not have standalone value to Takeda without the Company's technical expertise and development through the pre-defined Phase 1a study.

After identifying the deliverables included within the arrangement, the Company determined its best estimate of selling price. The Company allocated \$10.0 million to the exclusivity clause to its technology and the research and development services and \$5.0 million to the exclusive license for the initial research compound. The Company's determination of best estimate of selling price for the research and development services relied upon other similar transactions. The Company relied upon the income approach (e.g., discounted future cash flows) to determine the value of the license of the to-be-delivered compound along with other similar license transactions with differing indications but similar stage of development. The portion of the up-front fee allocated to the MGD010 option was being recognized over an initial 24-month period, which represented the expected period of development through the completion of a pre-defined Phase 1a study. During the first quarter of 2016, the Company determined that the development period would be extended by eight months, and prospectively adjusted the MGD010 option fee recognition period. The portion of the up-front fee allocated to the license for the initial research compound was deferred until the research collaboration and license option agreement was executed and the license delivered in September 2014. Upon the notification that Takeda would not exercise the option to obtain an exclusive worldwide license for MGD010 during the three months ended September 30, 2016, the Company's performance obligation to Takeda ceased, and the remaining deferred revenue under the MGD010 agreement was recognized in full.

No revenue under was recognized under this agreement during the year ended December 31, 2017. The Company recognized revenue of approximately \$2.1 million and \$8.0 million under the MGD010 agreement during the years ended December 31, 2016 and 2015, respectively. Revenue recognized during the year ended December 31, 2015 included a \$3.0 million milestone payment received upon initiation of a Phase 1a trial of MGD010. No revenue was deferred under this agreement at December 31, 2017 or 2016.

Servier

In September 2012, the Company entered into a right-to-develop collaboration agreement with Servier and granted it options to obtain three separate exclusive licenses to develop and commercialize DART molecules, consisting of those designated by the Company as MGD006 (or flotetuzumab) (also known as S80880) and MGD007, as well as a third DART molecule, in all countries other than the United States, Canada, Mexico, Japan, South Korea and India. During 2014, Servier exercised its exclusive option to develop and commercialize flotetuzumab, and during 2016 Servier notified the Company that it did not intend to exercise the option for the third DART molecule. Servier retains the option to obtain a license for MGD007.

Upon execution of the agreement, Servier made a nonrefundable payment of \$20.0 million to the Company. In addition, the Company will be eligible to receive up to \$40.0 million in license fees, \$63.0 million in clinical milestone payments, \$188.0 million in regulatory milestone payments and \$420.0 million in sales milestone payments if Servier exercises the remaining available options and successfully develops, obtains regulatory approval for, and commercializes a product under each license. In addition to these milestones, the Company and Servier will share Phase 2 and Phase 3 development costs. The Company has determined that each potential future clinical and regulatory milestone is substantive. Although sales milestones are not considered substantive, they are still recognized upon achievement of the milestone (assuming all other revenue recognition criteria have been met) because there are no undelivered elements that would preclude revenue recognition at that time. Under this agreement, Servier would be obligated to pay the Company from low double-digit to mid-teen royalties on net product sales in its territories.

The Company evaluated the research collaboration agreement with Servier and determined that it is a revenue arrangement with multiple deliverables, or performance obligations. The Company concluded that each option is substantive and that the license fees for each option are not deliverables at the inception of the arrangement and were not issued with a substantial discount. The Company's substantive performance obligations under this research collaboration include an exclusivity clause to its technology, technical, scientific and intellectual property support to the research plan and participation on an executive committee and a research and development committee. The Company determined that the performance obligations with respect to the preclinical development represent a single unit of accounting, since the license does not have stand-alone value to Servier without the Company's technical expertise and committee participation. As such, the initial upfront license payment was deferred and initially recognized ratably over a 29-month period, which represented the expected development period. During 2014, the Company and Servier further refined the research plan related to the three DART molecules and as such, the development period was extended. Based on this revised development period, the Company prospectively adjusted its period of recognition of the upfront payment to a 75-month period. The impact of this change in accounting estimate reduced revenue that would have been recognized in 2014 by \$3.7 million.

As a result of Servier exercising its option in 2014, the Company received a \$15.0 million payment from Servier for its license to develop and commercialize flotetuzumab in its territories. Upon exercise of the option, the Company evaluated its

performance obligations with respect to the license for flotetuzumab. The Company's substantive performance obligations under this research collaboration include an exclusive license to its technology, technical, scientific and intellectual property support to the research plan and participation on an executive committee and a research and development committee. The Company determined that the performance obligations with respect to the clinical development represent a single unit of accounting, since the license does not have stand-alone value to Servier without the Company's technical expertise and committee participation. As such, the \$15.0 million license fee was deferred and was being recognized ratably over a period of 82 months, which represented the expected development period for flotetuzumab. During the year ended December 31, 2017, the Company and Servier determined that the expected development period should be extended to 124 months. The impact of this change in accounting estimate reduced revenue that would have been recognized in 2017 by \$0.8 million. In accordance with the agreement, the Company and Servier will share costs incurred to develop flotetuzumab. Reimbursement of research and development expenses received in connection with this collaborative cost-sharing agreement is recorded as a reduction to research and development expense. During the years ended December 31, 2017, 2016 and 2015 the Company recorded approximately \$3.2 million, \$2.6 million and \$0.5 million as an offset to research and development costs under this collaboration arrangement, respectively.

During the years ended December 31, 2017, 2016 and 2015 the Company recognized revenue of \$2.5 million, \$3.3 million, and \$3.5 million, respectively, under this agreement. At December 31, 2017, \$8.5 million of revenue was deferred under this agreement, \$2.3 million of which was current and \$6.2 million of which was non-current. At December 31, 2016, \$11.1 million of revenue was deferred under this agreement, \$3.3 million of which was current and \$7.8 million of which was non-current.

Boehringer

In October 2010 the Company entered into a collaboration and license agreement with Boehringer to discover, develop and commercialize multiple DART molecules that were to be evaluated during a five-year period that ended in October 2015. Under the terms of the agreement, the Company granted Boehringer an exclusive, worldwide, royalty-bearing, license under its intellectual property to research, develop, and market DART molecules generated under the agreement.

Upon execution of the agreement, the Company received an upfront payment of \$15.0 million. The Company subsequently received three annual maintenance payments. These maintenance payments were being recognized over the estimated period of development. The Company has the potential to earn additional milestone payments of approximately \$34.0 million related to preclinical and clinical development, \$88.5 million related to regulatory milestones and \$82.5 million related to sales milestones for each of the two ongoing programs under this agreement. The Company determined that each potential future preclinical, clinical and regulatory milestone is substantive. Although sales milestones are not considered substantive, they are still recognized upon achievement of the milestone (assuming all other revenue recognition criteria have been met) because there are no undelivered elements that would preclude revenue recognition at that time. Boehringer would be required to pay the Company mid-single digit royalties on product sales.

The Company determined that the deliverables under the Boehringer agreement include the license, the research and development services to be performed by the Company, and the co-promotion/manufacturing services. The Company concluded that the co-promotional activities were optional and were subject to further negotiation upon reaching regulatory approval. As such, the co-promotional period is not included in the expected obligation period to perform services.

The Company concluded that the undelivered element of research and development services had fair value. The Company concluded that the license did not have value on a standalone basis (e.g. absent the provision of the research and development services) and therefore did not represent a separate unit of accounting. The Company concluded that because the drug candidate had not yet been developed, the license was of no value to Boehringer without the ensuing research and development activities using the DART technology, which is proprietary to the Company. Likewise, Boehringer could not sell the license to another party (without the Company agreeing to provide the research and development activities for the other party). Therefore, the upfront license fee and research and development services were treated as a combined unit of accounting and recognized over the expected obligation period associated with the research and development services through October 2015, which represented the estimated period of development.

The Company and Boehringer also agreed to establish a joint research committee to facilitate the governance and oversight of the parties' activities under the agreements. Management considered whether participation on the joint committee may be a deliverable and determined that it was not a deliverable. However, had management considered participation on the joint committee as a deliverable, it would not have had a material impact on the accounting for the arrangement as the period of participation in this committee matched the obligation period for the research and development services.

The Company recognized no revenue under this agreement during the years ended December 31, 2017 and December 31, 2016. The Company recognized revenue of approximately \$12.5 million during the year ended December 31,

2015 under this agreement, including a payment of \$5.0 million for the achievement of preclinical milestones. No revenue was deferred under this agreement at December 31, 2017 or 2016.

Green Cross

In June 2010, the Company entered into a collaboration agreement with Green Cross Corp. (Green Cross) for the development of the Company's anti-HER2 antibody margetuximab. This arrangement grants Green Cross an exclusive license to conduct specified Phase 1 and Phase 2 clinical trials and commercialize margetuximab in South Korea. In March 2014, the Company and Green Cross entered into an amendment to the original agreement, causing the terms of the original agreement to be materially modified.

Upon execution of the amendment, the Company became eligible to receive reimbursement for costs incurred for Phase 2 and Phase 3 clinical trials up to \$5.5 million as well as clinical development and commercial milestone payments of up to \$2.5 million. The Company determined that each potential clinical development and commercial milestone is substantive. The Company is also entitled to receive royalties on net sales of margetuximab in South Korea. The Company and Green Cross have formed a joint steering committee to coordinate and oversee activities on which the companies collaborate under the agreement.

The Company evaluated the collaboration agreement with Green Cross and determined that it is a revenue arrangement with multiple deliverables or performance obligations. As a result of the material modification to the arrangement in March 2014, the Company reassessed the entire arrangement in accordance with the guidance provided by ASC 605-25, *Multiple Element Arrangements (Revenue Recognition)* as the original agreement was accounted for prior to adopting ASU 2009-13. The Company's substantive performance obligations under this agreement include an exclusive license to its technologies, research and development services, and participation in a joint steering committee. The Company concluded that the license and the reimbursements for research and development services do not have value on a standalone basis and therefore do not represent separate units of accounting.

The initial \$1.0 million upfront payment received by the Company upon execution of the original agreement is non-refundable; as such, there is no right of return for the license. Therefore, the upfront license fee and participation on the joint steering committee were treated as a combined unit of accounting and will be recognized over the term of the agreement through June 2020. Further, due to the fact the research and development services are not deemed to have stand-alone value, revenue for those services will be recognized over the entire term of the agreement (through June 2020). As a result of reassessing the arrangement in accordance with ASC 605-25, the Company was required to record an adjustment on the date of the material modification to reflect the revenue that would have resulted had the entity applied the requirements of ASC 605-25 from the inception of the agreement. As a result, the Company recorded an additional \$1.3 million of revenue during 2014. The Company has received a total of \$5.5 million through December 31, 2017 for reimbursement of research and development services, which is also being recognized over the remaining term of the agreement.

The Company recognized revenues of approximately \$0.9 million, \$0.8 million and \$0.5 million under this agreement during the years ended December 31, 2017, 2016 and 2015, respectively. No milestones were achieved under this agreement during the years ended December 31, 2017, 2016 and 2015.

At December 31, 2017, \$2.3 million of revenue was deferred under this agreement, \$0.9 million of which was current and \$1.4 million of which was non-current. At December 31, 2016, \$3.2 million of revenue was deferred under this agreement, \$0.9 million of which was current and \$2.3 million of which was non-current.

NIAID Contract

The Company entered into a contract with the National Institute of Allergy and Infectious Diseases (NIAID), effective as of September 15, 2015, to perform product development and to advance up to two DART molecules, including MGD014. Under this contract, the Company will develop these product candidates for Phase 1/2 clinical trials as therapeutic agents, in combination with latency reversing treatments, to deplete cells infected with human immunodeficiency virus (HIV) infection. This contract includes a base period of \$7.5 million to support development of MGD014 through IND application submission with the FDA, as well as up to \$17.0 million in additional development funding via NIAID options. Should NIAID fully exercise such options, the Company could receive total payments of up to \$24.5 million. The total potential period of performance under the award is from September 15, 2015 through September 14, 2022. During the year ended December 31, 2017, NIAID exercised the first option in the amount of \$10.8 million. The Company recognized revenue of \$1.7 million, \$5.1 million and \$0.2 million in revenue under this contract during the years ended December 31, 2017, 2016 and 2015, respectively.

10. Commitments and Contingencies

Operating Leases

The Company leases manufacturing, office and laboratory space in Rockville, Maryland under five leases that have terms that expire between 2019 and 2027 unless renewed. During the year ended December 31, 2017, the Company entered into an agreement to sublease a portion of the space it leases. Under the terms of the sublease, the Company will receive a total of \$2.4 million over the 30 month term.

The Rockville leases include a lease executed in July 2015 for space that the Company uses as its headquarters with office and laboratory space and manufacturing space currently under construction. Under the terms of the lease, which commenced on January 1, 2016, the Company received an assignment fee from the former tenant and a tenant improvement allowance from the landlord totaling \$5.1 million. In July 2017, the Company executed a lease amendment for its headquarters building which extends the term of the lease to August 2027, restructures the rent due under the lease, and provides for an additional tenant improvement allowance from the landlord of \$7.5 million, which was received during the third quarter. The assignment fee and tenant improvement allowances have been recorded as deferred rent and are being recognized over the new lease term.

The Company also leases office and laboratory space in South San Francisco under a lease that expires on February 28, 2018. During the year ended December 31, 2016, the Company entered into a sublease agreement for a portion of the South San Francisco space (see Note 8). As of December 31, 2017, future payments to be received by the Company under this sublease total approximately \$0.1 million. In April 2017, the Company entered into a 72-month lease commencing in December 2017 for office and laboratory space which will replace our current South San Francisco location.

All of the leases contain rent escalation clauses and certain leases contain rent abatements. For financial reporting purposes, rent expense is charged to operations on a straight-line basis over the term of the lease. As of December 31, 2017 and 2016, the Company had recorded a deferred rent liability of \$12.3 million and \$6.2 million, respectively. Rent expense for the years ended December 31, 2017, 2016 and 2015 was \$3.1 million, \$3.0 million and \$0.9 million, respectively.

Future minimum lease payments under noncancelable operating leases as of December 31, 2017 are as follows (in thousands):

2018	\$	6,574
2019		6,342
2020		4,775
2021		4,743
2022		4,885
Thereafter		18,484
	\$	<u>45,803</u>

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.

11. Employee Benefit Plan

In 2002, the Company established the MacroGenics 401(k) Plan (the Plan) for its employees under Section 401(k) of the IRC. Under this Plan, all employees at least 21 years of age are eligible to participate in the Plan, starting on the first day of each month. Employees may contribute up to 100% of their salary, subject to government maximums.

Employees are 100% vested in their contributions to the Plan. The Company's contribution to the Plan, as determined by the Board of Directors, is discretionary. The Company's contributions to the Plan totaled \$1.1 million, \$1.0 million and \$0.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

12. Quarterly Financial Information (unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(in thousands, except per share data)			
2017				
Revenue	\$ 2,055	\$ 1,666	\$ 1,663	\$ 152,359
Net income (loss)	(37,655)	(40,654)	(47,043)	105,727
Net income (loss) per share, basic	\$ (1.08)	\$ (1.14)	\$ (1.28)	\$ 2.87
Net income (loss) per share, diluted	\$ (1.08)	\$ (1.14)	\$ (1.28)	\$ 2.80
2016				
Revenue	\$ 2,846	\$ 80,673	\$ 3,255	\$ 5,106
Net income (loss)	(30,363)	40,464	(33,846)	(34,783)
Net income (loss) per share, basic	\$ (0.88)	\$ 1.17	\$ (0.97)	\$ (1.00)
Net income (loss) per share, diluted	\$ (0.88)	\$ 1.12	\$ (0.97)	\$ (1.00)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company and Certificate of Correction to the Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibits 3.1 and 3.3 , respectively, to the Company's Current Report on Form 8-K filed on October 18, 2013)
3.2	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.4 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on October 1, 2013)
4.1	Specimen Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on October 9, 2013)
4.2†	Investor Agreement by and between Johnson and Johnson Innovation-JJDC, Inc. and the Company, dated December 19, 2014 (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K filed on March 3, 2015)
10.1	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on October 1, 2013)
10.2†	Option for a License Agreement by and between the Company and Les Laboratoires Servier and Institut de Recherches Servier, dated September 19, 2012 (incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on October 4, 2013)
10.3†	Global Collaboration and License Agreement by and between the Company and Incyte Corporation, dated October 24, 2017
10.4+	Company 2003 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on September 4, 2013)
10.5+	Form of Incentive Stock Option Agreement under 2003 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on September 4, 2013)
10.6+	Company 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on October 1, 2013)
10.7+	Form of Incentive Stock Option Agreement under 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on October 1, 2013)
10.8+	Form of Nonstatutory Stock Option Agreement under 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-1 (File No. 333-190994) filed by the Company on October 1, 2013)
10.9+	Form of Restricted Stock Units Grant Notice under 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2015)
10.10+	2016 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 (File No. 333-214386) filed by the Company on November 2, 2016)
10.11+	Employment Agreement between the Company and Scott Koenig, M.D., Ph.D. (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed by the Company on February 29, 2016)
10.12+	Employment Agreement between the Company and James Karrels (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed by the Company on February 29, 2016)
10.13+	Employment Agreement between the Company and Jon Wigginton, M.D. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2016)
10.14+	Restricted Stock Units Grant Notice and Agreement between the Company and Jon Wigginton, M.D. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2016)
10.15+	Employment Agreement between the Company and Ezio Bonvini, M.D. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2016)
10.16+	Employment Agreement between the Company and Eric Risser (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K filed on February 28, 2017)

23.1	<u>Consent of Ernst & Young, LLP, Independent Registered Public Accounting Firm</u>
31.1	<u>Rule 13a-14(a) Certification of Principal Executive Officer</u>
31.2	<u>Rule 13a-14(a) Certification of Principal Financial Officer</u>
32.1	<u>Section 1350 Certification of Principal Executive Officer</u>
32.2	<u>Section 1350 Certification of Principal Financial Officer</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment granted by the SEC.

+ Indicates management contract or compensatory plan.

CONFIDENTIAL TREATMENT REQUESTED: *Information for which confidential treatment has been requested is omitted and is noted with asterisks. An unredacted version of this document has been filed separately with the Securities and Exchange Commission (the “Commission”).*

GLOBAL COLLABORATION AND LICENSE AGREEMENT

BY AND BETWEEN

MACROGENICS, INC.

AND

INCYTE CORPORATION

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v

[] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.**

NG-6PHJ0AHM 4812-2013-0909v.1

GLOBAL COLLABORATION AND LICENSE AGREEMENT

This **GLOBAL COLLABORATION AND LICENSE AGREEMENT** (“**Agreement**”) is entered into as of October 24, 2017 (the “**Execution Date**”), by and between **INCYTE CORPORATION**, a Delaware corporation, having its principal place of business at 1801 Augustine Cut-Off, Wilmington, DE 19803 (hereinafter “**Incyte**”), and **MACROGENICS, INC.**, a Delaware corporation, having its principal place of business at 9704 Medical Center Drive, Rockville, MD 20850 (“**MacroGenics**”). Incyte and MacroGenics are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS, MacroGenics has discovered and is developing the Licensed Compound (as defined below), coded by MacroGenics as “MGA012”, for various human therapeutic uses;

WHEREAS, Incyte desires to obtain certain rights to Develop, Manufacture, and Commercialize the Licensed Compound and products and treatment regimens incorporating the Licensed Compound, all in accordance with the terms and conditions of this Agreement; and

WHEREAS, MacroGenics is willing to grant such rights, retaining certain rights for itself, all in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the premises and conditions set forth herein, the Parties agree as follows:

**ARTICLE 1
DEFINITIONS**

1.1 “Acquirer” means any Third Party that is a party to any Change of Control transaction and any of such Third Party’s Affiliates.

1.2 “Affiliate” means, with respect to a particular Person, a person, corporation, partnership, or other entity that controls, is controlled by, or is under common control with such first Person. For the purposes of this definition, (a) the word “control” (including, with correlative meaning, the term “controlled by”) means the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of a Person, whether by the ownership of fifty percent (50%) or more of the voting stock of such entity, or by contract or otherwise; and (b) the term “common control” includes ownership, directly, or indirectly, beneficially or legally, of outstanding voting securities or capital stock by the same Person or Persons.

1.3 “Agreement” has the meaning set forth in the Preamble, and means this Agreement as in effect from time-to-time, including all Schedules, Exhibits, and other attachments hereto.

1.4 “Alliance Manager” means the person appointed by each Party from within their respective organization to coordinate and facilitate the communication, interaction and cooperation of the Parties pursuant to this Agreement.

1.5 “Ancillary Therapy” means an approved (including a standard of care) therapy. For clarity, Ancillary Therapy excludes all therapies that have not received Regulatory Approval.

1.6 “Applicable Law” means all applicable statutes, ordinances, regulations, directives, rules, or orders of any kind whatsoever of any Governmental Authority applicable to any activity hereunder, including the EU Data Protection Directive and the regulations issued under the U.S. Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”), the U.S. Federal Food, Drug, and Cosmetic Act (21 U.S.C. §301 et seq.) (“**FDCA**”), the Prescription Drug Marketing Act of 1987 (21 U.S.C. §§331, 333, 353, 381), the Generic Drug Enforcement Act of 1992 (21 U.S.C. §335(a) et seq.), U.S. Patent Act (35 U.S.C. §1 et seq.), the Federal False Claims Act (31 U.S.C. §3729 et seq.), and the Anti-Kickback Statute (42 U.S.C. §1320a-7b et seq.), and the Foreign Corrupt Practices Act of 1977 (15 U.S.C. §§ 78dd-1, et seq.), all as amended from time to time, together with any rules, regulations, and guidance documents, and regulatory standards (including GCP, GLP, and GMP) promulgated relating to any of the foregoing, all as amended from time to time.

1.7 “Approved PD-1 Antibodies” means, collectively, all PD-1 Monoclonal Antibodies that have received Regulatory Approval (it being understood that this shall reflect on an ongoing basis any Regulatory Approvals that are received during the Term) in a given territory. As of the Execution Date, the Approved PD-1 Antibodies are pembrolizumab and nivolumab.

1.8 “Biosimilar Product” means, with respect to a Licensed Product that has received Marketing Approval in a country in the Territory, (a) a biologic therapeutic containing the same amino acid polymer as any Licensed Product; (b) a biologic therapeutic containing an amino acid polymer that is highly similar, or similar enough to one contained in a reference Licensed Product, notwithstanding minor differences in clinically inactive components, to permit an applicant for Regulatory Approval for such biologic therapeutic to refer to and rely on clinical and other scientific Information regarding the safety, purity, potency and/or efficacy of the reference Licensed Product in order to allow such biologic therapeutic to receive Regulatory Approval in any jurisdiction within the Territory through an abbreviated regulatory pathway; or (c) a biologic therapeutic containing an amino acid polymer that is highly similar, or similar enough to one contained in a reference Product, notwithstanding minor differences in clinically inactive components, to permit such biologic therapeutic to be marketed in any jurisdiction within the Territory as generic-equivalent, functionally equivalent, biosimilar, biogeneric, biobetter, interchangeable, or by using any other description referring to the reference Product (and/or such Product’s clinical and other scientific Information) for support for safety, purity, potency and/or efficacy claims for such biologic therapeutic.

1.9 “Breakthrough Designation” means, with respect to a Product, that such Product satisfies the requirements for a “breakthrough therapy”, as set forth in 21 U.S.C. § 356, as amended by § 902 of the Food and Drug Administration Safety and Innovation Act.

1.10 “Business Day” means any day other than Saturday, Sunday or any other day on which banking institutions located in New York, New York are permitted or required by Applicable Law, executive order or governmental decree to remain closed.

1.11 “Calendar Quarter” means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31; provided, however, that the first Calendar Quarter and the last Calendar Quarter may be partial quarters as applicable under the relevant Calendar Year.

1.12 “Calendar Year” means the twelve (12) month period ending on December 31; provided, however, that the first Calendar Year and the last Calendar Year of the applicable period (such as the Royalty Term) may be a partial year, as the case may be.

1.13 “[]”** means, with respect to the Licensed Compound, the [**] of (a) [**] or (b) the [**] of the [**] in [**].

1.14 “Cancer Treatment Use” means any of the following uses or methods of cancer treatment or therapy: (a) dosing regimens, schedules, sequencing or amounts; (b) incorporation of specific supportive care regimens; (c) treatment of patients according to a specific biomarker, genetic disposition, or genetic profile; (d) stratification of patients who are likely or unlikely to benefit from such claimed combination; or (e) data or uses of data to undertake or conduct any of foregoing (a) – (d).

1.15 “Centralised Approval Procedure” means, to the extent compulsory or permitted for Regulatory Approval of the Licensed Compound or a Licensed Product in Iceland, Liechtenstein, Norway or any country in the European Union, the procedure administrated by the EMA which results in a single marketing authorization that is valid in Iceland, Liechtenstein, Norway and all countries in the European Union.

1.16 “Change of Control” shall occur if: (a) any Third Party acquires directly or indirectly the beneficial ownership of any voting security of a Party, or if the percentage ownership of such person or entity in the voting securities of a Party is increased through stock redemption, cancellation or other recapitalization, and immediately after such acquisition or increase such Third Party is, directly or indirectly, the beneficial owner of voting securities representing more than fifty percent (50%) of the total voting power of all of the then outstanding voting securities of a Party; (b) a merger, consolidation, recapitalization, or reorganization of a Party is consummated, other than any such transaction that would result in stockholders or equity holders of such Party immediately prior to such transaction, owning at least fifty percent (50%) of the outstanding securities of the surviving entity (or its parent entity) immediately following such transaction; (c) the stockholders or equity holders of a Party approve a plan of complete liquidation of such Party, or an agreement for the sale or disposition by such Party of all or substantially all of such Party’s assets, other than to an Affiliate; (d) individuals who, as of the Effective Date, constitute the Board of Directors of a Party (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board of Directors of such Party (provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by such Party’s shareholders, was recommended or approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board of Directors of such Party); or (e) the sale or transfer to a Third Party of (i) all or substantially all of such Party’s assets taken as a whole or (ii) a majority of such Party’s assets which relate to this Agreement, is effected.

1.17 “Clinical Study” means a Phase I Study, Phase II Study, Phase III Study, Phase IV Study or Pivotal Study, as applicable.

1.18 “Clinical Supply Shortage” means a failure by MacroGenics to Manufacture Committed Supply which has occurred or is reasonably likely to occur, and which results or is reasonably likely to result in the unavailability of Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product when needed for use across: (a) Monotherapy Studies; (b) Incyte Combination Studies; (c) MacroGenics Combination Studies; or (d) Collaborator Combination Studies (in the case of (d), solely to the extent the request for such Licensed Compound Bulk Drug Substance or Licensed Compound Drug Product is made at least [**] after commencement of Manufacture at the MacroGenics Large-Scale Supply Plant).

1.19 “Collaborator” means a Third Party collaborator who conducts Collaborator Combination Study(ies) pursuant to an applicable Collaborator Contract.

1.20 “Collaborator Combination Regimen” means a Combination comprising the Licensed Compound and at least one Collaborator Pipeline Asset (which Combination may also include any other compound that constitutes an Ancillary Therapy that is not a Collaborator Pipeline Asset (e.g., a triplet combination)).

1.21 “Collaborator Combination Study” means a Clinical Study of a Collaborator Combination Regimen that is performed with, by, or on behalf of a Collaborator, pursuant to the terms of this Agreement and the applicable Collaborator Contract, but excluding any (a) Incyte investigator-sponsored Clinical Studies, (b) Clinical Studies conducted by Incyte with academic centers, or (c) Clinical Studies that include an Incyte Pipeline Asset. For clarity, any Clinical Study in which both an Incyte Pipeline Asset and a Collaborator Pipeline Asset are evaluated shall be considered an Incyte Combination Study.

1.22 “Combination” means a combination of the Licensed Compound and a Pipeline Asset in concurrent or sequential administration (which combination, for clarity, may include any other compound that constitutes an Ancillary Therapy and is not a Pipeline Asset (e.g., a triplet combination)).

1.23 “Combination Product” means a combination of the Licensed Compound and a Pipeline Asset sold in a single finished dosage form. For clarity, the term “Combination Product” shall not include any Combination Regimen(s), except that a single finished dosage Combination that is a component of such Combination Regimen may constitute a Combination Product.

1.24 “Combination Regimen(s)” means, individually or collectively, as the context requires, any MacroGenics Combination Regimen, Incyte Combination Regimen, or Collaborator Combination Regimen.

1.25 “Combination Sponsor” means (a) with respect to any MacroGenics Combination Study, MacroGenics; (b) with respect to any Incyte Combination Study, Incyte; and (c) with respect to any Collaborator Combination Study, the applicable Collaborator or Incyte, as the case may be.

1.26 “Combination Study(ies)” means, individually or collectively, as the context requires, any MacroGenics Combination Study, Incyte Combination Study or Collaborator Combination Study.

1.27 “Commercialization” means any and all processes and activities directed to marketing, promoting, educating, pricing, payor contracting, market access, distributing, detailing, importing, exporting, offering for sale, having sold, or selling with respect to a Compound or Product, including the conduct of any Phase IV Studies with respect thereto, and Medical Affairs Activities, but shall not include any activities included within the Manufacture of such Compound or Product. When used as a verb, **“Commercialize”** means to engage in Commercialization activities.

1.28 “Commercially Reasonable Efforts” means, with respect to the efforts to be expended, or considerations to be undertaken, by a Party or its Affiliate with respect to any objective, activity or decision to be undertaken hereunder, reasonable, good faith efforts to accomplish such objective, activity or decision as such Party would normally use to accomplish a similar objective, activity or decision under similar circumstances, it being understood and agreed that, with respect to the Development, Manufacture, seeking and obtaining Regulatory Approval, or Commercialization of the Licensed Compound or any Licensed Product, such efforts and resources shall be consistent with those efforts and resources commonly used by such Party under similar circumstances for similar compounds or products to which it has similar rights, which compound or product, as applicable, is at a similar stage in its development or product life and is of similar market potential, taking into account: (a) issues of efficacy, safety, and expected and actual approved labeling; (b) the expected and actual competitiveness of alternative products sold by Third Parties in the marketplace; (c) the expected and actual product profile of the Licensed Compound or any Licensed Product; (d) the expected and actual patent and other proprietary position of the Licensed Compound or any Licensed Product; (e) the likelihood of Regulatory Approval of the Licensed Compound or any Licensed Product given the regulatory structure involved; and (f) the expected and actual profitability and return on investment of the Licensed Compound or any Licensed Product, taking into consideration expected and actual Third Party costs and expenses and pricing and reimbursement relating to the Licensed Compound or any Licensed Product.

1.29 “Commercial Supply Commitment” means, individually or collectively, as the context requires, (a) the MacroGenics Commercial Supply Commitment or (b) the Incyte Commercial Supply Commitment.

1.30 “Compound(s)” means, individually or collectively, as the context requires, (a) the Licensed Compound or (b) any Pipeline Asset.

1.31 “Confidential Information” means, subject to Article 11, all non-public or proprietary Information disclosed by a Party to the other Party under this Agreement, without regard as to whether any of the foregoing is marked “confidential” or “proprietary,” or disclosed in oral, written, graphic, or electronic form. Confidential Information shall include: (a) the terms and conditions of this Agreement; and (b) Confidential Information disclosed by either Party pursuant to the Mutual Confidential Disclosure Agreement dated [**] (the **“Prior CDA”**).

1.32 “Control” or “Controlled” means, with respect to any Information, Know-How, Patent or other intellectual property right, (a) ownership by a Person or, subject to Section 15.3(d), any of its Affiliates, of such Information, Know-How, Patent or other intellectual property right, or (b) possession by a Person or, subject to Section 15.3(d), any of its Affiliates, of ownership of, or an exclusive license to, such Information, Know-How, Patent, or other intellectual property rights, in each case with the right (without taking into account any rights granted by one Party to the other Party under the terms of this Agreement) to grant access, a license or a sublicense to such Information, Patent or other intellectual property right without violating the terms of any agreement or other arrangement with, or necessitating the consent of, any Third Party, at such time that the Person would be first required under this Agreement to grant the other Person such access, license or sublicense; provided that, a Person or any of its Affiliates shall be deemed not to “Control” any Information, Know-How, Patent or other intellectual property right if such Person or its Affiliate is required to pay additional consideration to a Third Party licensor for the grant of any sublicense under such Information, Know-How, Patent or other intellectual property right (unless the other Person agrees in writing to pay such additional consideration).

1.33 “Controlling Party” means (a) with respect to the conduct of any MacroGenics Combination Study or any related Development, regulatory (other than Licensed Compound Regulatory Discussions, for which Incyte shall be the Controlling Party), or other obligations, MacroGenics; (b) with respect to the conduct of any Incyte Combination Study or any related Development, regulatory or other obligations, Incyte; and (c) with respect to the conduct of any Collaborator Combination Study or any related Development, regulatory or other obligations, Incyte. For clarity, (i) except as set forth in subsection (a), MacroGenics shall be deemed to be the “Controlling Party” under subsection (a), and (ii) Incyte shall be deemed to be the “Controlling Party” under subsection (c), irrespective of which Party actually performs or causes to be performed the study or such other activity or obligation.

1.34 “Core Regulatory Authority” means, individually or collectively, as the context requires, the FDA, EMA, MHLW, and Health Canada.

1.35 “Cover” or “Covering” means, with respect to a product, technology, process or method, that, in the absence of ownership of or a license granted under a Valid Claim, the practice or exploitation of such product, technology, process or method would infringe such Valid Claim (or, in the case of a Valid Claim that has not yet issued, would infringe such Valid Claim if it were to issue).

1.36 “CPI Adjustment” means the percentage increase or decrease in the Consumer Price Index-Urban Wage Earners and Clerical Workers, U.S. City Average, All Items 1982-84=100, published by the United States Department of Labor, Bureau of Labor Statistics (or its successor equivalent index), in the United States, comparing the levels of such index on the last days of the two most recently completed Calendar Years.

1.37 “Development” means any and all research and pre-clinical, non-clinical, and clinical drug development activities and processes, including toxicology, pharmacology, project management, regulatory affairs, statistical analysis, Manufacturing Development, formulation development, delivery system development, the performance of Clinical Studies, or other activities reasonably

necessary in order to obtain Regulatory Approval of Compounds or Products in the Field in the Territory. When used as a verb, “**Develop**” means to engage in Development activities.

1.38 “Development Partner” means, with respect to a Party, a Third Party with which such Party has entered into a Development Agreement pursuant to Section 4.5 to conduct Clinical Studies.

1.39 “Effective Date” means the first (1st) Business Day immediately following the date on which the Parties have actual knowledge that all applicable waiting periods under the HSR Act with respect to the transactions contemplated hereunder have expired or have been terminated.

1.40 “EMA” means the European Medicines Agency or any successor agency(ies) or authority having substantially the same function.

1.41 “European Major Markets” means, collectively, France, Germany, Italy, Spain, and the United Kingdom.

1.42 “European Union” or “**EU**” means the European Union member states as then-currently constituted; provided, however, that the EU shall always be deemed to include the European Major Markets. As of the Execution Date, the European Union member states are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

1.43 “[]”** means, with respect to the Licensed Compound, the [**] of (a) [**] or (b) the [**] of [**] across all [**] in which the Licensed Compound has received Regulatory Approval.

1.44 “Executive Officers” means, with respect to each Party, the Chief Executive Officer of such Party (or his or her designee).

1.45 “Exploit” means to use, have used, Develop, have Developed, Commercialize, have Commercialized, and Manufacture or have Manufactured.

1.46 “FDA” means the U.S. Food and Drug Administration and any successor agency(ies) or authority having substantially the same function.

1.47 “Field” means all uses, including the diagnosis, treatment or prevention of any disease in humans and animals.

1.48 “First Commercial Sale” means, with respect to a Licensed Product, on a country-by-country basis, the first sale for monetary value of such Licensed Product under this Agreement by Incyte, its Affiliates or its sublicensees to an end user for use, consumption or resale of such Licensed Product in such country in the Field after all Regulatory Approvals of such Licensed Product (i.e., when all applicable approvals, licenses, registrations or authorizations described in the definition of Regulatory Approval that are necessary to sell the applicable Licensed Product) have been obtained in such country in the Field, where such sale results in the recognition of Net Sales. The sale of a Licensed Product under this Agreement by Incyte to an Affiliate of Incyte or a sublicensee of Incyte shall not constitute a First Commercial Sale unless such Affiliate or such sublicensee is

the end user of such Licensed Product. For the avoidance of doubt, the transfer or disposition by Incyte, its Affiliates or its sublicensees of reasonable and customary quantities of samples of the Licensed Product below cost for promotional or educational purposes, or the sale of Licensed Product for clinical study purposes, early access programs (such as to provide patients with a Licensed Product prior to Regulatory Approval pursuant to treatment INDs or protocols, named patient programs or compassionate use programs), or any similar uses, shall not constitute a First Commercial Sale.

1.49 “Force Majeure” means any event beyond the reasonable control of the affected Party, which may include embargoes; war or acts of war, including terrorism; insurrections, riots, or civil unrest; labor strikes or lockouts; epidemics, fire, floods, earthquakes or other severe acts of nature; widespread unavailability of raw materials or reagents affecting manufacturers generally, actions by a Regulatory Authority affecting the manufacture of Monoclonal Antibodies generally and the Licensed Compound specifically, and omissions or delays in acting by any Governmental Authority (other than delays incident to the ordinary course of drug development).

1.50 “FTE” means [**] hours of work devoted to or in direct support of specified Development, Manufacturing or other specified activities under this Agreement, conducted by one or more qualified employees, contractors, consultants or other personnel of a Party or its Affiliates. For clarity, any individual contributing less than [**] hours per Calendar Year (or equivalent pro-rata portion thereof for the period beginning on the Effective Date and ending on the last day of the first Calendar Year) shall be deemed a fraction of an FTE on a pro-rata basis.

1.51 “FTE Cost” means, with respect to any period and a Party or its Affiliate, the FTE Rate multiplied by the number of FTEs expended by such Party or its Affiliate during such period; provided that a Party shall not be charged twice for any FTE Cost if such FTE Cost is already included as a component of Manufacturing Expenses payable under this Agreement.

1.52 “FTE Rate” means a rate of [**] per FTE per Calendar Year (pro-rated for the period beginning on the Effective Date and ending on the last day of the first Calendar Year); provided, however, that such rate shall be increased or decreased annually beginning on [**] by the applicable CPI Adjustment. The FTE Rate is “fully burdened” and covers employee salaries, benefits, travel and other such costs.

1.53 “GAAP” means generally accepted accounting principles in the U.S., consistently applied.

1.54 “Global Safety Database” means the global safety database for the Licensed Compound.

1.55 “Good Clinical Practices” or “GCP” means the then-current standards, practices and procedures promulgated or endorsed by the FDA as set forth in the guideline adopted by the International Conference on Harmonization (“ICH”), titled “Guidance for Industry E6 Good Clinical Practice: Consolidated Guidance” (or any successor document), including related regulatory requirements imposed by the FDA and comparable regulatory standards, practices and procedures promulgated by the EMA, PMDA or other Regulatory Authority applicable to the Territory, as they may be updated from time to time.

1.56 “Good Laboratory Practices” or “GLP” means the then-current standards, practices and procedures promulgated or endorsed by the FDA as set forth in 21 C.F.R. Part 58 (or any successor statute or regulation), including related regulatory requirements imposed by the FDA and comparable regulatory standards, practices and procedures promulgated by the EMA, PMDA or other Regulatory Authority applicable to the Territory, as they may be updated from time to time, including applicable guidelines promulgated under the ICH.

1.57 “Good Manufacturing Practices” or “GMP” means the then-current good manufacturing practices required by the FDA, as set forth in the FFDCAs, as amended, and the regulations promulgated thereunder, for the manufacture and testing of pharmaceutical materials, and comparable Applicable Law related to the manufacture and testing of pharmaceutical materials in jurisdictions outside the U.S., including the quality guideline promulgated by the ICH designated ICH Q7A, titled “Q7A Good Manufacturing Practice Guidance for Active Pharmaceutical Ingredients” and the regulations promulgated thereunder, as they may be updated from time to time.

1.58 “Governmental Authority” means any multi-national, federal, state, local, municipal or other government authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal).

1.59 “Health Canada” means Health Canada, the department of the government of Canada with responsibility for national public health, and any successor agency(ies) or authority having substantially the same function.

1.60 “HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended from time to time, and any comparable Applicable Law in jurisdictions outside the U.S. related to the approval of transactions similar to those contemplated under this Agreement.

1.61 “HSR Clearance Date” means the expiration or termination of all applicable waiting periods and requests for information (and any extensions thereof) under the HSR Act.

1.62 “HSR Filing” means (a) filings by Incyte and MacroGenics with the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice of a Notification and Report Form for Certain Mergers and Acquisitions (as that term is defined in the HSR Act) with respect to the matters set forth in this Agreement, together with all required documentary attachments thereto, or (b) equivalent filings with relevant foreign authorities.

1.63 “Incyte Combination Regimen” means (a) a Combination comprising a Licensed Compound and at least one Incyte Pipeline Asset (which Combination may also include: (x) any other compound that constitutes an Ancillary Therapy that is not a MacroGenics Pipeline Asset (e.g., a triplet combination) or (y) a Collaborator Pipeline Asset (e.g., a triplet combination)); or (b) a Non-Proprietary Combination Regimen (which Combination may also include Ancillary Therapy(ies), provided that, such inclusion shall not preclude any inclusion of Ancillary Therapy(ies) in MacroGenics Combination Regimens).

1.64 “Incyte Combination Study” means any (a) Clinical Study of an Incyte Combination Regimen or (b) other Clinical Study that is performed by or on behalf of Incyte that includes the

Licensed Compound and any other specific molecule or molecules (as monotherapies or combinations) other than a Monotherapy Study, Collaborator Combination Study, or a Clinical Study that includes a MacroGenics Pipeline Asset. For clarity, an Incyte Combination Study shall only be performed by Incyte, its Affiliates or its sublicensees.

1.65 “Incyte Global Development Plan” means the high-level, non-binding, written plan attached hereto as Exhibit B-1 covering Incyte’s (a) planned development of the Licensed Compound and any Licensed Products and (b) planned conduct of any Incyte Combination Studies, as updated by Incyte from time to time in accordance with Sections 2.2 and 4.4. For clarity, a PowerPoint presentation summarizing such planned studies would be sufficient as a written plan.

1.66 “Incyte Pipeline Asset Criteria” means, with respect to a molecule, that Incyte: (a) has previously conducted, or is conducting, a Clinical Study evaluating a combination of such molecule and the Licensed Compound and has entered into, or shall enter into, a bona fide license agreement with a Third Party with respect thereto (provided that, such Third Party licensee shall be contractually obligated to at least the same development obligations as Incyte, pursuant to Section 4.2 or otherwise in Article 4); or (b) has previously entered into, or enters into, a bona fide collaboration with a Third Party that governs the research, development and/or commercialization of such molecule, where Incyte retains development rights to sponsor and fund a Clinical Study and to provide input on the development of such molecule.

1.67 “IND” means (a) an Investigational New Drug application as defined in the FDCA and applicable regulations promulgated thereunder by the FDA; (b) a clinical trial authorization application for a product filed with a Regulatory Authority in any other regulatory jurisdiction outside the U.S., the filing of which (in the case of (a) or (b)) is necessary to commence or conduct clinical testing of a pharmaceutical product in humans in such jurisdiction; or (c) documentation issued by a Regulatory Authority that permits the conduct of clinical testing of a product in humans in such jurisdiction.

1.68 “Indication” means (a) with respect to [**], any cancer with [**], even if they are, [**] or [**] or [**] (e.g., [**], [**], and [**]) or (b) with respect to [**], [**], [**] and [**] (e.g., [**], and [**]), but [**]. For the sake of clarity, treatment of [**] within [**] shall not be treated as [**] (e.g., [**] and [**] shall not be considered [**] shall not be considered different [**]).

1.69 “Information” means information, inventions, discoveries, ideas, developments, compounds, compositions, formulations, formulas, practices, procedures, processes, methods, knowledge, know-how, trade secrets, technology, inventories, machines, techniques, designs, drawings, correspondence, computer programs, skill, experience, documents, apparatus, results, strategies, Regulatory Documentation, information and submissions pertaining to, or made in association with, filings with any Governmental Authority or patent office, data, including pharmacological, toxicological, non-clinical and clinical data, analytical and quality control data, manufacturing data and descriptions, market data, patent and legal data, financial data or descriptions, devices, assays, chemical formulations, specifications, material, product samples and other samples, physical, chemical and biological materials and compounds, and the like, in written, electronic, oral or other tangible or intangible form, now known or hereafter developed, whether or not patentable.

- 1.70 “Initiation”** means, with respect to a Clinical Study, the first dosing of the first subject enrolled in such Clinical Study.
- 1.71 “Invention”** means any Information, whether or not patentable, generated, made, conceived, or reduced to practice in the course of performance of this Agreement, whether made, conceived or reduced to practice solely by, or on behalf of, MacroGenics, Incyte, the Parties jointly, or any Affiliate, subcontractor, or sublicensee of the same (including Collaborators or any development or commercialization partner or collaborator of either Party).
- 1.72 “[**]”** means, with respect to the Licensed Compound, the [**] of (a) [**] or (b) the [**] of the [**] in [**].
- 1.73 “Know-How”** means any Information; provided that, with respect to any Party, Know-How excludes any intangible Information contained within such Party’s published Patents.
- 1.74 “Knowledge”** means, as applied to a Party, that such Party has actual knowledge of a particular fact or other matter, or that a reasonably prudent person with primary responsibility for the applicable subject matter (whether an officer or employee of such Party) knew or should have known of such fact or other matter.
- 1.75 “Label Combination Patents”** means Patents Controlled by MacroGenics or, subject to Section 15.3(d), any of its Affiliates (including, subject to Section 15.3(d), MacroGenics’ or its Affiliate’s interest in the Joint Patents) to the extent (a) such Patents Cover a MacroGenics Combination Regimen that has received Regulatory Approval; and (b) Incyte has exercised its right under Section 5.8(c) to expand the label of the Licensed Compound to include such Regulatory Approval.
- 1.76 “Licensed Compound” or “MGA012”** means: (a) the anti-PD-1 Monoclonal Antibody coded as “MGA012”, as further described in IND # 130952, or (b) any other anti-PD-1 Monoclonal Antibody (or any antigen-binding Fab fragment thereof) with at [**] sequence identity to each of the [**] in comparison to the anti-PD-1 Monoclonal Antibody coded as “MGA012”.
- 1.77 “Licensed Compound API”** means Licensed Compound active pharmaceutical ingredient of a Licensed Product.
- 1.78 “Licensed Compound Approval”** means the first instance on which Regulatory Approval is received with respect to the Licensed Compound as either (a) the Monotherapy Regimen or (b) part of a Combination Regimen.
- 1.79 “Licensed Compound Bulk Drug Substance”** means the Licensed Compound API as produced in bulk, in accordance with the Clinical Supply Agreement or Commercial Supply Agreement (as applicable), as well as the applicable quality agreements and Quality Assurance processes.
- 1.80 “Licensed Compound Drug Product”** means the Licensed Compound Bulk Drug Substance in its final finished form, which has been separated into unlabeled vials in accordance

with the Clinical Supply Agreement or Commercial Supply Agreement (as applicable), as well as the Clinical Quality Agreement and applicable Quality Assurance processes.

1.81 “Licensed Compound Regulatory Discussion” means a material discussion with a Core Regulatory Authority related to the Licensed Compound in the context of any MacroGenics Combination Study.

1.82 “Licensed Know-How” means all Know-How Controlled by MacroGenics or, subject to Section 15.3(d), any of its Affiliates as of the Execution Date or during the Term that is necessary or useful to (a) Develop (including seeking Regulatory Approval of) or Commercialize Licensed Products, as Monotherapy Regimens or as a component of Incyte Combination Regimens or Collaborator Combination Regimens, (b) seek Regulatory Approval of the Licensed Products as a component of MacroGenics Combination Regimens, or (c) Commercialize Licensed Products in accordance with any such Regulatory Approvals in (b) above in the Field in the Territory (for clarity, to Commercialize the Licensed Products to the extent it has an Indication in combination with any MacroGenics Pipeline Asset, but not to Develop or promote any MacroGenics Pipeline Asset), in each case (of (a)-(c)), excluding any such Know-How Controlled by MacroGenics to the extent such Know-How is solely related to any MacroGenics Pipeline Asset.

1.83 “Licensed Patents” means all Patents, other than Label Combination Patents, that (a) are Controlled by MacroGenics or, subject to Section 15.3(d), any of its Affiliates (including, subject to Section 15.3(d), MacroGenics’ or its Affiliate’s interest in the Joint Patents), as of the Execution Date or during the Term; and (b) are necessary or useful to Develop, manufacture, use or Commercialize the Licensed Compound or Licensed Product, provided that Licensed Patents shall not include any Patents to the extent that the claims of such Patents Cover a MacroGenics Pipeline Asset. Notwithstanding the foregoing limitation, the Licensed Patents as of the Execution Date include (i) those set forth in Exhibit A and (ii) those licensed under Existing Third Party Licenses.

1.84 “Licensed Product” means any pharmaceutical product, including all forms, presentations, strengths, doses and formulations (including any method of delivery), comprising the Licensed Compound. For clarity, in the case of a Combination Regimen, the Licensed Compound that is a component of such Combination Regimen shall constitute a Licensed Product, but neither the Combination Regimen as a whole, nor the applicable Pipeline Asset that is a component of such Combination Regimen, shall constitute a Licensed Product.

1.85 “Licensed Technology” means, collectively, the Licensed Patents and the Licensed Know-How.

1.86 “MacroGenics 1,000L Supply Plant” means MacroGenics’ existing two by five hundred (2x500) liter GMP Manufacturing plant, located at 15235 Shady Grove Road, Rockville, Maryland.

1.87 “MacroGenics Combination Regimen” means a Combination comprising a Licensed Compound and at least one MacroGenics Pipeline Asset (which Combination may also include any other compound that constitutes an Ancillary Therapy that is not an Incyte Pipeline Asset (e.g., a triplet combination)).

1.88 “MacroGenics Combination Regimen Detailing” means an interactive face-to-face meeting between a sales representative acting on behalf of Incyte and a health care professional having prescribing authority within the target audience that occurs after Regulatory Approval of a Licensed Product, which shall be conducted in a manner consistent with Applicable Law and industry standards and with the quality of similar presentations made by Incyte’s sales representatives for Incyte’s other products, if applicable. During such meeting, the Incyte sales representative shall only discuss the MacroGenics Pipeline Asset as it relates to a component of MacroGenics Combination Regimen as it relates to the following provisions incorporated in the “highlights of prescribing information” section of the Licensed Compound label: (a) recent major changes, (b) indications and usage, (c) warnings and precautions, (d) adverse reactions and (e) dosage and administration. Unless otherwise mutually agreed by the Parties or required by a Regulatory Authority, the Incyte sales representative shall not discuss any other data that relates to the MacroGenics Pipeline Asset, including information contained in the “clinical studies” section of the Licensed Compound label such as clinical results from any MacroGenics Combination Study or information in the “pharmacology” section of the Licensed Compound label related to the MacroGenics Pipeline Asset. The Incyte sales representative shall refer the health care professional to a sales representative acting on behalf of MacroGenics for the purpose of such discussion, unless and until such time as the Parties execute a definitive Co-Promotion Agreement that includes requisite terms with respect to promotion of the MacroGenics Combination Regimen by the Incyte sales representative. For clarity, MacroGenics Combination Regimen Detailing shall not include (i) sample drops made by sales representatives, (ii) medical affairs activities or related activities conducted by medical support staff (such as medical science liaisons), (iii) activities conducted at conventions, (iv) electronic details or (v) activities performed by market development specialists, managed care account directors or other personnel not performing face-to-face sales calls or not specifically trained with respect to a Product.

1.89 “MacroGenics Combination Study” means a Clinical Study of a MacroGenics Combination Regimen (which study (i) may include a MacroGenics PD-1 Control Arm solely subject to the terms and conditions of this Agreement, including Section 4.3(c), (ii) may evaluate the Licensed Compound as a monotherapy arm, and (iii) may include an Ancillary Therapy control arm, provided that such Ancillary Therapy is not an Incyte Pipeline Asset) that is performed by or on behalf of MacroGenics or its Affiliates or sublicensees in accordance with Section 1.94, but excluding any Required Monotherapy Study and excluding a Clinical Study that includes an Incyte Pipeline Asset.

1.90 “MacroGenics Global Development Plan” means the high-level, non-binding, written plan attached hereto as Exhibit B-2 covering MacroGenics’ planned conduct of any MacroGenics Combination Studies, as updated by MacroGenics from time to time in accordance with Sections 2.2 and 4.4. For clarity, a PowerPoint presentation summarizing such planned studies would be sufficient as a written plan.

1.91 “MacroGenics Large-Scale Supply Plant” means MacroGenics’ proposed five by two thousand (5x2000) liter GMP Manufacturing plant, to be located at 9704 Medical Center Drive, Rockville, Maryland.

1.92 “MacroGenics Manufacturing Facilities” means, individually or collectively, as the context requires, the MacroGenics 1,000L Supply Plant and the MacroGenics Large-Scale Supply Plant.

1.93 “MacroGenics PD-1 Control Arm” means, in connection with a MacroGenics Combination Study, either: (a) both (i) a monotherapy arm of the Licensed Product and (ii) a separate monotherapy arm of a different PD-1/-L1 Monoclonal Antibody that is an Ancillary Therapy only (*e.g.*, pembrolizumab), or (b) both (i) an arm that evaluates the Licensed Compound in combination with a given MacroGenics Pipeline Asset and (ii) a separate arm that evaluates a different PD-1/-L1 Monoclonal Antibody that is an Ancillary Therapy (*e.g.*, pembrolizumab) in combination with the same MacroGenics Pipeline Asset.

1.94 “MacroGenics Pipeline Asset Criteria” means, with respect to a molecule, that MacroGenics:

(a) (i) owned or Controlled such molecule for any period after the Effective Date, (ii) previously conducted, or is conducting, a Clinical Study with such molecule that evaluates a combination of such molecule and the Licensed Compound, and (iii) has entered into, or shall enter into, a bona fide collaboration with a Third Party that governs the research, development and commercialization of such molecule with respect thereto; or

(b) has previously entered into, or enters into, a bona fide collaboration with a Third Party that governs the research, development and/or commercialization of such molecule, where MacroGenics retains development rights to sponsor and fund a Clinical Study and to provide input on the development of such molecule;

provided that in each case (of (a) and (b)), such Third Party collaborator shall be contractually obligated to the same development obligations as MacroGenics, pursuant to Section 4.3 or otherwise in Article 4, except that in the case of (a), Incyte shall have the final decision-making authority pursuant to Section 4.3(b)(i)(3) and Section 4.3(b)(ii).

1.95 “MacroGenics Pipeline Asset Information” means any commercially sensitive confidential information related to a MacroGenics Pipeline Asset, as reasonably determined by MacroGenics in its sole discretion.

1.96 “Manufacture” means any and all activities and processes related to the manufacturing of Licensed Compound or Licensed Product, or any ingredient thereof, including manufacturing of Licensed Compound Bulk Drug Substance, or Licensed Compound Drug Product for Development or Commercialization, labeling, packaging, in-process and testing of finished Licensed Compound or Licensed Product, release of the Licensed Compound or Licensed Product or any component or ingredient thereof, quality assurance activities related to manufacturing and release of Licensed Compound or Licensed Product, and ongoing stability tests and regulatory activities related to any of the foregoing. “Manufacture” shall exclude Manufacturing Development.

1.97 “Manufacturing Development” means any of the following with respect to Licensed Compound or Licensed Product: manufacturing process development and validation, process improvements, formulation development, associated analytical development and validation and the manufacture and testing of stability or consistency lots (including process development, qualification, QA, and test batches).

1.98 “Manufacturing Expenses” means, with respect to the Licensed Compound or any Licensed Product, the aggregate of fully burdened (excluding accounting expenses) internal costs (including actual direct labor based on internal FTE Costs) and Third Party Expenses (without mark-up) incurred by a Party and its Affiliates to Manufacture such Licensed Compound or Licensed Product, calculated as follows, in each case determined in accordance with GAAP, as consistently applied by such Party and its Affiliates: (a) to the extent that such Party or its Affiliates performs all or any part of the Manufacturing of the Licensed Compound or Licensed Product, (i) the direct material costs (including media and purification reagents) and direct FTE Costs for such Manufacturing of the Licensed Compound or Licensed Product, which may include, to the extent actually incurred in such Manufacture, cleaning costs of productions, Manufacturing administrative (including overhead costs allocable to the Manufacturing, but excluding all corporate general and administrative overhead costs), the costs of audits, and all directly incurred Manufacturing variances; (ii) a [**] of the costs of [**] of Licensed Compound (calculated by [**]) (e.g., [**]); and (iii) Manufacturing facilities costs (including depreciation, repairs and maintenance costs), scale-up directly allocable to the Manufacture of the Licensed Compound or Licensed Product (including API and drug product production), quality assurance and quality control and technical support, provided that, for commercial supply, each of (i) and (iii) may be included in Manufacturing Expenses only to the extent such costs and expenses are inventoriable under GAAP as consistently applied by such Party or its Affiliates; provided that, all costs of direct labor shall be calculated based on the FTE Rate; and (b) to the extent that a Third Party performs all or any part of the Manufacturing of the Licensed Compound or Licensed Product, the reasonable out-of-pocket costs paid to such Third Party for such activities determined in accordance with GAAP. All invoices for Manufacturing Expenses submitted under this Agreement will include a detailed calculation and description of the relevant overhead allocations. For clarity, Manufacturing Expenses shall not include: (A) any [**]; (B) any costs, expenses or overhead associated [**] (e.g., if Manufacturing activities [**] Licensed Compound Bulk Drug Substance produced [**] ([**]) of the [**] of the plant if the plant were [**]); (C) any amounts [**]; and (D) any costs or expenses [**].

1.99 “Manufacturing Process” means the manufacturing process for (including any associated Know-How owned or Controlled by MacroGenics relating to the then-current process, and necessary or useful for) the Manufacture of the Licensed Compound Bulk Drug Substance or the Licensed Compound Drug Product at the time of the Manufacturing Technology Transfer as more fully described in Section 7.1 and as further Developed under this Agreement.

1.100 “Marketing Approval” means approval of a Regulatory Approval Application by the applicable Regulatory Authority.

1.101 “Medical Affairs Activities” means medical and scientific information and responses to external inquiries or complaints, medical education, Health Economics and Outcomes Research

(HECOR, HEMAR), advisory boards, educational grants and fellowships, opinion leader development activities, drug safety, local country government affairs, field-based medical science liaisons, medical doctors in field (separate from medical science liaisons), publications, medical communications and field medical education.

1.102 “MHLW” means the Japanese Ministry of Health, Labour and Welfare and any successor agency(ies) or authority having substantially the same function.

1.103 “Monoclonal Antibodies” means any monospecific antibodies, but shall exclude any bi- or multi-specific antibody forms (e.g., Biclomics®, DART® and TRIDENT™ constructs).

1.104 “Monotherapy Regimen” means the Licensed Compound administered as a single agent therapy.

1.105 “Monotherapy Study” means a non-clinical study (including Manufacturing Development), preclinical study, or Clinical Study of (a) solely the Monotherapy Regimen or (b) the Monotherapy Regimen that compares the Monotherapy Regimen to an Ancillary Therapy, in each case of (a) and (b), that is performed by or on behalf of Incyte (or by MacroGenics pursuant to Section 5.9(c)). For clarity, a monotherapy arm that is included as part of a Combination Study shall not be considered a Monotherapy Study.

1.106 “Net Price” means, with respect to any Licensed Product, the [**] (or its Affiliates or sublicensees) with payers.

1.107 “Net Sales” means, with respect to any Licensed Product, the gross amounts invoiced by Incyte or any of its Affiliates or sublicensees for sales of such Licensed Product to unaffiliated Third Party purchasers in arms-length transactions, less the following deductions calculated in accordance with GAAP, to the extent actually taken, paid, accrued and allowed:

(a) cash, trade or quantity discounts, retroactive price reductions, coupons, charge-back payments, and rebates granted (in each case, whether in cash or in kind) to trade customers, hospitals, managed health care organizations, pharmaceutical benefit managers, group purchasing organizations, and national, state, or local governments;

(b) credits, rebates or allowances allowed upon prompt payment or on account of claims, damaged goods, rejections or returns of such Licensed Product, including in connection with recalls and withdrawals, and the amount of any write-offs for bad debt (provided, that an amount written off as bad debt but subsequently recovered will be treated as Net Sales);

(c) outbound freight, shipment and insurance costs, to the extent included in the price and separately itemized on the invoice price;

(d) taxes (other than income taxes), duties, tariffs, mandated contribution or other governmental charges levied on the sale of such Licensed Product, including Value-Added Taxes (“VAT”), customs duties, healthcare taxes, excise taxes, use taxes, and sales taxes;

(e) compulsory payments and cash rebates related to sales of such Licensed Product payable to a Governmental Authority (or agent thereof) pursuant to Applicable Law by reason of any national or local health insurance program or similar program, including that portion of the annual fee on prescription drug manufacturers imposed by the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 (as amended) that Incyte, its Affiliate or its or their sublicensee, as applicable, allocates to sales of the Licensed Products in accordance with Incyte's, its Affiliate's or its or their sublicensee's standard policies and procedures consistently applied across its products, as applicable; and

(f) any other similar and customary deductions (*e.g.*, currently, co-pay cards) that are consistent with GAAP and Incyte's actual practice (or its Affiliates' or licensees') at the time in calculating and reporting its actual product net sales throughout its businesses (in the particular country, if applicable), provided that no item shall be deducted pursuant to this clause (f) if included in any another deduction provided for under this definition (for example, Incyte shall not deduct an allowance for bad debts pursuant to this clause (f), as actual bad debts are subject to deduction pursuant to clause (b)),

All of the aforementioned deductions shall be determined, on a country-by-country basis, as incurred in the ordinary course of business in type and amount consistent with Incyte's or its applicable Affiliate's or sublicensee's (as the case may be) business practices consistently applied across its product lines and accounting standards, as applicable. All such deductions shall be fairly and equitably allocated to such Licensed Product and other products of Incyte and its Affiliates and sublicensees.

In the event a Licensed Product is sold as part of a Combination Product, the Net Sales from the Combination Product shall be determined by multiplying the Net Sales of the Combination Product, as calculated above without regard for this paragraph, by the fraction $A/(A+B)$, where A is the average sale price of the Licensed Product when sold separately in finished form, and B is the average sale price of the other therapeutic ingredient(s) included in the Combination Product when sold separately in finished form, in each case in the applicable country of sale or and during the applicable royalty reporting period, if sales of both the Licensed Product and the other therapeutic ingredient(s) did not occur in such period, then in the most recent royalty reporting period in which sales of both occurred. In the event that such average sale price cannot be determined for both the Licensed Product and all other therapeutic ingredient(s) included in the Combination Product, Net Sales shall be calculated by multiplying the Net Sales of the Combination Product, as calculated above without regard for this paragraph, by the fraction of $C/(C+D)$ where C is the fair market value of the Licensed Product and D is the fair market value of all other therapeutic ingredient(s) included in the Combination Product. The Parties shall seek to determine such fair market values by mutual agreement and, in the absence of such mutual agreement, the Parties shall engage an independent valuation firm (and equally bear the costs of engaging such firm) to determine such fair market values.

Notwithstanding the foregoing, amounts invoiced by Incyte, its Affiliates, or its sublicensees for the sale of a Licensed Product among Incyte, its Affiliates or its sublicensees for resale shall not be included in the computation of Net Sales hereunder unless such Affiliate or such sublicensee is the

end user of such Licensed Product and as long as such Licensed Product is subsequently resold by Incyte, its Affiliates or its sublicensee and considered Net Sales. Net Sales shall exclude reasonable and customary quantities (*e.g.*, samples) of the Licensed Product transferred, disposed of or sold at no cost or at or below cost for (i) promotional or educational purposes, (ii) Clinical Study purposes, (iii) early access programs (such as to provide patients with a Licensed Product prior to Regulatory Approval pursuant to treatment INDs or protocols, named patient programs or compassionate use programs) or (iv) any similar uses.

1.108 “Non-Proprietary Combination Regimen” means a Combination that is evaluated in a Clinical Study comprising a Licensed Compound and at least one Ancillary Therapy that is not an Incyte Pipeline Asset, Collaborator Pipeline Asset, or MacroGenics Pipeline Asset (which Combination may also include any other compound that constitutes an Ancillary Therapy and is not an Incyte Pipeline Asset, Collaborator Pipeline Asset, or MacroGenics Pipeline Asset).

1.109 “Non-Registrational Study” means a Combination Study conducted by either Party that is not a Phase I Study, Phase II Study, Phase III Study, non-interventional Phase IV Study, Phase IV Study required by a Regulatory Authority for purposes of maintaining or changing the existing product label for the applicable Combination Regimen or Pivotal Study or otherwise in support of obtaining or maintaining Regulatory Approval (*e.g.*, an early access, compassionate use, or special use program, or a Phase IV Study not required by a Regulatory Authority for purposes of maintaining or changing the existing product label for the applicable Combination Regimen).

1.110 “Patents” means all: (a) patents, including any utility or design patent; (b) patent applications, including provisionals, substitutions, divisionals, continuations, continuations in-part or renewals; (c) patents of addition, restorations, extensions, supplementary protection certificates, registration or confirmation patents, patents resulting from post-grant proceedings, re-issues and re-examinations; (d) other patents or patent applications claiming priority directly or indirectly to (i) any such specified patent or patent application specified in (a) through (c), or (ii) any patent or patent application from which a patent or patent application specified in (a) through (c) claim direct or indirect priority; (e) inventor’s certificates; and (f) other rights issued from a Governmental Authority similar to any of the foregoing; in each case of (a) through (f), irrespective of whether such patent, patent application or other right arises in the U.S. or any other jurisdiction in the Territory.

1.111 “PD-1” means programmed cell death receptor 1.

1.112 “PD-L1” means programmed cell death ligand 1.

1.113 “PD-1 IP” means any intellectual property that relates to anti-PD-1 Monoclonal Antibodies.

1.114 “Person” means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, incorporated association, joint venture or similar entity or organization, including a government or political subdivision, department or agency of a government.

1.115 “Phase I Study” means a human clinical trial of a Product in any country that would satisfy the requirements of 21 C.F.R. § 312.21(a) (FFDCA), as amended from time to time, or any foreign equivalent thereof.

1.116 “Phase II Study” means a human clinical trial of a Product, or relevant portion of such trial (including expansion cohorts from a Phase I Study for which patients are treated at a defined dose or a set of defined doses), for which the primary endpoints include a preliminary determination of efficacy in patients being studied, as described in 21 C.F.R. § 312.21(b) (FFDCA), as amended from time to time, or any foreign equivalent thereof.

1.117 “Phase III Study” means a pivotal human clinical trial with a defined dose or a set of defined doses of a Product that is designed to ascertain efficacy and safety of such Product, as described in 21 C.F.R. § 312.21(c) (FFDCA), as amended from time to time, or any foreign equivalent thereof, for the purpose of supporting the preparation and submission of a BLA or MAA.

1.118 “Phase IV Study” means a clinical trial of a Product, possibly including pharmacokinetic studies, which trial (a) is not required to be completed prior to obtaining Marketing Approval of such Product; and (b) either (i) is required by the applicable Regulatory Authority as mandatory to be conducted on or after the Marketing Approval of such Product, or (ii) is conducted voluntarily to enhance scientific knowledge of the Product (*e.g.*, providing additional drug profile, safety data or marketing support information, or supporting expansion of Product labeling).

1.119 “Pipeline Asset” means any specific molecule (*i.e.*, not a class of molecules), other than the Licensed Compound, that is: (a) Controlled (in accordance with Section 1.32(b)) by MacroGenics, or that otherwise satisfies the MacroGenics Pipeline Asset Criteria (either, a “**MacroGenics Pipeline Asset**”); (b) Controlled (in accordance with Section 1.32(b)) by Incyte, or that otherwise satisfies the Incyte Pipeline Asset Criteria (either, an “**Incyte Pipeline Asset**”); (c) Controlled (in accordance with Section 1.32(b)) by a Collaborator (a “**Collaborator Pipeline Asset**”); or (d) solely for purposes of Sections 4.3(c) and 15.3(b), Controlled (in accordance with Section 1.32(b)) by an Acquirer in a Change of Control transaction with respect to MacroGenics (“**Acquirer Pipeline Asset**”), as applicable.

1.120 “Pivotal Study” means (a) a Phase III Study or other human Clinical Study designed to be or that becomes a registration trial sufficient for filing a Regulatory Approval Application for a Licensed Product, as evidenced by (i) an agreement with or statement from the FDA or applicable Regulatory Authority, or (ii) other guidance of minutes issued by the FDA or such other Regulatory Authority for such registration trial, or (b) a Phase III Study or other human Clinical Study which Incyte intends to submit as the basis for Regulatory Approval of the Licensed Product.

1.121 “PMDA” means the Pharmaceuticals and Medical Devices Agency in Japan and any successor agency(ies) or authority having substantially the same function.

1.122 “Product(s)” means, individually or collectively, as the context requires, (a) any Licensed Product or (b) any Combination Regimen.

1.123 “Proof of Concept” means, with respect to any [**] (but, for clarity, excluding the other [**]), the establishment of a [**] as established by the JDC on an [**], subject to an [**] (e.g., [**] or [**]).

1.124 “Qualifying Termination” means a termination of this Agreement in its entirety: (a) by MacroGenics pursuant to Section 12.3 (for Incyte’s material uncured breach); (b) by MacroGenics pursuant to Section 12.5 (for a patent challenge); (c) by MacroGenics pursuant to Section 12.6 (for Incyte bankruptcy); (d) by Incyte pursuant to Section 12.2 (for convenience); or (e) by Incyte pursuant to Section 12.4 (for safety reasons).

1.125 “Regulatory Agreement” means that certain regulatory agreement to be entered into by the Parties to define the Parties’ respective roles and responsibilities related to regulatory strategy, labeling strategy (including a delineation of any product label(s) of a Party that will be expanded to include the other Party’s Regulatory Approvals, in accordance with Section 5.8), dossier preparation, interactions with Regulatory Authorities, coordination of Regulatory Approval Application submission contents, timing and other matters, to enable each Party to comply with its respective obligations under Applicable Law, with regard to filings and interactions with any Regulatory Authority related to Incyte seeking Regulatory Approval of the Licensed Compound as a component of a MacroGenics Combination Regimen and MacroGenics seeking Regulatory Approval of the MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen.

1.126 “Regulatory Approval” means any and all approvals (including supplements, amendments, pre- and post-approvals and pricing and reimbursement approvals, but excluding Manufacturing approvals), licenses, registrations or authorizations of any national, regional, state or local Regulatory Authority, department, bureau, commission, council or other governmental entity, that are necessary to Commercialize any Compounds or Products under this Agreement in any country or jurisdiction in the Territory, for one or more uses, including any pricing and reimbursement approvals that are necessary to conduct a launch of such Compound or Product in such country or jurisdiction (even if such approvals are not legally required to launch such Compound or Product in such country or jurisdiction).

1.127 “Regulatory Approval Application” means (a) a New Drug Approval Application (“NDA”) or Biologics License Application (“BLA”) (each, as defined in the FDCA) in the U.S., or (b) any corresponding application for Regulatory Approval in any country or jurisdiction in the Territory outside the U.S., including, with respect to the European Union, a Marketing Authorization Application (“MAA”) filed with the EMA pursuant to the Centralised Approval Procedure or with the applicable Regulatory Authority of a country in Europe with respect to the decentralised procedure, mutual recognition or any national approval procedure.

1.128 “Regulatory Approval in EU” means receipt of Regulatory Approval in at least three (3) of five (5) European Major Markets.

1.129 “Regulatory Authority” means any applicable Governmental Authority involved in granting Regulatory Approval in a country or jurisdiction in the Territory, including (a) in the U.S., the FDA or any other applicable Governmental Authority having jurisdiction over any Compound or Product; (b) in the EU, the EMA or any other applicable Governmental Authority having

jurisdiction over any Compound or Product; (c) in Japan, the PMDA or MHLW; and (d) in any country or jurisdiction other than the U.S., EU or Japan, any applicable Governmental Authority having jurisdiction over any Compound or Product.

1.130 “Regulatory Documentation” means, with respect to any Compound or Product under this Agreement, all regulatory filings, applications, notifications, registrations, licenses, regulatory drug lists, advertising and promotion documents, adverse event files, complaint files, Manufacturing records, Regulatory Approvals or other regulatory submissions or supporting documents, including any written correspondence or meeting minutes, made to, made with, or received from an applicable governmental agency or Regulatory Authority relating to such Compound or Product, and all data contained therein. “Regulatory Documentation” includes INDs, Regulatory Approval Applications, and amendments and supplements for any of the foregoing.

1.131 “Regulatory Exclusivity” means, with respect to a particular country, either exclusive marketing rights or data protection or other exclusivity rights conferred by any Regulatory Authority with respect to such Licensed Product in such country or jurisdiction in the Territory, including orphan drug exclusivity, pediatric exclusivity, rights conferred in the U.S. under the Biologics Price Competition and Innovation Act of 2009 (the “**BPCI Act**”) or in the European Union under Directive 2001/83/EC, as amended, and Regulation (EC) No. 1901/2006, as amended, or rights similar thereto in other countries or regulatory jurisdictions in the Territory. Regulatory Exclusivity shall not include exclusivity conferred by a Patent right.

1.132 “Right of Reference” means the “right of reference” defined in 21 C.F.R. 314.3(b), or any analogous Applicable Law recognized outside of the U.S.

1.133 “Royalty Term” means, on a Licensed Product-by-Licensed Product and country-by-country basis, the time period commencing on the Effective Date and continuing until the later of: (a) the expiration of the last Valid Claim of a Licensed Patent Covering the composition of matter or method of use of such Licensed Product in such country; (b) [**] from the First Commercial Sale of such Licensed Product in such country; or (c) if Regulatory Exclusivity is granted with respect to such Licensed Product in such country, the expiration or termination of such Regulatory Exclusivity in such country.

1.134 “Tax” or “Taxes” means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including any interest thereon).

1.135 “Territory” means any country in the world.

1.136 “Third Party” means any Person other than (a) Incyte, (b) MacroGenics or (c) an Affiliate of either of Incyte or MacroGenics.

1.137 “Third Party Expenses” means out-of-pocket expenses incurred by a Party or any of its Affiliates for services performed by a Third Party on behalf of Incyte or MacroGenics in the course of such Party’s performance of this Agreement.

1.138 “U.S.” means the United States of America, including its territories and possessions.

1.139 “[**]” means, with respect to the Licensed Compound, the [**] of (a) [**] or (b) [**] ([**]%) [**] “[**]” (as such term is defined under applicable [**] ([**]), or if [**] ceases to be [**] in [**], its equivalent successor) of [**].

1.140 “**Valid Claim**” means (a) a claim of an issued and unexpired Patent, to the extent such claim has not been revoked, held invalid or unenforceable by a patent office, court or other Governmental Authority of competent jurisdiction in a final order, from which no further appeal can be taken, and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination, disclaimer, *inter-partes* review, post-grant review, other patent office administrative proceedings, or otherwise; or (b) a claim within a patent application that has not been pending for more than [**] from the date of its first priority patent application filing anywhere in the Territory and which claim has not been revoked, cancelled, withdrawn, held invalid or abandoned.

1.141 **Additional Definitions.** Each of the following definitions is set forth in the Section of this Agreement indicated below:

Term	Section
13D Group	15.14(a)(iii)
Acquirer Combination Study	15.3(b)
Ancillary Agreements	14.1
Annual Global Commercial Supply Forecast	7.3(a)
Approval Milestone	8.2(d)
Approved CMO	7.1(a)
Bankruptcy Laws	12.6(b)
Binding Portion	7.2(e)(i)
[**] Conditions	3.2(c)
[**]	3.2(c)
[**]	8.10(c)
[**]	8.10(c)
[**]	10.2(j)
Breaching Party	12.3
[**]	6.2(d)
CCC	2.5(a)
Claim	14.1
Clinical Quality Agreement	7.2(a)
Clinical Supply Agreement	7.2(a)
Collaborator Contract	3.2(b)
Collaborator Development IP	3.2(b)
Collaborator Sublicense Fees	8.8
Commercial Supply Agreement	7.3(d)
Committed Supply	7.2(c)
Cooperating Party	11.5(b)
Co-Promotion Agreement	6.1(c)
Cure Period	12.3
Deadlocked Committee Matter	2.6(d)

[] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.**

Development Agreement	4.5
Development Milestone	8.2(b)
Disclosing Party	11.1
Dispute(s)	13.1
[**] Conditions	3.2(c)
[**]	3.2(c)
[**]	8.10(d)
[**]	8.10(d)
[**]	4.6(b)
[**]	6.2(b)
Existing Third Party Licenses	8.10(b)
Funded Collaborator Combination Studies	7.2(b)
Incyte CDx IP	3.4(b)
Incyte Commercial Supply Commitment	7.3(a)(ii)
Incyte Competing Product	15.3(b)(iii)
Incyte Development IP	9.1(b)
Incyte Facility	7.1(a)
Incyte Indemnitee	14.2
Incyte Know-How	3.4(b)
Incyte Method Claim	3.4(d)(i)
Incyte Objection	4.3(c)(i)
Incyte Patents	3.4(b)
Incyte PD-1 IP	3.4(b)
Incyte [**] Objection	4.3(b)(i)(1)
Incyte Technology	3.4(b)
IND Transition	4.1(b)
IND Transition Date	4.1(b)
IND Transition Plan	4.1(b)
Indemnifying Party	14.3(a)
Indemnitee	14.3(a)
Indication Population	4.6(b)
Information Transfer	5.1(a)
Infringement Recovery	9.3(f)
Insolvency Event	12.6(a)
Insolvent Party	12.6(b)
[**]	6.2(c)
JDC	2.2(a)
JIPC	2.4(a)
JMC	2.3(a)
Joint Committee	2.6(a)
Joint Inventions	9.1(d)
Joint Patents	9.2(e)(i)
JSC	2.1(a)
Long Term Forecast	7.2(e)(i)
MacroGenics CDx IP	3.4(a)
MacroGenics Commercial Supply Commitment	7.3(a)(ii)

MacroGenics Competing Product	15.3(c)
MacroGenics Development IP	9.1(c)
MacroGenics Indemnitee	14.1
MacroGenics Licensed Compound Data	5.2(c)(i)
MacroGenics Method Claim	3.4(d)(ii)
MacroGenics PD-1 IP	3.4(a)
MacroGenics-Responsible Joint Patents	9.2(e)(i)
Manufacturing Technology Transfer	7.1(a)
Manufacturing Transition Plan	7.1(a)
[**]	4.3(c)(ii)
[**]	4.3(b)(i)(1)
MGA012 IND	4.1(b)
Milestone	8.2
Monotherapy Sublicense Fees	8.7
Non-Insolvent Party	12.6(b)
Ongoing Clinical Study	4.1(a)
Opt Out Notice	9.2(b)(i)
Order	7.2(e)(ii)
Patent Extension(s)	9.4
Pharmacovigilance Agreement	5.6(c)
POC Development Milestone	8.2(a)
Prosecuting Party	9.2(f)(ii)
Quality Assurance Measures	7.6(a)
Receiving Party	11.1
Regulatory Filing Milestone	8.2(c)
Representatives	9.1(e)
Requested Licensed Patent	9.2(b)
Requesting Party	11.5(b)
Required Monotherapy Study	5.9
Required Regulatory Data	5.2(c)(iii)
Responsible Party	9.2(e)(ii)
Rolling Forecast	7.2(e)(i)
Royalty Floor	8.5(a)(iii)
Sales Milestone	8.2(e)
Section 365(n)	12.6(b)
Standstill Period	15.14(a)
Study Transition	4.1(c)
Study Transition Date	4.1(c)
Study Transition Plan	4.1(c)
Subject Patents	9.2(c)(i)
Term	12.1
Terminating Party	12.3
Third Party Infringement Claim	9.5(a)
Third Party License	8.10(a)
Third Party License Credit	8.10(a)
Third Party Patent Challenge	9.6(a)

Upstream License	12.8(d)
Transferred Documentation	5.1(a)
[**]	6.2(a)
[**]	6.2(a)

**ARTICLE 2
GOVERNANCE**

2.1 Joint Steering Committee.

(a) Formation and Purpose. The Parties agree to establish and convene a joint steering committee (the “JSC”) within [**] after the Effective Date. The JSC shall consist of representatives from each Party as further described in Section 2.6(a) and operate in accordance with this Section 2.1 and Section 2.6. The purpose of the JSC shall be to provide a forum for overall coordination and communication with respect to the Parties’ activities under this Agreement, including the resolution of Deadlocked Committee Matters properly referred to the JSC under this Agreement.

(b) Responsibilities of the JSC. The JSC’s overall responsibility shall be to:

- (i)** discuss any issues arising with respect to the Development or Commercialization of the Licensed Compound or any Licensed Products or Combination Regimens;
- (ii)** discuss the clinical and/or commercial supply needs of MacroGenics, Incyte and any Collaborators with respect to the Licensed Compound and the Manufacturing plans with respect thereto;
- (iii)** discuss and oversee the Study Transition Plan, IND Transition Plan, and Manufacturing Transition Plan (provided that the selection of any Approved CMO(s) shall require mutual agreement, such agreement not to be unreasonably withheld), including discussing any amendments with respect to either of the foregoing;
- (iv)** coordinate the wind-down of efforts under this Agreement following termination in accordance with Section 12.8;
- (v)** decide matters and resolve disputes referred to the JSC which the JSC has authority to decide or resolve under this Agreement and resolve Deadlocked Committee Matters referred to the JSC in accordance with Section 2.6(d); and

(vi) perform other obligations specifically delegated to the JSC under this Agreement.

(c)JSC Decisions and Actions. Actions to be taken and decisions to be made by the JSC (including the resolution of Deadlocked Committee Matters referred to the JSC in accordance with Section 2.6(d)) shall be taken or made only following unanimous agreement, with each Party having one (1) vote. If the JSC fails to reach unanimous agreement on a matter before it for decision within [**] from the date that the matter is first presented to the JSC in writing, such matter shall be referred to the Executive Officers for discussion and resolution pursuant to Article 13 upon the request of either Party. Any resolution of such matter by the Executive Officers shall be final and binding on the Parties. If the Executive Officers are not able to resolve the matter within the [**] period specified in Article 13, then Incyte shall have the final decision-making authority with respect to such matter, and Incyte's decision on such matter shall be final and binding on the Parties, subject to the limitations set forth in Section 2.10.

2.2 Joint Development Committee.

(a)Formation and Purpose. The Parties agree to establish and convene a joint development committee (the "JDC") within [**] after the Effective Date. The JDC shall consist of representatives from each Party as further described in Section 2.6(a) and operate in accordance with this Section 2.2 and Section 2.6. The primary purpose of the JDC shall be to oversee, coordinate and facilitate Development of the Licensed Compound and Licensed Products under this Agreement. For clarity, notwithstanding the establishment of the JDC, Incyte shall have the sole and unrestricted right to conduct or have conducted any Clinical Study or other Development with respect to the Monotherapy Regimen, the Incyte Combination Regimens and the Collaborator Combination Regimens and to modify the Incyte Global Development Plan without restriction.

(b)Responsibilities of the JDC. The JDC shall:

- (i) oversee the Ongoing Clinical Study performed by or on behalf of MacroGenics with respect to the Licensed Compound;
- (ii) discuss, coordinate and oversee the transition of Development responsibilities from MacroGenics to Incyte as contemplated under this Agreement, including discussing the IND Transition Date and Study Transition Date, overseeing the Regulatory Transfer, and seeking approval of the IND Transition Plan and Study Transition Plan;
- (iii) discuss Incyte's plans with respect to the Development of the Licensed Compound and any Licensed Products in the Field in the Territory in accordance with the Incyte Global Development Plan;

- (iv) discuss MacroGenics' plans with respect to the Development of the MacroGenics Combination Regimens in the Field in the Territory in accordance with the MacroGenics Global Development Plan;
- (v) annually review the then-current Incyte Global Development Plan and MacroGenics Global Development Plan;
- (vi) discuss the protocol synopses for MacroGenics' proposed MacroGenics Combination Studies in accordance with Section 4.3;
- (vii) establish the [**] and [**] required for the achievement of Proof of Concept in a [**] or [**] of a [**];
- (viii) discuss any issues arising with respect to the Development of any Monotherapy Regimen or any Combination Regimen;
- (ix) coordinate, and encourage and facilitate, communication and information sharing regarding the Parties' performance of their respective regulatory responsibilities in accordance with Article 5;
- (x) decide matters which the JDC has the express authority to decide under this Agreement; and
- (xi) perform other obligations specifically delegated to the JDC under this Agreement.

2.3 Joint Manufacturing Committee.

(a) Formation and Purpose. The Parties agree to establish and convene a joint manufacturing committee (the "JMC") within [**] after the Effective Date. The JMC shall consist of representatives from each Party as further described in Section 2.6(a) and operate in accordance with this Section 2.3 and Section 2.6. The primary purpose of the JMC shall be to oversee, coordinate and facilitate the Manufacture of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product.

(b) Responsibilities of the JMC. The JMC shall:

- (i) discuss manufacturing matters with respect to the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product, including the Manufacturing Process, and discuss and seek approval of the Approved CMO (as more fully set forth in Section 7.1);
- (ii) facilitate the sharing of the Rolling Forecasts and Long Term Forecasts pursuant to Section 7.2(e)(i), and review and seek approval of the Annual Global Supply Commitment pursuant to Section 7.3(a);

- (iii) discuss, coordinate and oversee the Manufacturing Technology Transfer (as more fully set forth in Section 7.1), including discussing and seeking approval of the Manufacturing Transition Plan; and
- (iv) perform other obligations specifically delegated to the JMC under this Agreement.

2.4 Joint Intellectual Property Committee.

(a)Formation and Purpose. The Parties agree to establish and convene a joint intellectual property committee (the “JIPC”) within [**] after the Effective Date. The JIPC shall consist of representatives from each Party as further described in Section 2.6(a) and operate in accordance with this Section 2.4 and Section 2.6. The primary purpose of the JIPC shall be to coordinate, oversee, and provide a venue for discussion of intellectual property strategy, prosecution, maintenance, and enforcement matters relating to the Licensed Patents, Joint Patents, Incyte Patents and Patents within the Incyte Development IP.

(b)Responsibilities of the JIPC. The JIPC shall:

- (i) discuss, coordinate and oversee the preparation, filing, prosecution and maintenance of the Licensed Patents (as more fully set forth in Section 9.2);
- (ii) discuss, coordinate and oversee the litigation strategy with respect to any suits or other actions against any Third Party engaged in any existing, alleged or threatened infringement of any Licensed Patent or Joint Patent (as more fully set forth in Section 9.3);
- (iii) discuss, coordinate and oversee matters related to obtaining Patent Extensions (as more fully set forth in Section 9.4);
- (iv) discuss, coordinate and oversee the litigation strategy with respect to any Third Party Infringement Claim or Third Party Patent Challenge (as more fully set forth in Sections 9.5 and 9.6); and
- (v) perform other obligations specifically delegated to the JIPC under this Agreement.

2.5 Commercialization Coordination Committee.

(a)Formation and Purpose. The Parties agree to establish and convene a commercialization coordination committee (the “CCC”) at least [**] prior to the earlier of the [**] of either [**] or [**]. The CCC shall consist of representatives from each Party as further described in Section 2.6(a) and operate in accordance with this Section 2.5 and Section 2.6. The primary purpose of the CCC shall be to oversee, discuss and coordinate commercial activities with respect to MacroGenics Combination Regimens and Monotherapy Regimens under this Agreement;

provided that, except in connection with forecasting global commercial demand for Licensed Compound Drug Product in connection with Commercialization of the Combination Regimens, pursuant to Section 7.3(a), neither Party shall be obligated to share with the CCC any information, materials or strategy, or to coordinate on any strategy or commercialization content, with respect to its Combination Regimens or the Monotherapy Regimen. Notwithstanding anything to the contrary herein, (a) MacroGenics shall have final decision-making authority with respect to commercial matters related to MacroGenics Pipeline Assets and, subject to the remainder of this Section 2.5(a), MacroGenics Combination Regimens, and (b) Incyte shall have final decision-making authority with respect to any matters related to the Monotherapy Regimen and any commercial matters related to the Licensed Product being sold in accordance with its approved label.

(b) Responsibilities of the CCC. The CCC shall be advisory in nature and shall not have any decision-making authority, but shall:

- (i)** oversee, discuss and coordinate commercial matters with respect to MacroGenics Combination Regimens and Monotherapy Regimens, including market landscape, strategic positioning, communications and promotional strategy and medical strategy;
- (ii)** oversee and coordinate procedures for sharing Information relating to the labeling of MacroGenics Combination Regimens; and
- (iii)** perform other obligations specifically delegated to the CCC under this Agreement.

(c) CCC Membership and operations. During the JSC's first meeting, the JSC will use good faith efforts to mutually agree upon procedures regarding the membership and operations of the CCC, it being understood that the CCC shall be advisory in nature and shall not have any decision-making authority.

2.6 Joint Committee Membership and Operations.

(a) Membership. Promptly after the Effective Date, each Party shall designate three (3) representatives to the JSC, up to three (3) representatives to each of the JDC and JMC, and up to two (2) representatives to the JIPC (each, a "**Joint Committee**"). Each Joint Committee may elect to vary the number of representatives from time to time. Each representative designated by a Party shall be an employee of such Party or one of its Affiliates and shall have the appropriate level of experience in the subject area of the applicable Joint Committee, and at least one (1) representative shall have sufficient seniority within the applicable Party's organization to have the necessary decision-making authority in order for such Joint Committee to fulfill its responsibilities. Either Party may designate employees as substitutes for any of its Joint Committee representatives if one (1) or more of such Party's designated representatives is unable to be present at a meeting. From time to time, each Party may replace any of its Joint Committee representatives by written notice to the other

Party specifying the prior representative(s) and their replacement(s). Each representative on a Joint Committee shall be bound by confidentiality and non-use obligations at least as restrictive as those set forth in this Agreement.

(b) Joint Committee Chairperson. Each Joint Committee will have a chairperson, to be designated by MacroGenics initially with respect to the JDC and Incyte initially with respect to the JSC, JMC, and JIPC, and to be designated by the two Parties on an alternating basis annually thereafter. The chairperson shall be responsible for calling and convening meetings of its Joint Committee, but shall have no special authority over the other members of its Joint Committee, and shall have no additional voting rights. The chairperson of each Joint Committee (or its designate) shall: (i) prepare and circulate an agenda reasonably in advance of each upcoming meeting of such Joint Committee; and (ii) prepare and issue minutes of such Joint Committee meeting within [**] thereafter. Such minutes shall not be finalized until each representative on such Joint Committee reviews and approves such minutes, provided that any minutes shall be deemed approved unless a Joint Committee representative objects to the accuracy of such minutes within [**] after the circulation of the minutes. The minutes of each Joint Committee meeting shall be the Confidential Information of each Party.

(c) Meetings.

- (i) *Timing and Frequency.*** Promptly following its formation, each Joint Committee will hold an in-person meeting to establish such Joint Committee's operating procedures. After its initial meeting, the JSC shall meet at least once every Calendar Quarter during the Term (or such other frequency as agreed upon by the Parties), and each other Joint Committee shall meet as frequently as agreed by each such Joint Committee, but no less frequently than annually. Additionally, at least once annually, the Parties will hold an in-person meeting (as set forth in Section 2.6(c)(ii)(A)) with all Joint Committees in attendance. Additional meetings of a Joint Committee may be held with the consent of each Party (such consent not to be unreasonably withheld, delayed or conditioned), as required under this Agreement or to attempt to resolve any matter or Deadlocked Committee Matter in accordance with this Agreement. In the case of any matter or Deadlocked Committee Matter referred to a Joint Committee, such meeting shall be held within [**] following referral to such Joint Committee, or as soon as reasonably possible thereafter.
- (ii) *Meeting Procedures.*** Meetings of each Joint Committee shall be effective only if a majority of representatives of each Party are present or participating. Other than the initial meeting, each Joint Committee may meet either (A) in person at either Party's facilities or at such locations as the Parties may otherwise agree; or (B) by audio or video teleconference, provided that at least once annually, each Joint Committee shall meet in person as described in Section 2.6(c)(i). Each Party shall be responsible for all of its own expenses

incurred in connection with its representatives' participation in each Joint Committee meeting, including all travel and lodging. All other Third Party Expenses incurred by a Joint Committee in furtherance of a Joint Committee meeting, such as expenses associated with off-site meetings, shall be shared equally by the Parties.

- (iii) **Non-Member Participation.** Additional non-members of a Joint Committee having relevant experience may from time to time be invited to participate in a Joint Committee meeting, provided that such participants shall have no voting rights or powers. Non-member participants who are not employees of a Party or its Affiliates shall only be allowed to attend if: (A) the other Party's representatives have consented to the attendance (such consent not to be unreasonably withheld, delayed or conditioned); (B) such non-member participants are subject to confidentiality and non-use obligations at least as restrictive as those set forth in this Agreement, including the provisions of Sections 11.10(a) and 11.10(b), and shall be deemed the "Representatives" of the Party inviting such participants to the meeting.

- (d) **Joint Committee Decisions and Actions.** Actions to be taken and decisions to be made by the JDC, JMC, or JIPC shall be taken or made only following unanimous agreement, with each Party having one (1) vote. If the JDC, JMC, or JIPC reaches unanimous agreement on a matter before it for decision, such decision by such Joint Committee shall be final and binding on the Parties. If the JDC, JMC, or JIPC fails to reach unanimous agreement on a matter before it for decision within [**] from the date that the matter is first presented to such Joint Committee in writing, such matter (a "**Deadlocked Committee Matter**") shall be referred to the JSC for resolution upon the request of either Party pursuant to Section 2.1(c).

2.7 Additional Subcommittees and Working Groups. Each Joint Committee may establish other subcommittees or working groups as needed to further the purposes of this Agreement, including any responsibilities assigned to such Joint Committee under this Agreement; provided, however, that the JSC shall not delegate its authority to resolve Deadlocked Committee Matters to a subcommittee or working group. The purpose, scope and procedures of any such subcommittee or working group shall be mutually agreed in writing by the Joint Committee that formed such subcommittee or working group. Actions to be taken and decisions to be made by such subcommittee or working group shall be taken or made only following unanimous agreement, with each Party having one (1) vote. If a subcommittee or working group reaches unanimous agreement on a matter before it for decision, such decision by such subcommittee or working group shall be final and binding on the Parties. If a subcommittee or working group fails to reach unanimous agreement on a matter before it for decision within [**] from the date that the matter is first presented to such a subcommittee or working group in writing, such matter shall be referred to the Joint Committee that established such subcommittee or working group for resolution pursuant to Section 2.6(d) upon the request of either Party.

2.8 Authority. The Parties agree that it shall be conclusively presumed that, unless otherwise explicitly stated, each voting member of each Joint Committee, or each subcommittee or working group established by a Joint Committee, has the authority and approval of such member's respective senior management in casting his or her vote. Each Joint Committee, and each subcommittee or working group established by such Joint Committee, shall each have only the powers assigned expressly to such Joint Committee in this Article 2 and elsewhere in this Agreement, and shall not have any power to amend, modify or waive compliance with this Agreement.

2.9 Alliance Managers. Promptly following the Effective Date, each Party shall designate in writing an Alliance Manager to serve as the primary point of contact for the Parties regarding all collaboration activities contemplated under this Agreement. Each Alliance Manager shall facilitate communication and coordination of the Parties' activities under this Agreement. The Alliance Managers shall not be a member of the CCC, or the JSC or any other Joint Committee. The Alliance Managers shall be allowed to attend, as a non-voting observer, meetings of the Joint Committees and the CCC, as well as any subcommittee or working group established by a Joint Committee of which the Alliance Manager is not a member.

2.10 Decision-Making Limitations. Notwithstanding anything to the contrary in this Agreement, to the extent that a Party has final decision-making authority with respect to any matter pursuant to Section 2.1(c), such Party shall not exercise such final decision-making authority to: (a) expand or reduce either Party's rights or obligations in a manner inconsistent with the terms and conditions of this Agreement or any Ancillary Agreement; (b) determine that such Party has fulfilled its obligations, or the other Party has breached its obligations, under this Agreement or any Ancillary Agreement (including regarding MacroGenics' performance with respect to the Manufacture and supply of the Licensed Compound); (c) make any decision that is expressly stated to require the other Party's approval or agreement or the approval or agreement of both Parties under this Agreement or any Ancillary Agreement; (d) make any decision for which the other Party has expressly been given final decision-making authority under this Agreement; (e) resolve any dispute regarding whether a Milestone has been achieved or the amount of any royalties or other payments owed by one Party to the other Party; (f) hold significantly more Joint Committee meetings at such Party's facility than the other Party's facility; (g) cause either Party to violate Applicable Law, regulatory requirements or guidance or industry codes; or (h) establish the [**] required for the achievement of Proof of Concept in a [**] or [**] of a [**]. If the Parties fail to mutually agree to the [**] described in (h), then such matter will be submitted to an independent Third-Party expert (mutually agreed upon by both Parties) to establish [**] based on an analysis of available or published data from all of the Approved PD-1 Antibodies, subject to the following parameters: (A) the [**] shall be consistent with the applicable [**] for which Approved PD-1 Antibodies have received Regulatory Approval as a Monotherapy Regimen, as derived from an assessment of monotherapy [**] of Approved PD-1 Antibodies (as of the date on which the applicable Clinical Study data is being assessed with respect to Proof of Concept) observed in comparable patient populations and Indications; and (B) the [**] shall be based on the Licensed Product as a single agent based on the treatment of at least [**] in a specific Indication at a defined dose and schedule that does not exceed the maximum tolerated dose of the applicable Licensed Product. For clarity, the foregoing parameters apply only to the decision of the Third-Party expert, and the JDC may mutually agree to an [**] or [**] that falls outside of such parameters. Provided that the decision of such expert falls within the

foregoing parameters, such decision will be conclusive and binding on the Parties, except in the case of fraud or manifest error. The Parties shall equally share the costs and expenses of such expert.

**ARTICLE 3
LICENSES**

3.1 License to Incyte. Subject to the terms and conditions of this Agreement, MacroGenics hereby grants to Incyte: (a) an exclusive (subject to Section 3.3(a)), non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses as provided in Section 3.2, under the Licensed Technology, to use, have used, Develop, have Developed, Manufacture or have Manufactured, the Licensed Compound and Licensed Products in the Field in the Territory, including as a Monotherapy Regimen or a component of an Incyte Combination Regimen, Collaborator Combination Regimen, or MacroGenics Combination Regimen (but for, clarity, not to use, have used, Develop, have Developed, Manufacture or have Manufactured, any MacroGenics Pipeline Asset, nor to conduct or have conducted any MacroGenics Combination Studies); (b) an exclusive, non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses as provided in Section 3.2, under the Licensed Technology, to Commercialize or have Commercialized the Licensed Compound and Licensed Products in the Field in the Territory, including as a Monotherapy Regimen or a component of an Incyte Combination Regimen or Collaborator Combination Regimen (but, for clarity, not as a component of any MacroGenics Combination Regimen); (c) an exclusive, non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses as provided in Section 3.2, under the (x) Licensed Technology and (y) Label Combination Patents, to Commercialize or have Commercialized the Licensed Compound and Licensed Products in the Field in the Territory as a component of a MacroGenics Combination Regimen in accordance with its approved label, provided that Incyte shall have no right to conduct any Medical Affairs Activities or activities directed to marketing, detailing, promoting, educating or any Phase IV Studies with respect to the Licensed Compound or Licensed Products as a component of a MacroGenics Combination Regimen other than MacroGenics Combination Regimen Detailing; (d) a co-exclusive (with MacroGenics), non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses as provided in Section 3.2, under the (x) Licensed Technology and (y) Label Combination Patents, to obtain Regulatory Approval of the Licensed Compound as a component of MacroGenics Combination Regimens and include such Regulatory Approval in the Licensed Compound label; and (e) a co-exclusive (with MacroGenics), non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses as provided in Section 3.2, under the Licensed Technology, to conduct or have conducted (by Third Party contractors, licensees or other research or Development Partners, as applicable) preclinical and nonclinical studies with the Licensed Compound and Licensed Product solely for research and development purposes.

3.2 Sublicensing.

(a) Incyte shall have the right to grant sublicenses of the rights granted to Incyte under Sections 3.1 and 3.4 to: (i) its Affiliates through multiple tiers; and (ii) Third Parties through multiple tiers, subject to the conditions in this subsection (a). Incyte may, in its discretion, grant any such sublicense to a Collaborator (pursuant to subsection

(b)) and to any bona fide Development Partners, commercial partners and distributors. Each sublicense shall refer to this Agreement and, except to the extent MacroGenics may otherwise agree in writing, be consistent in all material respects with the terms and conditions of this Agreement. Incyte shall remain responsible for the performance of its obligations under this Agreement and the performance of its sublicensees hereunder. Incyte shall provide to MacroGenics copies of all such sublicenses to Third Parties (whether granted directly by Incyte or by a Third Party which previously received a sublicense directly or indirectly from Incyte) within [**] after the execution date of each sublicense; provided that Incyte shall have the right to redact commercially sensitive information from such copies, and provided further that Incyte shall provide financial terms to the extent reasonably necessary for MacroGenics to calculate amounts due to MacroGenics hereunder (including Monotherapy Sublicense Fees and Collaborator Sublicense Fees). Information regarding the scope of the license grants, territory or term of each such sublicense shall not be considered commercially sensitive.

(b) Incyte shall require that each Collaborator agrees in writing to the all terms applicable to a Collaborator or Combination Sponsor under this Agreement, in addition to the following terms, all of which shall be set forth in a written agreement executed by Incyte and such Collaborator (the “**Collaborator Contract**”): (i) Collaborator or Incyte shall bear all costs and expenses associated with the conduct of any Collaborator Combination Studies (other than any Funded Collaborator Combination Studies); (ii) Collaborator shall not have any input or decision-making authority with respect to any governance matters related to the Licensed Compound or any Licensed Products under this Agreement; (iii) Collaborator shall provide to Incyte all data Controlled by Collaborator, derived from the conduct of any Collaborator Combination Studies as set forth in Section 5.2(b); (iv) irrespective of inventorship, Collaborator and Incyte shall jointly own any Invention that relates specifically to the Licensed Compound or any Licensed Product and results from the conduct of any Collaborator Combination Studies, together with any intellectual property rights therein (collectively, “**Collaborator Development IP**”) and, to the extent necessary to effectuate the foregoing, each of Incyte and the Collaborator, on behalf of itself and its Affiliates, shall agree to assign, and shall hereby assign, to the other party an undivided joint ownership interest in and to the Collaborator Development IP. Each party shall have the right to practice, Exploit and license, and assign or transfer its rights in, any Collaborator Development IP without a duty of accounting to the other party, and each party, on behalf of itself and its Affiliates, shall hereby waive any right it or its Affiliates may have under Applicable Laws of any jurisdiction to require any such approval or accounting; (v) Collaborator shall be subject to oversight and review and/or approval rights by Incyte with respect to the Development of Collaborator Combination Regimens, in each case, that are no less stringent than the oversight and, review and/or approval rights applicable to the Development of MacroGenics Combination Regimens under this Agreement; and (vi) Incyte shall require that each Collaborator Contract be assignable upon

termination of this Agreement at least in those instances where assignment is required pursuant to Section 12.8.

(c) MacroGenics shall have the right, in its sole discretion, to grant sublicenses of any of the rights granted to MacroGenics under Section 3.4 solely in accordance with Section 3.3(b) and subject to the remainder of this subsection (c). Each sublicense shall refer to and be subordinate to this Agreement and, except to the extent the Parties may otherwise agree in writing, any sublicense must be consistent in all material respects with the terms and conditions of this Agreement. MacroGenics shall remain fully responsible for the performance of its obligations under this Agreement and the performance of its sublicensees hereunder. MacroGenics shall provide to Incyte copies of all such sublicenses to Third Parties within [**] after the execution date of each sublicense; provided that MacroGenics shall have the right to redact commercially sensitive information from such copies. Information regarding the scope of the license grants, territory or term of each such sublicense shall not be considered commercially sensitive. MacroGenics shall not have the right, and shall not, without the prior written approval of Incyte ([**]) (which approval shall not be unreasonably withheld, conditioned or delayed), grant any sublicenses or allow any Third Party to exercise on behalf of MacroGenics any of the rights to be sublicensed to MacroGenics hereunder with respect to the [**] or [**]. Promptly after the Effective Date, the Parties will meet to discuss and agree upon the conditions under which MacroGenics may, without the need to obtain Incyte's prior written approval, grant sublicenses or otherwise allow Third Parties to exercise on behalf of MacroGenics any of the rights to be sublicensed to MacroGenics hereunder with respect to the [**] (the "[**] **Conditions**") or [**] (the "[**] **Conditions**"); provided that, each of the [**] Conditions and the [**] Conditions shall not be [**] required under the [**]. (i) Promptly after execution of the [**] and [**] as described in Section [**], Incyte shall provide a [**] of the [**] which Incyte [**] to MacroGenics, reasonably sufficient to [**] the [**]. Within [**] following MacroGenics' receipt of such [**], MacroGenics shall notify Incyte whether MacroGenics [**] to [**] under the [**] and/or the right to [**] or [**] under the [**] (the "[**]"). MacroGenics may [**] the [**] on a [**], subject to [**] Conditions or the prior written agreement of Incyte in each instance. (ii) Promptly after execution of each [**] between Incyte and [**] as described in [**], Incyte shall provide a [**] of the [**] under which Incyte [**] to MacroGenics, reasonably sufficient to confirm the [**]. Within [**] following MacroGenics' receipt of such redacted [**], MacroGenics shall notify Incyte whether MacroGenics [**] under the [**] and/or the [**] or [**] under the [**] (the "[**]"). MacroGenics may [**] the [**] on a [**], subject to satisfaction of the [**] Conditions or the [**] of Incyte in each instance.

3.3 Retained Rights

(a) General.

- (i) **Retained Exclusive Rights.** Notwithstanding anything to the contrary herein, MacroGenics shall retain the exclusive right: (A) to conduct or have conducted (by Third Party subcontractors or licensees in accordance with Section 1.94, as applicable) the MacroGenics Combination Studies; and (B) subject to Section 3.1(a), to Exploit any MacroGenics Pipeline Asset, including as a component of a MacroGenics Combination Regimen.
- (ii) **Other Retained Rights.** MacroGenics shall retain, subject to the terms and conditions of this Agreement: (A) the co-exclusive (with Incyte) right to conduct or have conducted (by Third Party contractors, licensees or other research or Development Partners, as applicable) preclinical and nonclinical studies with the Licensed Compound and Licensed Product solely for research and development purposes; (B) the non-exclusive right to conduct or have conducted (by Third Party contractors, licensees in accordance with Section 1.94 or other research or Development Partners, as applicable) the Ongoing Clinical Study prior to completion of the Study Transition in accordance with the Study Transition Plan; and (C) the non-exclusive, non-transferable right to (x) Manufacture the Licensed Compound Bulk Drug Substance and (y) Manufacture or have Manufactured the Licensed Compound Drug Product.

(b)Sublicensing Rights. MacroGenics shall have the right to grant licenses or sublicenses (as applicable) of the rights retained by or granted to MacroGenics under Sections 3.3 and 3.4, subject only to the following (and, as applicable, Section 3.2(c)). In the case of Section 3.3(a)(i)(A), such license or sublicense (as applicable) shall be solely to those Third Parties referenced in 3.3(a)(i)(A), and shall be solely for the purposes of either (i) Developing a MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen or (ii) Commercializing a MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen in accordance with its approved label (but, for clarity, the retained rights and such licenses or sublicenses shall not include the right to Develop or Commercialize the Licensed Compound or any Monotherapy Regimen, Incyte Pipeline Asset or Collaborator Pipeline Asset). In the case of Section 3.3(a)(ii)(C)(x), individual elements of the Manufacturing Process may be performed by Third Parties on behalf of MacroGenics, provided that MacroGenics shall in any case continue to conduct the majority of Manufacturing-related activities in connection with the Manufacture of the Licensed Compound Bulk Drug Substance, and MacroGenics shall not engage in any Manufacturing Process technology transfer with any such Third Parties other than with respect to the specific Manufacturing Process to be conducted by such Third Parties and only to the extent reasonably required for such Third Parties to perform such Manufacturing Process.

(c)Notwithstanding anything to the contrary herein, MacroGenics shall not have any right to, and shall not, (i) Exploit any Combination Product, or (ii) sell, have sold, or distribute Licensed Compound Bulk Drug Substance or Licensed Compound Drug Product other than (x) for use in those activities described in Section 3.3(a), or (y)

to Incyte for use in the Development activities or the Manufacture of the Licensed Product. Furthermore, notwithstanding anything to the contrary herein, MacroGenics shall not have any right to, and shall not, directly or indirectly, conduct or perform, nor contract with any Third Party to conduct or perform (A) any Clinical Study of an Incyte Combination Regimen or any Collaborator Combination Regimen, nor (B) any other Clinical Study that includes the Licensed Compound and any other specific molecule or molecules (as monotherapies or combinations) other than a MacroGenics Combination Study (or a Monotherapy Study pursuant to Section 5.9(c)). In the event that MacroGenics enters into any collaboration or analogous relationship with respect to the Licensed Compound involving a Third Party collaborator who owns or Controls an Ancillary Therapy that is being studied in connection with a MacroGenics Combination Regimen, (x) MacroGenics shall provide to Incyte all data Controlled by MacroGenics derived from any arm of the Clinical Study that solely comprises both the Licensed Compound and the Ancillary Therapy, and (y) MacroGenics shall grant and hereby grants to Incyte a non-exclusive, irrevocable, perpetual, transferable, fully paid-up, royalty-free, sublicenseable license under any Information or any intellectual property Controlled by MacroGenics arising out of any arm of the Clinical Study that solely comprises both the Licensed Compound and the Ancillary Therapy for any use consistent with the license granted pursuant to Section 3.4(a), in each case (of (x) and (y)) to the extent that MacroGenics has the contractual right to extend such rights, licenses, or sublicenses to Incyte, as applicable (and MacroGenics shall use Commercially Reasonable Efforts to obtain such contractual rights from the applicable Third Party collaborator). Any such Clinical Study shall otherwise be subject to all of the requirements and limitations set forth herein with respect to MacroGenics Combination Studies (e.g., the obligations and limitations set forth in Section 4.3 and Article 5). MacroGenics shall be responsible for any failure of the Third Party collaborator to comply with the obligations set forth in Section 3.3(b) and in this Section 3.3(c).

3.4 Freedom to Operate Licenses.

(a) Subject to the terms and conditions of this Agreement and without limiting the license granted pursuant to Section 3.1, MacroGenics hereby grants to Incyte a non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses to the extent provided in Section 3.2(a) and 3.2(b), under (i) any Patents Controlled by MacroGenics or, subject to Section 15.3(d), its Affiliates as of the Effective Date or during the Term, including MacroGenics' interest in any Joint Patents that Cover the Exploitation of PD-1 Monoclonal Antibodies (the "**MacroGenics PD-1 IP**") except that such license shall not extend to any claims in any Patents Controlled by MacroGenics that Cover a (x) MacroGenics Pipeline Asset, (y) Incyte Pipeline Asset or (z) MacroGenics Combination Regimen, unless such claims are necessary for Incyte to exercise the license granted pursuant to Section 3.1; and (ii) any other Patents or Know-How Controlled by MacroGenics or, subject to Section 15.3(d), its Affiliates, as of the Effective Date or during the Term, including MacroGenics'

interest in any such Joint Patents that Cover or are embodied in any *in vitro* device or other companion diagnostic used to detect, identify and/or diagnose the presence of PD-1 or PD-L1 for the Exploitation of the Licensed Compound or Licensed Products (the “**MacroGenics CDx IP**”), in each case (of (i)-(ii)) to Exploit the Licensed Compound and Licensed Products in the Field in the Territory, including as a Monotherapy Regimen or a component of an Incyte Combination Regimen, Collaborator Combination Regimen or, solely to the extent permitted under Section 3.1, MacroGenics Combination Regimens (but, for clarity, not to Exploit any MacroGenics Pipeline Asset). Notwithstanding anything to the contrary herein, to the extent of any overlap between the license grants under this Section 3.4(a) and the license grant under Section 3.1, any payment obligations of Incyte in connection with the license grant under Section 3.1 shall remain unaffected and shall continue in full force and effect. For clarity, this Section 3.4(a) shall not be construed to limit the rights granted to Incyte under Section 3.1 to Exploit the Licensed Compound as a component of an Incyte Combination Regimen.

(b) Subject to the terms and conditions of this Agreement, Incyte hereby grants to MacroGenics a non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses to the extent provided in Section 3.2(c) and Section 3.3(b), under (i) any Patents Controlled by Incyte or its Affiliates, as of the Effective Date or, subject to Section 15.3(d), during the Term, that Cover the manufacture of the Licensed Compound, including Incyte’s interest in any such Joint Patents (the “**Incyte PD-1 IP**”) except that such license shall not extend to any claims in any Patents Controlled by Incyte that claim an Incyte Pipeline Asset or Incyte Combination Regimen, (ii) Incyte Development IP Controlled by Incyte or its Affiliates that relates specifically to the Licensed Compound (and not, for clarity, to any Combination Regimen or Pipeline Asset), including Incyte’s interest in any such Joint Patents or Joint Inventions, (iii) any other Patents or Know-How Controlled by Incyte or its Affiliates, as of the Effective Date or, subject to Section 15.3(d), during the Term, that Cover or are embodied in any *in vitro* device or other companion diagnostic used to detect, identify and/or diagnose the presence of PD-1 or PD-L1 for the Development or Commercialization of the Licensed Compound or Licensed Products, including Incyte’s interest in any such Joint Patents or Joint Inventions (the “**Incyte CDx IP**”) and (iv) any other Patents or Know-How Controlled by Incyte or its Affiliates, as of the Effective Date or, subject to Section 15.3(d), during the Term, that relate specifically to the Licensed Compound (and not, for clarity, to any Combination Regimen), including Incyte’s interest in any such Joint Patents or Joint Inventions (such Patents, “**Incyte Patents**” and such Know-How, “**Incyte Know-How**”; collectively, “**Incyte Technology**”), in each case (of (i)-(iv)) solely to Develop and Commercialize any MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen in accordance with its approved label (but, for clarity, not to Develop or Commercialize the Licensed Compound or any Monotherapy Regimen, Incyte Pipeline Asset or Collaborator Pipeline Asset).

(c) MacroGenics shall provide to Incyte reasonable access to MacroGenics CDx IP for the purpose of Incyte's performance of the Incyte Global Development Plan. Incyte shall provide to MacroGenics reasonable access to Incyte CDx IP for the purpose of MacroGenics' performance of the MacroGenics Global Development Plan.

(d)(i) Subject to the terms and conditions of this Agreement, Incyte hereby grants to MacroGenics a non-exclusive, worldwide, fully-paid, royalty-free license, non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses to the extent provided in Section 3.2(c) and Section 3.3(b), to any Incyte Method Claims under any Patent Controlled by Incyte or (subject to Section 15.3(d)) its Affiliates as of the Effective Date or during the Term, as necessary to Commercialize the MacroGenics Pipeline Asset in combination with the Licensed Compound or Licensed Product in accordance with the approved label of the applicable MacroGenics Combination Regimen. As used herein, an "**Incyte Method Claim**" shall mean any claim that claims the method of using the Combination of the Licensed Compound or Licensed Product with a MacroGenics Pipeline Asset for the treatment of cancer in the Territory, excluding claims: (A) for which Incyte does not have the contractual right to grant the license under this Section 3.4(d)(i); (B) that arise from an Incyte Pipeline Asset disclosed in the Incyte Global Development Plan under Exhibit B-1, as of the Effective Date; or (C) that read on or include as an element a Cancer Treatment Use.

(ii) Subject to the terms and conditions of this Agreement and without limiting the license granted pursuant to Section 3.1, MacroGenics hereby grants to Incyte a non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except in accordance with Section 15.4) license, with the right to grant sublicenses to the extent provided in Section 3.2(a) and 3.2(b), to any MacroGenics Method Claims under any Patent Controlled by MacroGenics or (subject to Section 15.3(d)) its Affiliates as of the Effective Date or during the Term, as necessary to Commercialize the Licensed Compound or Licensed Product in combination with the Incyte Pipeline Asset in accordance with the approved label of the applicable Incyte Combination Regimen. As used herein, a "**MacroGenics Method Claim**" shall mean any claim that claims the method of using the Combination of the Licensed Compound or Licensed Product with an Incyte Pipeline Asset for the treatment of cancer in the Territory, excluding claims: (A) for which MacroGenics does not have the contractual right to grant the license under this Section 3.4(d)(ii); (B) that arise from a MacroGenics Pipeline Asset disclosed in the MacroGenics Global Development Plan under Exhibit B-2, as of the Effective Date; or (C) that read on or include as an element a Cancer Treatment Use.

3.5 No Implied Licenses. All licenses and rights are granted only as expressly provided in this Agreement and no license or other right is or shall be created or granted under this Agreement by implication, estoppel, or otherwise. All rights not expressly granted by a Party under this Agreement are reserved by such Party and may not be used by the other Party for any purpose.

**ARTICLE 4
DEVELOPMENT**

4.1 Transition of Ongoing Clinical Study.

- (a) Ongoing Clinical Study.** During the period beginning on the Effective Date and ending on the Study Transition Date, MacroGenics shall use Commercially Reasonable Efforts to: (i) perform any Development activities assigned to MacroGenics in the Study Transition Plan; and (ii) subject to subsection (d) below, conduct (or have conducted by an Affiliate or Third-Party contract research organization) the ongoing Clinical Study of the Licensed Compound and all related Development activities that are identified (together with an estimate of the costs thereof through [**]) on Exhibit E (collectively, the “**Ongoing Clinical Study**”).
- (b) IND Transition.** Within [**] after the Effective Date, or such other period defined by the JDC, but in any event no later than [**] (the “**IND Transition Date**”), MacroGenics shall transfer to Incyte, and Incyte shall cooperate in good faith to support MacroGenics’ transfer of, all INDs for the Licensed Compound (the “**MGA012 IND**”), in accordance with a transition plan to be approved by the JDC promptly after the Effective Date (the “**IND Transition**”; such transition plan, the “**IND Transition Plan**”). Each Party shall bear all costs and expenses incurred by such Party in connection with the IND Transition. Upon the completion of the IND Transition, Incyte shall be solely responsible, at its sole cost and expense, for all filings, reports and communications with all Regulatory Authorities, with respect to the Licensed Products. Upon completion of the IND Transition, MacroGenics shall, and hereby does, assign to Incyte all such Regulatory Documentation and shall take all steps reasonably necessary to effectuate the assignment of all INDs, Regulatory Approval Applications and Regulatory Approvals included in such Regulatory Documentation to Incyte.
- (c) Study Transition.** MacroGenics and Incyte shall jointly cooperate to complete the transfer to Incyte of the Ongoing Clinical Study, in accordance with a transition plan and budget to be approved by the JDC (the “**Study Transition**”; such transition plan, the “**Study Transition Plan**”), but in any event to be completed no later than [**] (the “**Study Transition Date**”); provided that, MacroGenics may transfer certain responsibilities with respect to the Ongoing Clinical Study prior to the Study Transition Date, as determined by the JDC and set forth in the Study Transition Plan. At all times during the Term, Incyte shall cooperate in good faith to support MacroGenics’ transfer of the Ongoing Clinical Study to Incyte.

(d) Decision-Making; Costs. At all times during the Term, whether prior to or after the IND Transition Date or the Study Transition Date: (i) Incyte shall have final decision-making authority with respect to matters related to the Ongoing Clinical Study (which Incyte shall exercise in good faith); and (ii) Incyte shall bear any and all FTE Costs and Third Party Expenses incurred by MacroGenics following the Effective Date directly related to the Ongoing Clinical Study in accordance with the Study Transition Plan, other than any costs specifically related and allocable to any MacroGenics Combination Regimen. Incyte shall reimburse MacroGenics within [**] after receipt of any undisputed invoice from MacroGenics setting forth such costs.

4.2 Incyte Development Responsibilities.

(a) General.

- (i)** Following the Study Transition Date, subject to Sections 2.2, 3.3, and 4.1, Incyte shall, at its sole cost and expense, be solely responsible for and have sole authority over: (a) the Development of the Monotherapy Regimen in the Field in the Territory (other than pursuant to Section 5.9(c)); and (b) the Development of Incyte Combination Regimens and Collaborator Combination Regimens in the Field in the Territory, and will retain final decision-making authority with respect to each of the foregoing. Notwithstanding the foregoing, MacroGenics will continue to perform Manufacturing Development work as determined by the JMC with respect to the Licensed Compound following the Study Transition Date, and with respect to any such Manufacturing Development that relates [**] to the Licensed Compound, Incyte shall pay any and all such costs to the extent required pursuant to subsection (ii) below, and will retain final decision-making authority with respect to such Manufacturing Development.
- (ii)** Incyte shall bear any and all costs and expenses incurred in connection with: (a) any Development activities that relate to the Monotherapy Regimen (other than any costs and expenses associated (i) with any monotherapy arms that are included in any MacroGenics Combination Study or (ii) Monotherapy Studies conducted pursuant to Section 5.9(c)) or any Incyte Combination Regimens and Collaborator Combination Regimens, including the Development activities set forth in this Section 4.2; and (b) any Development activities that are needed to pursue Regulatory Approval of the Monotherapy Regimen (other than pursuant to Section 5.9(c)) or any Incyte Combination Regimens. For clarity, except as set forth in Section 4.1 and in clause (i) above, (x) MacroGenics shall have no obligation to perform any Development activities that relate to the Monotherapy Regimen or any Incyte Combination Regimens and Collaborator Combination Regimens and (y) Incyte shall not be responsible for, and MacroGenics shall bear, any and all costs and expenses related to the conduct of (A) any MacroGenics Combination Studies or (B) other Development activities expressly required

to be conducted by MacroGenics with respect to the Licensed Compound for which the Agreement does not specify that Incyte shall reimburse MacroGenics for such Development expenses.

(b)Clinical Study Registries. Incyte shall be responsible, in accordance with Applicable Law, for registering in the appropriate clinical trial registry and posting the results of all Clinical Studies of the Monotherapy Regimen (other than pursuant to Section 5.9(c)) and Incyte Combination Regimens in the Field in the Territory. With respect to Clinical Studies of Collaborator Combination Regimens in the Field in the Territory, either Incyte or Collaborator shall be responsible (as set forth in the applicable Collaborator Contract), in accordance with Applicable Law, for registering in the appropriate clinical trial registry and posting the results of such Clinical Studies.

(c)Documentation. Incyte shall prepare and maintain, or shall cause to be prepared and maintained, complete and accurate written records, accounts, notes, reports and data with respect to Development activities conducted by Incyte pursuant to this Agreement (including the Incyte Global Development Plan) in good scientific manner and in conformity with Applicable Law and Incyte's standard practices, provided that, in no case shall such records be maintained for less than [**] following the Calendar Year to which such records pertain (or any longer period required by Applicable Law).

(d)Progress Reports. No later than [**] and [**] of each Calendar Year, Incyte shall provide to MacroGenics in writing (PowerPoint presentations are acceptable) a report summarizing Incyte's efforts and progress during the [**] prior to such date, as applicable, to Develop and seek Regulatory Approval of the Licensed Compound and any Licensed Products. Each such report shall describe, among other matters: (a) material Development activities completed since the last report, including the object and parameters of the Development, when initiated and when completed; (b) a summary of all material results of any Monotherapy Studies or Monotherapy Regimens; (c) material Development activities planned to be undertaken before the next report, including the type and object of any Clinical Studies to be conducted and their projected starting and completion dates; (d) a summary of all material updates or developments with respect to the Manufacturing Process since the date of the last report; and (e) material changes in Incyte's Development plans; provided, however, that (i) Incyte shall not be required to include in such reports any (A) information relating solely to the Incyte Pipeline Assets or (B) other confidential information related to the Incyte Pipeline Assets or Incyte Combination Regimens, in each case as reasonably determined by Incyte in its sole discretion; (ii) Incyte shall not be required to provide such a report for any Calendar Quarter in which it provided an update to the Incyte Global Development Plan pursuant to Section 4.4(a); and (iii) Incyte shall not be required to provide such a report for any Calendar Quarter in which it provided materially similar information to any Joint Committee. In addition, Incyte shall promptly respond to reasonable requests by MacroGenics for

information regarding Incyte's Development and Commercialization activities for the Licensed Compound and Licensed Products, to the extent such information is necessary to assess Incyte's compliance with its obligations hereunder.

(e)Performance.

- (i)** With respect to the performance of any Incyte Combination Study or Collaborator Combination Study hereunder, Incyte shall (and shall require that Collaborator shall, with respect to any Collaborator Combination Studies): (a) perform the Combination Study in accordance with this Agreement and all Applicable Law, including GCP; (b) obtain all approvals and clearances necessary to conduct each Combination Study, including obtaining customs clearances and approvals from Regulatory Authorities, institutional review boards and ethics committees; (c) ensure that all consents required under Applicable Law in connection with such Combination Study have been obtained prior to commencing any Combination Study; and (d) not employ or subcontract with any Person or Third Party that has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FDCA or is subject to any similar sanction of other Governmental Authorities in the Territory, and promptly remove any such Person or Third Party from performing any activities related to any Combination Study.
- (ii)** Incyte shall require that Collaborators shall perform all Collaborator Combination Studies in accordance with the applicable Collaborator Contract and all applicable terms and conditions of this Agreement. For the avoidance of doubt, Incyte, as the Controlling Party, shall be responsible for the failure of a Collaborator to fulfill any obligation owed to MacroGenics pursuant to this Agreement in connection with any Collaborator Combination Studies, Collaborator Pipeline Assets or any Collaborator Combination Regimen, including any regulatory or other requirements related thereto, irrespective of which party performs the relevant obligation or to whom the relevant obligation is addressed.

(f)Diligence. Incyte shall use Commercially Reasonable Efforts to: (i) complete the Ongoing Clinical Study as described in Exhibit E, subject to amendments to the protocol therefor and to corresponding portions of the Incyte Global Development Plan by Incyte in the exercise of its reasonable business judgment and (ii) Develop the Monotherapy Regimen and one (1) or more Incyte Combination Regimens.

4.3 MacroGenics Development Responsibilities.

(a)General. MacroGenics shall, at its sole cost and expense, have the sole right to conduct, or have conducted, MacroGenics Combination Studies and shall retain final decision-making authority with respect thereto, subject to the remainder of this Section 4.3. Notwithstanding anything to the contrary in this Section 4.3, the protocol synopses for the MacroGenics Combination Studies in Exhibit B-2 have been

reviewed and pre-approved by Incyte prior to the Execution Date. Accordingly, Incyte will not have any further right to review, approve or object to the design or conduct of any such studies, unless the components outlined in the protocol synopsis reviewed by Incyte are materially different from the corresponding components in the protocol prior to its first submission to a Regulatory Authority, in which case Incyte shall be given a subsequent opportunity and right to review, comment on and object to the updated protocol synopsis before such submission.

(b) MacroGenics Combination Studies.

(i) For a period of [**] following the Effective Date, MacroGenics shall provide to Incyte, through the JDC, a protocol synopsis (in a consistent format as included in Exhibit B-2) for each MacroGenics Combination Study (but for clarity, excluding any Phase IV Studies) proposed to be conducted by or on behalf of MacroGenics (which synopsis may be redacted by MacroGenics with respect to any MacroGenics Pipeline Asset Information), and:

(1) Without limiting Section 4.3(c), Incyte shall have the right to object to the design or conduct of such MacroGenics Combination Study in the event that Incyte [**] that [**] could [**] to its [**] ([**], a “[**]”; an objection pursuant to this Section 4.3(b)(i)(1), an “**Incyte [**] Objection**”), provided that, any such Incyte [**] Objection: (A) specifically identifies, in reasonable detail, the potential [**] such proposed MacroGenics Combination Study may pose; and (B) is provided in writing to MacroGenics within [**] following the provision of the protocol synopsis to the JDC. MacroGenics may proceed with any such MacroGenics Combination Study in the event that Incyte does not provide written notice of an Incyte [**] Objection within such [**] period, unless the components outlined in the protocol synopsis reviewed by Incyte are materially different from the corresponding components in the full protocol prior to its first submission to a Regulatory Authority, in which case Incyte shall be given a subsequent opportunity and right to review and comment on an updated protocol synopsis within [**] of receipt of such updated protocol synopsis.

(2) In the event Incyte timely delivers notice of an Incyte [**] Objection to MacroGenics: (A) the Parties shall, within [**] following the delivery of such notice, convene the JDC for the purpose of discussing the MacroGenics Combination Study, and MacroGenics shall consider in good faith any comments from Incyte related to the design and conduct of such study, with MacroGenics using Commercially Reasonable Efforts to resolve the Incyte [**] Objection, and (B) without the prior written approval of Incyte (not to be unreasonably withheld, conditioned or delayed; provided, however, that

withholding, conditioning or delaying such approval based on the continued existence of a [**] shall be deemed not unreasonable), MacroGenics shall not conduct or have conducted such MacroGenics Combination Study.

(3) In the event of any dispute relating to a matter set forth in this subsection (i), if such dispute remains unresolved after discussion through the JDC and escalation pursuant to Section 2.1(c), MacroGenics shall have final decision-making authority with respect thereto. Notwithstanding anything to the contrary herein, the time period for review of the protocol synopsis, from MacroGenics' first provision of the protocol synopsis to Incyte and any final casting vote in the JDC in the event of a dispute shall never exceed [**].

(4) For a period ending on the earlier (x) [**] following the Effective Date or (y) achievement of the first Licensed Compound Approval by either the FDA or EMA, after the first submission of any MacroGenics Combination Study protocol to a Regulatory Authority in accordance with Section 4.3(a) and Section 4.3(b), MacroGenics shall provide to Incyte an updated protocol synopsis to reflect any material amendments to the corresponding protocol as may be adopted from time to time, and Incyte shall have the right to review and comment on such amendments.

(ii) With respect to any MacroGenics Combination Study, but without limiting the rights of Incyte pursuant to Section 4.3(c) with respect to Clinical Studies including a MacroGenics PD-1 Control Arm, MacroGenics shall employ a dosage or schedule of the Licensed Compound that (A) is consistent with a dosage or schedule of the Licensed Compound that has been previously tested in a Phase II Study or Phase III Study, (B) is consistent with a dosage or schedule previously recommended or required by a Regulatory Authority, or (C) has not been previously tested in any Clinical Study and is reasonably expected by the JDC not to pose any [**]. In the event of any dispute relating to a matter set forth in this subsection (ii), if such dispute remains unresolved after discussion through the JDC and escalation pursuant to Section 2.1(c), MacroGenics shall have final decision-making authority with respect thereto; provided that, the time period from the start of such dispute to its resolution shall never exceed [**].

(c) MacroGenics Combination Studies that Include a MacroGenics PD-1 Control Arm. Without limiting Incyte's rights under Section 4.3(b), commencing on the Effective Date and lasting until achievement of the Licensed Compound Approval by either the FDA or EMA, MacroGenics shall provide to Incyte, through the JDC, (i) a copy of the detailed full protocol of each Clinical Study that includes a MacroGenics PD-1 Control Arm planned to be conducted by or on behalf of

MacroGenics (which protocol may be redacted by MacroGenics with respect to any MacroGenics Pipeline Asset Information), and (ii) a written statement explaining why such Clinical Study design is likely to be required or recommended by a Core Regulatory Authority in order to achieve Regulatory Approval of the applicable MacroGenics Combination Regimen:

- (i) Incyte shall have the right to reasonably object to the conduct of such Clinical Study that includes a MacroGenics PD-1 Control Arm, in the event that Incyte provides notice of such objection in writing to MacroGenics within [**] following the provision of the detailed full protocol to the JDC (the “**Incyte Objection**”). Subject to the provisions of Section 4.3(b), MacroGenics may proceed with any such study in the event that Incyte does not provide written notice of an Incyte Objection within such [**] period.
- (ii) In the event Incyte timely delivers notice of an Incyte Objection to MacroGenics, the Parties shall, within [**] following the delivery of such notice, convene the JDC for the purpose of discussing the basis of the Incyte Objection. To the extent applicable, Incyte shall inform MacroGenics [**] that such MacroGenics PD-1 Control Arm is reasonably expected to [**] the [**] of the Licensed Compound (a “[**]”).
- (iii) If MacroGenics reasonably believes that the completion of the proposed MacroGenics PD-1 Control Arm will be required or recommended by a Core Regulatory Authority in order to achieve Regulatory Approval of a MacroGenics Combination Regimen, MacroGenics shall notify Incyte (via the JDC), and the Parties shall discuss in good faith whether reasonable modifications to the study protocol can be made or if alternative strategies can be employed (e.g., Incyte providing necessary components of care data to MacroGenics for submission to the applicable Regulatory Authority) in order to address the Incyte Objection or in order to avoid the necessity for the MacroGenics PD-1 Control Arm. MacroGenics shall reasonably incorporate into its protocol any modifications mutually agreed upon by the Parties.
- (iv) If, following the procedures described in subsections (ii) and (iii) above, MacroGenics reasonably continues to believe that the completion of the proposed MacroGenics PD-1 Control Arm will be required in order to achieve Regulatory Approval of a MacroGenics Combination Regimen, MacroGenics shall have the right to proceed with the conduct of such proposed Clinical Study.
- (v) MacroGenics shall not conduct any Clinical Study that includes both the Licensed Compound and an anti-PD-1/PD-L1 Monoclonal Antibody owned or Controlled by MacroGenics (or any Acquirer of MacroGenics or its or their Affiliates), and MacroGenics shall not enable any Third Party to conduct any such study.

- (d) Clinical Study Registries.** For all Clinical Studies of MacroGenics Combination Regimens in the Field in the Territory, MacroGenics shall be responsible, in accordance with Applicable Law, for registering in and maintaining the appropriate clinical trial registry and posting the results of such Clinical Studies.
- (e) Documentation.** MacroGenics shall prepare and maintain, or shall cause to be prepared and maintained, complete and accurate written records, accounts, notes, reports, data and all related documentation pertaining to each MacroGenics Combination Study in good scientific manner and in compliance with Applicable Law and MacroGenics' standard practices; provided that in no case shall such records be maintained for less than [**] following the Calendar Year to which such records pertain (or any longer period required by Applicable Law).
- (f) Progress Reports.** No later than [**] and [**] of each Calendar Year, MacroGenics shall provide to Incyte in writing a report (PowerPoint presentations are acceptable) detailing MacroGenics' efforts and progress during the [**] prior to such date, as applicable, to Develop and seek Regulatory Approval of any MacroGenics Combination Regimen and to conduct other research and Development activities with respect to the Licensed Compound pursuant to Section 3.3(a). Each such report shall describe, among other matters: (i) material Development activities completed since the last report, including the object and parameters of the Development, when initiated, when completed and, for a period of [**] following the Effective Date, a summary of all material results (provided, however, that MacroGenics shall not be required to include in such summary of material results any MacroGenics Pipeline Asset Information, as reasonably determined by MacroGenics in its sole discretion); (ii) material Development activities planned to be undertaken before the next report, including the type and object of any MacroGenics Combination Studies to be conducted and their projected starting and completion dates; (iii) a summary of all material updates or developments with respect to the Manufacturing Process since the date of the last report; and (iv) material changes in MacroGenics' Development plans; provided however, that (x) MacroGenics shall not be required to provide such a report for any Calendar Quarter in which it provided an update to the MacroGenics Global Development Plan pursuant to Section 4.4(b); and (y) MacroGenics shall not be required to provide such a report for any Calendar Quarter in which it provided materially similar information to any Joint Committee. In addition, MacroGenics shall promptly respond to reasonable requests by Incyte for information regarding MacroGenics' Development activities for the MacroGenics Combination Regimen, to the extent such information is necessary to assess MacroGenics' compliance with its obligations hereunder.
- (g) Performance.** With respect to the performance of any MacroGenics Combination Study, MacroGenics shall: (i) perform the Combination Study in accordance with this Agreement, the applicable protocol and all Applicable Law, including GCP; (ii) obtain all approvals and clearances necessary to conduct each Combination Study, including obtaining customs clearances and approvals from Regulatory Authorities,

institutional review boards and ethics committees; (iii) ensure that all consents required under Applicable Law in connection with such Combination Study have been obtained prior to commencing any Combination Study; and (iv) not employ or subcontract with any Person or Third Party that has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FFDCFA or is subject to any similar sanction of other Governmental Authorities in the Territory, and promptly remove any such Person or Third Party from performing any activities related to any Combination Study.

4.4 Global Development Plans.

(a) Incyte Global Development Plan. The Incyte Global Development Plan shall include, among other things: (i) material Development activities reasonably anticipated to be undertaken by Incyte to advance the Development of the Licensed Compound and any Products, including high level summaries of the design for any Clinical Study (which will specify key endpoints, projected dosing and/or scheduling for the Licensed Product, and number of patients expected to be enrolled); (ii) activities to be undertaken by Incyte to further develop the Manufacturing Process; and (iii) estimated timelines regarding the foregoing activities, including estimated timelines associated with the preparation of any material Regulatory Documentation. Incyte shall submit any updates and/or amendments to the then-current Incyte Global Development Plan to the JDC, for the JDC's review pursuant to Section 2.2. Incyte shall update the Incyte Global Development Plan no less frequently than [**] during the Term; provided that, any amended Incyte Global Development Plan shall be consistent with Incyte's diligence obligations set forth in Section 4.2(e), 4.2(f) and 6.1(d). In addition to the [**] update of the Incyte Global Development Plan, the JDC shall review any Incyte updates to the then-current Incyte Global Development Plan. Upon reasonable advance notice, at the request of the JDC, Incyte agrees to make its employees and consultants reasonably available at their respective places of employment to consult with MacroGenics on issues arising in connection with the Incyte Global Development Plan and the MacroGenics Global Development Plan. Notwithstanding anything to the contrary herein, Incyte shall have final decision-making authority on all matters related to Monotherapy Studies or Incyte Combination Studies being conducted by or on behalf of Incyte pursuant to the Incyte Global Development Plan.

(b) MacroGenics Global Development Plan. The MacroGenics Global Development Plan shall include, among other things: (i) all material Development activities reasonably anticipated to be undertaken by MacroGenics to advance the Development of the MacroGenics Combination Regimens, including high level summaries of (x) the design for any Clinical Study (which will specify key endpoints, projected dosing and/or scheduling for the Licensed Product, and number of patients expected to be enrolled, and (y) other research and Development activities to be conducted by MacroGenics in connection with the Licensed Compound pursuant to Section 3.3(a)); and (ii) estimated timelines regarding the foregoing activities,

including estimated timelines associated with the preparation of any material Regulatory Documentation. MacroGenics shall submit any updates and/or amendments to the then-current MacroGenics Global Development Plan to the JDC, for the JDC's review and approval (to the extent required) pursuant to Section 2.2 and Section 4.3, MacroGenics shall update the MacroGenics Global Development Plan no less frequently than [**] during the Term; provided that, any amended MacroGenics Global Development Plan shall be consistent with MacroGenics' obligations set forth in Section 4.1(a) and 4.3(g). In addition to the [**] update of the MacroGenics Global Development Plan, the JDC shall review any MacroGenics updates to the then-current MacroGenics Global Development Plan. Upon reasonable advance notice, at the request of the JDC, MacroGenics agrees to make its employees and consultants reasonably available at their respective places of employment to consult with Incyte on issues arising in connection with the Incyte Global Development Plan and the MacroGenics Global Development Plan. Notwithstanding anything to the contrary herein, but subject to Section 4.3, MacroGenics shall have final decision-making authority on all matters related to MacroGenics Combination Studies being conducted by or on behalf of MacroGenics pursuant to the MacroGenics Global Development Plan.

4.5 Delegation of Development Activities. Each Party may delegate the performance of any Development activities conducted in accordance with this Article 4 to any bona fide licensee in accordance with Section 3.2 or Third Party subcontractor, provided that: (a) such licensee or subcontractor has entered or shall enter into, prior to performing activities under this Agreement, an appropriate written agreement ("**Development Agreement**") that shall require, among other things, such licensee or subcontractor to be bound by obligations of confidentiality that are no less restrictive than the obligations set forth in Article 11; (b) such Party shall oversee the performance of any delegated activities in a manner that would be reasonably expected to result in their successful and timely completion; and (c) such Party shall at all times remain responsible for the performance of such delegated activities as if such activities were performed by such Party. In addition, if Incyte is the delegating Party, Incyte shall require that any Development Agreement executed between Incyte and any of its licensees or Third Party subcontractors shall permit the assignment of such agreement, in its entirety, to MacroGenics, upon the termination of this Agreement (other than in connection with Section 12.9), without any objection rights by the applicable licensee or subcontractor. For clarity: (i) MacroGenics may have funded or supported any MacroGenics Combination Studies and related activities pursuant to this Article 4 as investigator-sponsored Clinical Studies or conducted such Clinical Studies in collaboration with any academic institution; and (ii) Incyte may have funded or supported any Monotherapy Studies, Incyte Combination Studies, or related activities pursuant to this Article 4 as investigator-sponsored Clinical Studies or conducted such Clinical Studies in collaboration with any academic institution.

4.6 Compliance with Law; Other Requirements.

(a) Each Party shall (and Incyte shall require that each Collaborator shall) conduct all Development activities related to any Compounds or Products, in good scientific

manner and in compliance in all material respects with all Applicable Law, including applicable national and international (*e.g.*, ICH, GCP, GLP, and GMP) guidelines.

- (b) With respect to the conduct of a Non-Registrational Study in or including the same Indication subtype and line of therapy (the “**Indication Population**”) for which the Licensed Compound has received Regulatory Approval in a country in which the Non-Registrational Study is being conducted, if the Non-Registrational Study [**] (each of which meets the Indication Population criteria) in the Indication Population with the Licensed Product (on an Indication Population-by-Indication Population basis across all Clinical Studies and across all such country(ies) in which Regulatory Approval has been received) (the “[**]”), then, for clinical supply of the Licensed Compound to be administered to Indication Population patients [**] of the [**] in such country(ies):
- (i) where MacroGenics is the Combination Sponsor, MacroGenics shall either (x) obtain such clinical supply from Incyte at [**] of Incyte’s generally-applicable transfer price for commercial supply of the Licensed Compound in the applicable countries, or (y) continue to provide such clinical supply to such Non-Registrational Study and pay to Incyte an amount that results in Incyte receiving the same consideration that Incyte would receive pursuant to clause (x) above net of Incyte’s Manufacturing Expenses for such clinical supply; and
 - (ii) In addition to paying MacroGenics its Manufacturing Expenses for such clinical supply under Article 7, where Incyte is the Combination Sponsor, Incyte shall pay to MacroGenics an additional amount equal to [**] of Incyte’s generally-applicable transfer price for commercial supply of the Licensed Compound in the applicable countries.

For clarity, such use of the Licensed Compound under this Section 4.6(b) shall not give rise to any Net Sales.

- (c) Where MacroGenics is the Combination Sponsor, the restrictions in Section 4.6(b) above shall not apply to any Non-Registrational Study in an Indication Population to the extent MacroGenics achieved Regulatory Approval of a MacroGenics Combination Regimen in such Indication Population before Incyte, its Affiliates, or sublicensees (including Collaborators) achieved Regulatory Approval of a Licensed Product in such Indication Population. Where Incyte is the Combination Sponsor or conducting a Monotherapy Study, the restrictions in Section 4.6(b) above shall only apply to Non-Registrational Studies in an Indication Population to the extent MacroGenics achieved Regulatory Approval of a MacroGenics Combination Regimen in such Indication Population before Incyte, its Affiliates, or sublicensees (including Collaborators) achieved Regulatory Approval of a Licensed Product in such Indication Population (and, for clarity, only when such Non-Registrational Studies otherwise meet the criteria set forth in the introductory paragraph to Section 4.6(b)).

**ARTICLE 5
REGULATORY RESPONSIBILITIES**

5.1 Data Sharing: Licensed Compound.

(a)Initial Information Transfer. Upon Incyte’s written request (but in no event later than [**] after the Effective Date), MacroGenics shall deliver to Incyte electronic copies (unless otherwise required by Applicable Law) of all Regulatory Documentation relating [**] to the Licensed Compound or Licensed Products that is Controlled by MacroGenics or its Affiliates, but excluding any MacroGenics Pipeline Asset Information or any Regulatory Documentation or Information relating specifically to a MacroGenics Pipeline Asset (the “**Transferred Documentation**”; such transfer, the “**Information Transfer**”); provided that, to the extent that, during the Term, MacroGenics or its Affiliates Control any other Information relating to the Licensed Compound or Licensed Products that is (i) solely related to the Licensed Compound or Licensed Product, (ii) necessary for Incyte to perform its obligations or exercise its rights under this Agreement, or (iii) reasonably requested by Incyte for such purpose in (i) or (ii), MacroGenics shall promptly provide such Information.

(b)Incyte Monotherapy Data. During the Term, subject to Sections 5.2, 5.3 and 5.6, Incyte shall deliver to MacroGenics electronic copies (unless otherwise required by Applicable Law) of any then-current data Controlled by Incyte relating to the Licensed Compound and derived from Development of the Monotherapy Regimen, including any applicable preclinical safety data or clinical safety data in accordance with the Pharmacovigilance Agreement (including adverse event data), biocomparability data, biomarker data, response rate and other efficacy data, mechanistic data and other activity data, as reasonably requested by MacroGenics from time to time (subject to the Pharmacovigilance Agreement or as required by Applicable Law, such requests not to be made more frequently than [**] per Calendar Quarter following the [**] of the Effective Date). MacroGenics shall be free to use such Incyte data for any purpose consistent with the rights expressly retained by or granted to MacroGenics pursuant to Section 3.3 and the license granted pursuant to Section 3.4(b).

(c)MacroGenics Monotherapy Data and Ongoing Clinical Study Data. During the Term, subject to Sections 5.2, 5.3 and 5.6, MacroGenics shall deliver to Incyte electronic copies (unless otherwise required by Applicable Law) of any then-current data Controlled by MacroGenics (i) relating to any anti-PD-1 Monoclonal Antibody being evaluated as a MacroGenics PD-1 Control Arm, or (ii) relating to the Licensed Compound and arising out of or in connection with the Ongoing Clinical Study or a Required Monotherapy Study conducted by MacroGenics, including in all cases (of (i) through (ii)) any applicable preclinical safety data or clinical safety data in accordance with the Pharmacovigilance Agreement (including adverse event data), biocomparability data, biomarker data, response rate and other efficacy data, mechanistic data and other activity data, as reasonably requested by Incyte from

time to time (but subject to the Pharmacovigilance Agreement or as required by Applicable Law, such request not to be made more frequently than [**] per Calendar Quarter following the [**] of the Effective Date). Incyte shall be free to use such data for any purpose consistent with the license granted pursuant to Section 3.1.

(d)MacroGenics Research and Development Activities. In addition, as reasonably requested by Incyte in writing from time to time, MacroGenics shall deliver to Incyte electronic copies of all other material Information related to the Licensed Compound (but excluding Information related to the MacroGenics Combination Regimen or any MacroGenics Pipeline Asset, unless such Information is necessary for Incyte to receive Regulatory Approval of the Licensed Compound as a component of a MacroGenics Combination Regimen) arising out of MacroGenics' conduct of research and Development activities with respect to the Licensed Compound pursuant to Section 3.3. Subject to the Pharmacovigilance Agreement or as required by Applicable Law, such request shall not be made more frequently than [**] per Calendar Quarter. Incyte shall be limited to use such MacroGenics data solely for purposes consistent with the license granted pursuant to Section 3.1.

5.2 Data Sharing: Combination Regimens.

(a)Incyte Responsibilities. Within [**] after Incyte's receipt of a written request from MacroGenics, Incyte shall provide to MacroGenics, subject to Section 5.3, copies of and other access to any then-current data Controlled by Incyte or (to the extent Incyte is able to obtain permission to grant such right and access from the Collaborator in connection with a Collaborator Combination Study, through the use of Commercially Reasonable Efforts, in the case of such data that Collaborator is not required to provide pursuant to an applicable Collaborator Contract) any Collaborator, derived from the conduct of any Incyte Combination Studies and/or Collaborator Combination Studies, that is [**] related to the Licensed Compound or Licensed Products, including applicable safety data (including adverse event data), as necessary for MacroGenics to comply with applicable regulatory requirements or requests by Regulatory Authorities for the Development of, or seeking of Regulatory Approval of, any MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen or for the Commercialization of any MacroGenics Pipeline Asset in accordance with such Regulatory Approval. If Incyte conducts a Clinical Study with respect to the Licensed Compound involving a Third Party collaborator who owns or Controls an Ancillary Therapy that is being studied in connection with an Incyte Combination Regimen, (x) Incyte shall provide to MacroGenics all data Controlled by Incyte derived from any arm of the Clinical Study that solely comprises both the Licensed Compound and the Ancillary Therapy, and (y) Incyte shall grant and hereby grants to Incyte a non-exclusive, irrevocable, perpetual, transferable, fully paid-up, royalty-free, sublicenseable license under any Information or any intellectual property arising out of any arm of the Clinical Study that solely comprises both the Licensed Compound and the Ancillary Therapy for any use consistent with the license granted pursuant to Section 3.4(b), in each case

(of (x) and (y)) to the extent that Incyte has the contractual right to extend such rights, licenses, or sublicenses to MacroGenics, as applicable (and Incyte shall use Commercially Reasonable Efforts to obtain such contractual rights from the applicable Third Party collaborator).

(b)Collaborator Responsibilities. Without limiting the generality of the foregoing, Incyte shall require that each Collaborator Contract contains terms as least as protective of Incyte as the following terms set forth in this Section 5.2(b). Promptly, but in any event within [**] after Collaborator's receipt of a written request from Incyte, Collaborator shall provide to Incyte copies of and other access to any then-current Information Controlled by Collaborator, derived from the Development of any Collaborator Combination Studies, including any applicable preclinical safety data or clinical safety data (including adverse event data on terms generally consistent with the Pharmacovigilance Agreement), biocomparability data, biomarker data, response rate and other efficacy data, mechanistic data and activity data, as reasonably requested by Incyte from time to time, as necessary for Incyte to seek Regulatory Approval of the Licensed Compound as a component of the Collaborator Combination Regimen or Commercialize the Licensed Compound as a component of a Collaborator Combination Regimen.

(c)MacroGenics Responsibilities.

- (i)** Within [**] after MacroGenics' receipt of a written request from Incyte, MacroGenics shall provide to Incyte, subject to Section 5.3, copies (unless otherwise required by Applicable Law) of and access to any then-current Information Controlled by MacroGenics or its Affiliates or licensees derived from the conduct of the MacroGenics Combination Studies that relates [**] to the Licensed Compound or Licensed Product, including any applicable preclinical safety data or clinical safety data (including adverse event data in accordance with the Pharmacovigilance Agreement), biocomparability data, biomarker data, mechanistic data and activity data as reasonably requested by Incyte from time to time (the "**MacroGenics Licensed Compound Data**"). Incyte shall be free to use such MacroGenics Licensed Compound Data for any purpose consistent with the license granted pursuant to Section 3.1.
- (ii)** At least [**] prior to the anticipated database lock of any MacroGenics Combination Study that MacroGenics intends to submit for Regulatory Approval of a MacroGenics Combination Regimen, the Parties shall initiate discussions to negotiate and finalize a mutually agreeable Regulatory Agreement.
- (iii)** Within [**] after database lock of any such MacroGenics Combination Study, MacroGenics shall provide to Incyte, subject to Section 5.3, copies (unless otherwise required by Applicable Law) of and access to any then-current Information Controlled by MacroGenics or its Affiliates or licensees derived

from the conduct of such MacroGenics Combination Study that relates to the Licensed Compound, a Licensed Product or any MacroGenics Combination Regimen, which may include applicable preclinical safety data or clinical safety data (including adverse event data in accordance with the Pharmacovigilance Agreement), biocomparability data, biomarker data, mechanistic data and activity data as reasonably requested by Incyte from time to time (but excluding, in all cases, Information that is solely related to any MacroGenics Pipeline Asset unless such Information is necessary for Incyte to seek Regulatory Approval of the Licensed Compound as a component of a MacroGenics Combination Regimen in accordance with Section 5.8) to the extent such Information is necessary for Incyte to (A) comply with any request or requirement by a Regulatory Authority, (B) seek Regulatory Approval of the Licensed Compound as a component of a MacroGenics Combination Regimen and expand the Licensed Compound label to include such Regulatory Approval in accordance with Section 5.8(c) or (C) to conduct MacroGenics Combination Regimen Detailing (and excluding in all cases, the right to Commercialize any MacroGenics Pipeline Asset) (the “**Required Regulatory Data**”). For clarity, each Party will separately submit any non-clinical and any chemistry, manufacturing and controls (CMC) information specific to its Compound directly to any Regulatory Authorities.

5.3 Data Sharing Limitations. Neither Party nor its Affiliates or sublicensees (including Collaborators) (the “**delivering Party**”) shall have the obligation to provide to any other Party or any Collaborator (the “**receiving Party**”), and the receiving Party shall have no right to access, any of the delivering Party’s data that is not [**] related to the Licensed Compound or Licensed Products (unless, and to the extent, such Information is necessary for the other Party to perform its obligations or exercise its rights under this Agreement). Notwithstanding the foregoing, MacroGenics will provide all data under its Control that is necessary for Incyte to Develop and/or Commercialize the Monotherapy Regimen and seek Regulatory Approval of the Licensed Compound as a component of a MacroGenics Combination Regimen in accordance with Section 5.8. Incyte and Collaborators will each provide to MacroGenics copies of all data under Incyte’s Control related specifically and solely to the Licensed Compound that is derived from any Monotherapy Regimen as necessary for MacroGenics to Develop any MacroGenics Combination Regimen or Commercialize the MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen. Notwithstanding the foregoing, any safety data that is related to the Licensed Compound or MacroGenics Combination Regimen shall not be excluded from the data sharing obligations under Sections 5.1, 5.2 and 5.3 but rather shall be shared to the extent set forth in the Pharmacovigilance Agreement. Additionally, notwithstanding anything to the contrary herein, any data or other information disclosed by the delivering Party pursuant to Sections 5.1 or 5.2 shall, to the extent permissible: (A) be subject to reasonable redaction with respect to any information that the delivering Party deems commercially sensitive, confidential or proprietary, including any data or information relating [**] to proprietary product(s) of the delivering Party, its Affiliates or any Third Party that is not a receiving Party hereunder (*e.g.*, Pipeline Assets), to the extent the same would not unreasonably limit the receiving Party’s ability (i) to interpret any Clinical Study results, and (ii)

where Incyte is the receiving Party, to seek Regulatory Approval of the Licensed Compound as a component of the MacroGenics Combination Regimen; and (B) to the extent disclosed, constitute Confidential Information of the delivering Party (provided that, as between the Parties, any information disclosed by Collaborator shall be deemed Incyte's Confidential Information). Notwithstanding anything to the contrary herein, each Party shall provide the other Party with any Licensed Compound "components of care" data that is owned or Controlled by such Party, as required or requested by a Regulatory Authority to support Regulatory Approval by the other Party of any Monotherapy Regimen, Incyte Combination Regimen, Collaborator Combination Regimen, or MacroGenics Combination Regimen, as applicable. Nothing contained in this Section 5.3 shall limit the obligations of either Party or a Collaborator pursuant to Sections 5.1(a), 5.2 and 5.3 as applicable, except that in all cases, the delivering Party shall have no obligation pursuant to Section 5.2 to provide any data generated pursuant to a blinded Clinical Study until such time as the applicable Clinical Study has been unblinded.

5.4 Right of Reference.

(a) Incyte Responsibilities. Within [**] after Incyte's receipt of a written request from MacroGenics, Incyte shall grant, and hereby grants, and shall require its sublicensees to grant, to MacroGenics and/or the applicable Regulatory Authorities, subject to Section 5.3, a cross-reference letter or similar communication to grant MacroGenics a Right of Reference to any Regulatory Documentation related specifically to the Licensed Compound or any Licensed Product, in connection with any Monotherapy Studies, Incyte Combination Studies or Collaborator Combination Studies, as necessary for MacroGenics to comply with applicable regulatory requirements or requests by Regulatory Authorities to Develop any MacroGenics Combination Regimen, seek Regulatory Approval of a MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen or Commercialize a MacroGenics Pipeline Asset in accordance with its approved label (but, for clarity, not to Commercialize any Incyte Pipeline Asset or Collaborator Pipeline Asset).

(b) Collaborator Responsibilities. Without limiting the generality of the foregoing, Incyte shall require that each Collaborator Contract contain the following terms set forth in this subsection (b). Promptly, but in no event later than [**], following receipt of a written request from Incyte, Collaborator shall grant, and hereby grants to Incyte and/or all applicable Regulatory Authorities, subject to Section 5.3, a cross-reference letter or similar communication to grant Incyte a Right of Reference to any Regulatory Documentation (including INDs and NDAs) related to any Collaborator Combination Studies, to enable Incyte to comply with applicable regulatory requirements or requests by Regulatory Authorities, in connection with (i) the Development or Commercialization of the Monotherapy Regimen, and (ii) seeking Regulatory Approval of the Licensed Compound as a component of a Collaborator Combination Regimen, and Commercializing the Licensed Compound or any Licensed Product in accordance with such approved label (but, for clarity, not to Commercialize any Collaborator Pipeline Asset).

(c)MacroGenics Responsibilities. Within [**] after MacroGenics' receipt of a written request from Incyte, MacroGenics shall grant, and hereby grants, and shall require its sublicensees to grant, to Incyte and/or all applicable Regulatory Authorities, subject to Section 5.3, a cross-reference letter or similar communication to grant Incyte a Right of Reference to any Regulatory Documentation related to any MacroGenics Combination Studies, as necessary for Incyte to comply with applicable regulatory requirements or requests by Regulatory Authorities, in connection with (i) the Development or Commercialization of the Monotherapy Regimen, (ii) seeking Regulatory Approval of the Licensed Compound as a component of a MacroGenics Combination Regimen and expanding the label of the Licensed Compound to include such Regulatory Approval as a component of a MacroGenics Combination Regimen or (iii) conducting MacroGenics Combination Regimen Detailing (but, for clarity, not to otherwise Commercialize any MacroGenics Pipeline Asset).

5.5 Regulatory Documentation; Regulatory Communications.

(a)Regulatory Communications Relating to Ongoing Clinical Study.

- (i)** Prior to the IND Transition Date, MacroGenics shall notify Incyte in advance of any material communications with Regulatory Authorities, including telephone conferences or discussions, in each case with respect to the Ongoing Clinical Study, to the extent permitted by the applicable Regulatory Authority; provided that, if MacroGenics is unable to provide Incyte with prior notice of any such communication, MacroGenics shall notify Incyte as soon as practicable after the occurrence of such communication. Incyte shall have the right to participate in all such material communications with Regulatory Authorities (it being understood that Incyte shall have the sole right to lead any discussion, or portion thereof, that relates [**] to the Monotherapy Regimen) and provide comments thereto, and MacroGenics shall consider such comments in good faith prior to responding to any Regulatory Authority.
- (ii)** At all times during the Term after the IND Transition Date, Incyte shall be solely responsible, at its sole cost and expense, for all filings, reports and communications with all Regulatory Authorities with respect to the Ongoing Clinical Study, in its own name.

(b)Regulatory Communications Relating to Monotherapy Studies. As between the Parties, at all times during the Term after the IND Transition Date, Incyte shall be solely responsible, at its sole cost and expense, for all filings, reports and communications with all Regulatory Authorities with respect to any Monotherapy Studies, in its own name, provided however, with respect to Monotherapy Studies conducted by MacroGenics pursuant to Section 5.9(c), MacroGenics shall be solely responsible for all costs and expenses associated with the applicable Monotherapy Studies, and the Parties will discuss in good faith how to handle communications

with Regulatory Authorities in connection therewith. Without limiting the foregoing, each Combination Sponsor shall notify Incyte in advance of any material communications with Regulatory Authorities, including telephone conferences or discussions, in each case with respect to matters related to the Monotherapy Regimen, to the extent permitted by the applicable Regulatory Authority; provided that, if Combination Sponsor is not permitted by the applicable Regulatory Authority to provide Incyte with prior notice of any such communication, Combination Sponsor shall notify Incyte as soon as practicable after the occurrence of such communication. Incyte shall have the right to participate in such material communications and provide comments thereto, which comments the Combination Sponsor shall consider in good faith prior to responding to any Regulatory Authority.

(c)Regulatory Communications Relating to MacroGenics Combination Studies.

- (i)** At all times during the Term, without limitation of any other obligations of MacroGenics under this Agreement, MacroGenics shall keep Incyte reasonably informed of any material interactions and documentation related thereto with any Core Regulatory Authority that relate [**] to the Licensed Compound. Incyte will be given a reasonable opportunity to review and to provide input with respect to all such interactions and documentation related thereto, and MacroGenics will consider such input in good faith, to the extent reasonably practicable.
- (ii)** In addition to the rights described in paragraph (i) above, on a region-by-region basis, until the earlier of (x) [**] after the Effective Date, or (y) achievement of the first Licensed Compound Approval by each of the applicable Core Regulatory Authorities, Incyte shall be entitled to either participate in or provide input on, at Incyte's choosing, any Licensed Compound Regulatory Discussions (except that, in the event of any Change of Control of Incyte, Incyte shall be permitted to participate in only those parts of any Licensed Compound Regulatory Discussions that relate [**] to the Licensed Compound, as reasonably determined by MacroGenics in its sole discretion); provided that, Incyte shall not have the right to control or influence the timing or the agenda setting of any such regulatory discussion. MacroGenics shall notify Incyte in advance of each such Licensed Compound Regulatory Discussion and shall provide any such communications to Incyte, with respect to matters related to the Licensed Compound in connection with any MacroGenics Combination Studies (except that, in the event of any Change of Control of Incyte, MacroGenics shall provide to Incyte any such communications with respect to matters [**] related to the Licensed Compound in connection with any MacroGenics Combination Studies, as reasonably determined by MacroGenics in its sole discretion), to the extent permitted by the applicable Regulatory Authority; provided that, if MacroGenics is unable to provide Incyte with prior notice of any such Licensed Compound Regulatory Discussion, MacroGenics shall

notify Incyte as soon as practicable after the occurrence of such Licensed Compound Regulatory Discussion. MacroGenics shall provide to Incyte copies of all material regulatory-related communications in connection with any Licensed Compound Regulatory Discussions, subject to reasonable redaction by MacroGenics with respect to any MacroGenics Pipeline Asset Information. Incyte shall have the right to lead, in coordination with MacroGenics, any such discussion, or portion thereof, that relates [**] to the Licensed Compound as a monotherapy arm or as a component of a MacroGenics Combination Regimen, as reasonably determined by MacroGenics in its sole discretion, and provide comments thereto. MacroGenics shall consider such comments in good faith prior to responding to the applicable Regulatory Authority; provided, however, that Incyte shall not have the right to participate in any portion of any Licensed Compound Regulatory Discussion where any MacroGenics Pipeline Asset Information is discussed.

(d)Regulatory Documentation and Communications Relating to Combination Studies. Without limitation of subsection (c) (in connection with MacroGenics Combination Studies), Combination Sponsor shall be solely responsible, at its sole cost and expense, for all filings, reports and communications with all Regulatory Authorities (including any INDs) with respect to its Pipeline Asset (including as a component of a Combination Regimen), as applicable, in its own name. Combination Sponsor shall sponsor its respective Combination Study under its existing IND for its Pipeline Asset or a separate IND for the Combination Regimen, with a Right of Reference to the IND of the Licensed Compound or Licensed Product solely if required by a Regulatory Authority and only as it relates specifically to the Licensed Compound or Licensed Product. Combination Sponsor shall be responsible for (i) drafting, and updating as necessary for its respective Combination Study, an investigator's brochure for its Pipeline Asset and (ii) preparing, obtaining and maintaining, as applicable, all necessary Regulatory Documentation to its existing IND for its Pipeline Asset (including as a component of a Combination Regimen), including submitting to such IND any serious adverse event and adverse drug reaction cases emerging from its Combination Study, as applicable. Where Incyte is not the Combination Sponsor, Incyte shall have the right to provide boilerplate language that relates specifically to the Licensed Compound, and MacroGenics will reasonably include such language in its applicable Regulatory Documentation.

(e)Regulatory Documentation and Communications Relating to Manufacturing Development. Prior to the IND Transition Date, MacroGenics shall be solely responsible for all filings and reports, and shall lead any discussions between the Parties, related to Manufacturing Development of the Licensed Compound. Following the IND Transition Date, both Incyte and MacroGenics shall prepare, and Incyte shall be solely responsible for making, all filings and reports, and shall lead any discussion between the Parties, related to Manufacturing Development for any Clinical Studies (including any Pivotal Studies) and commercial supply.

5.6 Adverse Event Reporting and Safety Data Exchange.

(a) Incyte Responsibilities. On and after the IND Transition Date, Incyte shall assume sole responsibility, at its sole expense, for monitoring all clinical experiences, maintaining the Global Safety Database, safety monitoring, pharmacovigilance surveillance, compliance and filing all required safety reports, including annual safety reports, to all applicable Regulatory Authorities with respect to the Development or Commercialization of the Licensed Compound and any Licensed Products in the Field in the Territory, and shall be responsible for compliance with all Applicable Law pertaining to safety reporting and all other safety-related matters, including its responsibilities under the Pharmacovigilance Agreement, with respect to the Licensed Compound and Licensed Products. Incyte shall provide MacroGenics with, and MacroGenics shall have the right to access, any safety Information related to the Licensed Compound or any Licensed Products for which Incyte is responsible pursuant to this subsection (a), pursuant to the terms of the Pharmacovigilance Agreement.

(b) Combination Sponsor Responsibilities. Subject to subsection (a) above, each Combination Sponsor shall (and with respect to any Collaborator as the Combination Sponsor, Incyte shall require that Collaborator shall) be solely responsible for monitoring all clinical experiences, maintaining the global safety database, safety monitoring, pharmacovigilance surveillance, compliance and filing all required safety reports, including annual safety reports, to all applicable Regulatory Authorities with respect to the Development or Commercialization of its Pipeline Asset in the Territory (including as a component of a Combination Regimen), and shall be responsible for compliance with all Applicable Law pertaining to safety reporting and all other safety-related matters, including its responsibilities under the Pharmacovigilance Agreement, with respect to its Pipeline Asset, including as a component of a Combination Regimen.

(c) Safety Information Exchange; Pharmacovigilance Agreement. The Parties will initiate negotiations and use Commercially Reasonable Efforts to execute a pharmacovigilance agreement (“**Pharmacovigilance Agreement**”) within [**] after the Effective Date. The executed Pharmacovigilance Agreement shall be in an appropriate format to enable the Parties to fulfill local and international regulatory reporting obligations and to facilitate appropriate safety reviews. The Pharmacovigilance Agreement will include safety data exchange procedures governing the coordination of collection, monitoring, investigation, reporting, and exchange of information, consistent with Applicable Law. Such guidelines and procedures shall be in accordance with, and enable the Parties and their Affiliates to fulfill, local and international regulatory reporting obligations to Governmental Authorities. Among other things, the Pharmacovigilance Agreement shall require MacroGenics and any Collaborators to submit safety data concerning any adverse experiences and any other safety information arising from or related to the use of the Licensed Compound as a single agent or as a component of any Combination

Regimen in any MacroGenics Combination Study or Collaborator Combination Study, as applicable, as necessary for Incyte to maintain the Global Safety Database.

5.7 Recalls and Voluntary Withdrawals.

(a)Licensed Product. Incyte shall use reasonable efforts to notify MacroGenics promptly, but in no event later than [**], following its determination that any event, incident, or circumstance related to safety issues or regulatory concerns has occurred that is reasonably likely to result in the need for a recall, market suspension or market withdrawal of the Licensed Compound or any Licensed Product in the Territory, provided that, prior to the implementation of such a recall, market suspension or market withdrawal, Incyte shall, to the extent practical, consult with MacroGenics and shall consider MacroGenics' comments in good faith, and shall include in such notice the reasoning behind such determination and any supporting facts. Incyte shall have the sole right to make the final determination of whether to voluntarily implement any such recall, market suspension or market withdrawal in the Territory. For all recalls, market suspensions or market withdrawals undertaken pursuant to this subsection (a), Incyte shall be solely responsible for the execution thereof, and MacroGenics shall reasonably cooperate in all such recall efforts. Subject to the provisions of Section 14.2 and except as may otherwise be set forth in the Clinical Supply Agreement or the Commercial Supply Agreement, Incyte shall be responsible for all costs of conducting any such recall, market suspension, or market withdrawal of the Licensed Product.

(b)Pipeline Asset. The Controlling Party shall use reasonable efforts to notify the other Party promptly, but in no event later than [**], following its determination that any event, incident, or circumstance related to safety issues or regulatory concerns has occurred that may result in the need for a recall, market suspension or market withdrawal of its Pipeline Asset, in whole or in part, in the Territory, and shall include in such notice the reasoning behind such determination, and any supporting facts. The Controlling Party shall have sole authority to decide whether to implement any recall, market suspension or market withdrawal of its Pipeline Asset, and shall be solely responsible for, and control, the execution thereof. The non-recalling Party shall reasonably cooperate in all such efforts to implement a recall, market suspension or market withdrawal of the Controlling Party's Pipeline Asset. The Controlling Party shall be responsible for all costs of any such recall, market suspension, or market withdrawal of its respective Pipeline Asset.

5.8 Labeling.

(a)If, at the time of submission of the Regulatory Approval Application for a MacroGenics Combination Regimen, there is no Monotherapy Regimen, Incyte Combination Regimen or Collaborator Combination Regimen that has received Regulatory Approval, Incyte shall use Commercially Reasonable Efforts to, contemporaneously and in coordination with MacroGenics, seek Regulatory Approval of a label for such Licensed Compound as a component of a MacroGenics

Combination Regimen that, if such Licensed Compound label is approved, will sufficiently enable Commercialization by MacroGenics of the applicable MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen and Commercialization by Incyte of the Licensed Compound as a component of a MacroGenics Combination Regimen (provided that, Incyte shall have no right to conduct any Medical Affairs Activities or activities directed to marketing, detailing, promoting, educating or any Phase IV Studies with respect to the Licensed Compound as a component of a MacroGenics Combination Regimen other than MacroGenics Combination Regimen Detailing).

- (b) For each Regulatory Approval of a MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen, MacroGenics shall have the right to determine in its sole discretion, whether to include the Regulatory Approval for the MacroGenics Combination Regimen in its label for the applicable MacroGenics Pipeline Asset included in such MacroGenics Combination Regimen.
- (c) Without limiting Incyte's obligations under Section 5.8(a), Incyte may, at its discretion, reference all Regulatory Documentation and other Information submitted by MacroGenics to the applicable Regulatory Authority as required by Incyte for the purposes of (i) seeking Regulatory Approval of the Licensed Compound as a component of a MacroGenics Combination Regimen and expanding the label of the Licensed Compound to include such Regulatory Approval as a component of a MacroGenics Combination Regimen or (ii) exercising its rights under Section 3.1(c). Notwithstanding anything to the contrary herein, the rights granted to Incyte in this Section 5.8(c) to include in the label for the Licensed Compound newly-generated Regulatory Documentation and other Information submitted by MacroGenics to the applicable Regulatory Authority shall immediately terminate on a going-forward basis (but, for clarity, the right of Incyte to continue to exercise its rights under Section 3.1(c) shall continue) upon the following: (A) after any Change of Control of Incyte, except that the right of Incyte to include in the label for the Licensed Compound newly-generated Regulatory Documentation and other Information submitted by MacroGenics to the applicable Regulatory Authority shall continue with respect to any Regulatory Documentation and other Information submitted by MacroGenics in connection with a Pivotal Study by MacroGenics (or an Acquirer of MacroGenics) that was Initiated prior to date upon which the Change of Control of Incyte was publicly announced; or (B) on a MacroGenics Combination Regimen-by-MacroGenics Combination Regimen basis, in the event that the then-current label of the Licensed Compound includes a Regulatory Approval for an Indication Population based on a Combination Study, other than a Combination Study conducted by MacroGenics, that is the same Indication Population for which MacroGenics seeks Regulatory Approval for the applicable MacroGenics Combination Regimen.

5.9 Other Studies. Notwithstanding anything to the contrary herein, in the event that an applicable Regulatory Authority requires or recommends, as a condition to the grant or maintenance of Regulatory Approval for a MacroGenics Combination Regimen, that a Monotherapy Study be conducted (the “**Required Monotherapy Study**”), then MacroGenics shall notify Incyte in writing, and:

- (a) Incyte shall provide reasonable assistance to MacroGenics, including provision of then-current Licensed Compound and Ancillary Therapy “components of care” data it Controls (subject to availability) and using Commercially Reasonable Efforts to continue the conduct of any then-current on-going Clinical Studies that include the Required Monotherapy Study that would provide relevant Licensed Compound and Ancillary Therapy “components of care” data it Controls, at Incyte’s sole cost and expense.
- (b) In the event that Incyte does not have any Monotherapy Study on-going that includes the Required Monotherapy Study, but the then-current Incyte Global Development Plan includes such a Monotherapy Study planned to be Initiated within the [**] period following the date on which MacroGenics provides written notice pursuant to the first sentence in this Section 5.9, then Incyte shall use Commercially Reasonable Efforts to conduct such Monotherapy Study, and shall provide to MacroGenics relevant Licensed Compound and Ancillary Therapy “components of care” data derived from such Study and Controlled by Incyte (subject to availability) at Incyte’s sole cost and expense.
- (c) In the event that Incyte does not have any Monotherapy Study on-going that includes the Required Monotherapy Study, and the then-current Incyte Global Development Plan does not contemplate the Initiation of such Monotherapy Study within the [**] period as described in subpart (b), then MacroGenics may design and conduct such Monotherapy Study solely to compare the Monotherapy Regimen to an Ancillary Therapy to produce the data required by the Regulatory Authority, at MacroGenics’ sole cost and expense, subject to Incyte’s prior right of review and approval of such Monotherapy Study (not to be unreasonably withheld, conditioned, or delayed), and Incyte shall provide reasonable assistance and cooperation to MacroGenics in connection therewith, at MacroGenics’ sole cost and expense.

ARTICLE 6 COMMERCIALIZATION

6.1 Commercialization Activities.

- (a) **Licensed Product.** Subject to Sections 2.5, 5.2, 5.4, 5.8, 6.1(b), 6.1(c) and 6.1(d), Incyte shall be solely responsible for and have sole authority with respect to, at its own expense, all aspects of the Commercialization of Licensed Products in the Field in the Territory, in accordance with its approved label, including as a component of a Collaborator Combination Regimen, and, subject to Section 3.1(c), as a component of a MacroGenics Combination Regimen, and will retain final decision-making

authority with respect thereto, including: (i) developing and executing a commercial launch and pre-launch plan; (ii) marketing, promotion, and branding; (iii) booking sales and distribution and performance of related services; (iv) handling all aspects of order processing, invoicing and collection, inventory and receivables; (v) providing customer support, including handling medical queries, and performing other related functions; (vi) the review and approval of all promotional materials for compliance with Applicable Law, including submission, where appropriate, to applicable Regulatory Authorities and (vii) conforming its practices and procedures in all material respects to Applicable Law relating to the marketing, detailing and promotion of Licensed Products in the Field in the Territory.

(b) Pipeline Assets. Subject to Sections 2.5, 6.1(a), and 6.1(c), each Combination Sponsor shall have sole authority over and control of the Commercialization of its respective Pipeline Asset in the Field in the Territory, in accordance with its approved label, and will retain final decision-making authority with respect thereto, including such activities set forth in Section 6.1(a)(i)-(vii) as applied to its Pipeline Asset.

(c) MacroGenics Combination Regimens. MacroGenics shall have sole authority over and control of all promotional activities with respect to any MacroGenics Pipeline Asset as a component of a MacroGenics Combination Regimen in the Field in the Territory, in accordance with the MacroGenics Pipeline Asset approved label, and will retain final decision-making authority with respect thereto. In the event that a MacroGenics Pipeline Asset receives Regulatory Approval as a component of a MacroGenics Combination Regimen and is included in the Licensed Compound approved label, then without limiting Section 6.1, Incyte may conduct MacroGenics Combination Regimen Detailing with respect to the Licensed Product in accordance with Incyte's approved label of the Licensed Product as component of a MacroGenics Combination Regimen; provided further, that to the extent Incyte elects to be involved in any additional promotional activities specific to the MacroGenics Combination Regimen, these activities shall be subject to MacroGenics' sole discretion and, if agreed by the Parties, a separate co-promotion agreement to be negotiated by the Parties (such agreement, the "**Co-Promotion Agreement**").

(d) Diligence. Incyte shall use Commercially Reasonable Efforts to seek Regulatory Approval for, and if the applicable Regulatory Approval is granted, Commercialize a Licensed Product in each of the U.S., [**] of the [**] European Major Markets, and Japan. Incyte will, subject to MacroGenics satisfying its supply obligations hereunder to the extent necessary for Incyte to satisfy such obligation, use Commercially Reasonable Efforts to make the Licensed Product commercially available in quantities sufficient to fulfill global market demand at all times during the Term after the date of Licensed Compound Approval.

6.2 Pricing of Licensed Product. Incyte shall have sole and exclusive control over the pricing of Licensed Products on a worldwide basis and shall retain final decision-making authority with respect to obtaining and maintaining pricing and reimbursement approval, subject to Section 8.5(b)

and the following procedures and/or restrictions in subsections (a)-(e) below. Unless otherwise specified to the contrary, a reference price as it relates to the [**] and [**] calculations shall be established using the following criteria: (1) [**] [**]; (2) for [**]; and (3) the dosage of the Licensed Product for [**]. By way of example, [**], which is calculated using the following [**]: (i) [**] [**], (ii) [**] [**]. To the extent permitted under Applicable Law:

- (a) For Licensed Products sold in the U.S., Incyte shall not be permitted to [**] the [**] of the Licensed Compound [**] than [**] ([**]%) [**] (the “[**]”).
- (b) Subsequent to receipt of Regulatory Approval for a Licensed Product [**], for a Licensed Product sold in [**] for which the Licensed Compound has received Regulatory Approval, the monthly Net Price of the Licensed Compound shall not be, on average across [**] in which the Licensed Compound has received Regulatory Approval, [**] than [**] ([**]%) [**] the [**] of [**] in which the Licensed Compound has received Regulatory Approval (the “[**]”).
- (c) For Licensed Products sold in [**], Incyte shall not submit a Net Price to the MHLW that is [**] than [**] ([**]%) [**] the [**] of the [**] in [**] (the “[**]”).
- (d) For Licensed Products sold in [**], the monthly Net Price of the Licensed Compound shall not be [**] than [**] ([**]%) [**] the monthly [**] price of the [**] in [**] (the “[**]”).
- (e) Incyte shall calculate any [**] of the Licensed Product (including any [**], [**], [**], and [**]) and any [**] of the Licensed Product (including any [**], [**], [**], and [**]) in accordance with this Section 6.2 upon launch of the Licensed Product, and shall thereafter update such [**] and [**] on an annual basis and at any time the Licensed Compound Net Price is changed in the relevant territory. Any disputes regarding such calculation(s) shall be resolved pursuant to Article 13.
- (f) For Licensed Products sold in [**], [**], [**] or [**], Incyte shall not be restricted in setting the pricing of the Licensed Product through the use of a [**] or be required to pay royalties similar to Section 8.5(b) as if there were a [**], but rather, Incyte shall use Commercially Reasonable Efforts to achieve a Net Price that is at [**] the [**] of [**] in such market, assuming such [**] is ascertainable.
- (g) Incyte will have the sole right to establish all terms of commercial sale (including pricing, discounts and rebates) in all other countries of the world, and subject to Section 8.5(a), royalties will be calculated based on actual Net Sales in such country pursuant to Section 8.3.

¹ For clarity, the [**].

² [**] as of the Execution Date are [**] and [**]. [**].

³ [**] as of the Execution Date is [**]. [**].

(h) If at any time during the Royalty Term Incyte determines that it is not in compliance with the [**], [**], [**] or [**], Incyte shall initiate a process, and use Commercially Reasonable Efforts to complete such process, to bring Incyte into compliance with the applicable [**] (for example, initiating pricing negotiations with an applicable regulatory authority); provided that Incyte's non-compliance with the [**], [**], [**] or [**] shall not constitute a material breach of this Agreement so long as Incyte utilizes Commercially Reasonable Efforts to resolve such non-compliance.

6.3 Pricing of Pipeline Assets. Each Controlling Party shall have sole and exclusive control over (a) the pricing of its Pipeline Asset and (b) any negotiation of the pricing, discounts and rebates applicable to its Pipeline Asset with any Regulatory Authorities or other Third Parties.

6.4 Transparency Reporting. Each Party shall be responsible for tracking and reporting transfers of value initiated and controlled by or on behalf of such Party's or its Affiliates' employees, contractors, and agents pursuant to the requirements of the marketing reporting laws of any Governmental Authority in the Territory, including Section 6002 of ACA, commonly referred to as the "Sunshine Act."

ARTICLE 7 MANUFACTURING

7.1 Manufacturing Technology Transfer.

(a) Any time after the [**] anniversary of the Effective Date, Incyte may request, upon [**] written notice (which notice may be given prior to the [**] anniversary of the Effective Date) to MacroGenics (or immediately upon writing notice to MacroGenics, in the case of a Clinical Supply Shortage), that MacroGenics transfer or have transferred the Manufacturing Process to a manufacturing facility under the control of Incyte (or its designee, which designee may be an Affiliate) or, subject to subsection (d) below, to a facility of a Third Party contract manufacturer that is mutually agreed upon by the Parties. MacroGenics shall not withhold such agreement to a proposed contract manufacturer that has not experienced any material documented safety, compliance or quality issues in the preceding [**] and has demonstrated the ability to manufacture products at the volumes and quality anticipated under this Agreement (such Incyte facility or Third Party facility, the "**Incyte Facility**" and such Third Party, an "**Approved CMO**"). Such transfer and implementation shall be sufficient to enable Incyte or such designee to perform the Manufacturing Process and Manufacture of Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product in accordance with Applicable Law, as more fully described in this Section 7.1 (the "**Manufacturing Technology Transfer**"), and shall be subject to a written plan approved by the JSC with respect to the Manufacturing Technology Transfer (the "**Manufacturing Transition Plan**"), with Incyte having final decision-making authority on the Manufacturing Technology Transfer (provided that Incyte may not expand the scope of the Know-How and Information to be transferred pursuant to Section 7.1(b) beyond that which is required hereunder). The Parties shall use Commercially Reasonable Efforts to

effect the Manufacturing Technology Transfer to Incyte or its designee pursuant to this Section 7.1. The implementation of the Manufacturing Technology Transfer and Manufacturing Transition Plan shall be subject to the Incyte Facility being suitable for the Manufacture of the Licensed Compound Bulk Drug Substance as determined in accordance with this Section 7.1(a), as applicable, using the Manufacturing Process in compliance with Applicable Laws.

- (b) MacroGenics shall provide all reasonable assistance requested by Incyte to enable Incyte to implement the Manufacturing Process at the Incyte Facility, including by transferring to Incyte or such designee all Know-How and Information necessary for the Manufacturing Technology Transfer. In connection with the Manufacturing Technology Transfer, MacroGenics shall cause appropriate employees and representatives of MacroGenics to meet with employees and/or representatives of Incyte and the Approved CMO (to the extent applicable) at reasonable times to assist with the working up and use of the Manufacturing Process and with the training of the personnel of the Incyte Facility to the extent reasonably necessary or useful to use and practice the Manufacturing Process. Incyte shall reimburse MacroGenics' FTE Costs and reimburse all reasonable Third Party Expenses incurred by MacroGenics in order to complete the Manufacturing Technology Transfer, within [**] after receipt of any undisputed invoice from MacroGenics setting forth such costs. Subsequent to the occurrence of the Manufacturing Technology Transfer, at any time during the Term, upon either Party's reasonable request, the other Party will provide to the requesting Party updated manufacturing process (including associated Know-How) Controlled by such other Party necessary or useful for the Manufacture of the Licensed Compound Bulk Drug Substance or the Licensed Compound Drug Product, at the requesting Party's cost and expense.
- (c) Notwithstanding the occurrence of the Manufacturing Technology Transfer pursuant to this Section 7.1, Incyte shall have the right to Manufacture or have Manufactured clinical and/or commercial supplies of Licensed Compound or Licensed Products, to the extent set forth in Sections 7.2(d), 7.3(a), 7.3(b), and 12.9.
- (d) Any time after the completion of the Manufacturing Technology Transfer during the Term, to the extent that either Party makes any material modifications, improvements or other alterations to the Manufacturing Process, such Party shall use Commercially Reasonable Efforts, at the other Party's sole cost and expense, to provide access to such modifications, improvements or other alterations to such other Party, and to reasonably cooperate with the other Party in its efforts to ensure (including through the implementation of subsequent modifications to the Manufacturing Process, to the extent required) that the Incyte Facility and the MacroGenics Manufacturing Facilities (as applicable) Manufacture the Licensed Compound using such modified and/or improved Manufacturing Process and yielding comparable product.

(e) Incyte shall require that all agreements executed between Incyte and any Approved CMO with respect to such Approved CMO's performance under this Agreement shall permit the assignment of such agreement, in its entirety in the event of termination of this Agreement (other than by Incyte pursuant to Section 12.3 or 12.6), to MacroGenics, without any consent rights by the Approved CMO (subject to MacroGenics agreeing to such assignment and the assumption of relevant obligations under such agreement).

7.2 General Clinical Supply Terms.

(a) **Clinical Supply Agreement.** Except as otherwise provided herein, MacroGenics shall have the responsibility for Manufacturing clinical supplies of the Licensed Compound Bulk Drug Substance (and at any time prior to the completion of the Manufacturing Technology Transfer, MacroGenics shall also have the responsibility for Manufacturing clinical supplies of the Licensed Compound Drug Product) for (i) MacroGenics' use in connection with any MacroGenics Combination Studies, (ii) Incyte's use in connection with any Monotherapy Studies or Incyte Combination Studies, and (iii) Collaborator's or Incyte's use in connection with any Collaborator Combination Studies. Within [**] after the Effective Date, the Parties shall initiate negotiations for a clinical supply agreement (the "**Clinical Supply Agreement**") that will set forth the terms and conditions for MacroGenics' (or Incyte's per Section 7.2(d)) provision of clinical supplies of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product, as applicable, to Incyte, MacroGenics, and any Collaborators and which will include all applicable provisions set forth in this Article 7 with respect to clinical supply and such other provisions as are customary and reasonable under the circumstances. The Parties shall also initiate negotiations to execute a quality agreement that shall further address and govern issues related to the quality of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product to be supplied by MacroGenics pursuant to the Clinical Supply Agreement (the "**Clinical Quality Agreement**"). All negotiations for the Clinical Supply Agreement and Clinical Quality Agreement shall be undertaken by each Party in good faith. MacroGenics (or Incyte, per Section 7.2(d)) will use Commercially Reasonable Efforts to supply, or cause to be supplied, the Licensed Compound Bulk Drug Substance or Licensed Compound Drug Product, as applicable, in accordance with the provisions of this Agreement, and once executed, the Parties shall comply with their respective obligations to supply, or cause to be supplied, the Licensed Compound Bulk Drug Substance or Licensed Compound Drug Product, as applicable, in accordance with the provisions of the Clinical Supply Agreement and the Clinical Quality Agreement. MacroGenics shall supply all quantities of Licensed Compound Bulk Drug Substance from the MacroGenics Manufacturing Facilities, and shall not have the right to subcontract the Manufacture of the Licensed Compound Bulk Drug Substance. Further, MacroGenics shall supply all quantities of Licensed Compound Bulk Drug Substance that are required for any particular Incyte Monotherapy Study or Incyte Combination Study from the same MacroGenics Manufacturing Facility, provided

that such supply requirements do not exceed the reasonably available then-current planned capacity of the applicable Manufacturing Facility.

(b) Clinical Supply Costs. MacroGenics shall provide clinical supplies of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product, in accordance with the Clinical Supply Agreement and Clinical Quality Agreement, (i) at a cost equal to [**] of the Manufacturing Expenses incurred by MacroGenics with respect to such quantities of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product, to (x) Incyte for Monotherapy Studies, Incyte Combination Studies and for any Combination Studies conducted by Incyte's licensees and (y) any Collaborator for any Collaborator Combination Studies for which at least [**] of the costs are co-funded by Incyte ("**Funded Collaborator Combination Studies**"), and (ii) at a cost equal to [**] of the Manufacturing Expenses incurred by MacroGenics with respect to such quantities of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product, to any Collaborator for Collaborator Combination Studies other than Funded Collaborator Combination Studies. Within [**] after the end of each month during which MacroGenics is conducting activities under the Clinical Supply Agreement, MacroGenics shall submit an invoice to Incyte for amounts owed by Incyte pursuant to the Clinical Supply Agreement. Incyte or Collaborator, as applicable, shall pay MacroGenics the full undisputed amount of such invoice within [**] after receipt of such invoice.

(c) Clinical Supply Shortage. In the event of a projected Clinical Supply Shortage of clinical supplies of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product, as determined by either Party in its reasonable discretion, the following shall occur: (i) MacroGenics shall provide to Incyte reasonable assurances that the projected Clinical Supply Shortage will not actually occur, or promptly alert Incyte as to the nature of the Clinical Supply Shortage and cause of such shortage; and (ii) the JMC shall convene and both Parties shall use Commercially Reasonable Efforts to remedy the situation giving rise to such Clinical Supply Shortage and to take action to minimize the impact of the Clinical Supply Shortage, including (1) the reallocation of any material from either Party's safety stock to match actual projected usage in the applicable Clinical Study(ies) causing such Clinical Supply Shortage and (2) triaging any clinical supply allocation for ongoing Clinical Studies of either Party. If MacroGenics does not provide such assurances, or if the situation is not remedied through good faith efforts by both Parties within the [**] following such notification in a manner to avoid an actual Clinical Supply Shortage, then, without limiting any remedies available to Incyte under this Agreement or the Clinical Supply Agreement, during a period extending for [**] from the Effective Date, the clinical supplies would first be allocated to fulfill [**] of Incyte's clinical supply needs over the first [**] of the actual Clinical Supply Shortage period and thereafter the Parties will prorate subsequent supplies of Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product based on the then-Binding Portion ("**Committed Supply**"), as of the date

of either Party's notification to the other Party of such projected Clinical Supply Shortage, as further described in the Clinical Supply Agreement. In the event that an actual Clinical Supply Shortage occurs with respect to MacroGenics' supply of Licensed Compound Bulk Drug Substance or Licensed Compound Drug Product for each of [**] calendar years, Incyte shall thereafter have the right to Manufacture or have Manufactured up to [**] percent ([**]%) of Incyte's clinical supply requirements of Licensed Compound Bulk Drug Substance or Licensed Compound Drug Product. A Clinical Supply Shortage due to the following causes shall not be deemed to be a breach of MacroGenics' clinical supply obligations pursuant to this Article 7 but shall still constitute a Clinical Supply Shortage for the purposes of this Section 7.2(c) and Section 7.2(d): (A) events of Force Majeure or (B) a mutually-agreed change in the specifications for Manufacture of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product which causes a Clinical Supply Shortage within [**] following the implementation of such change in specifications.

(d) Incyte Clinical Supply Rights. Notwithstanding anything to the contrary herein, Incyte shall have the right to Manufacture (or have Manufactured) clinical supplies of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product at the Incyte Facility, (i) in the event of a Clinical Supply Shortage, solely to the extent necessary to cover the projected shortfall of Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product relative to committed Orders, or as otherwise set forth in subsection (c) above, or (ii) for the purpose of any Pivotal Studies of Licensed Product that are funded by Incyte. In the event that Incyte Manufactures, or has Manufactured, clinical supplies of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product for MacroGenics (it being understood that MacroGenics may request such Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product for MacroGenics Combination Studies and Acquirer Combination Studies), Incyte shall use Commercially Reasonable Efforts to provide to MacroGenics the quantities of Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product requested by MacroGenics pursuant to committed Orders, and MacroGenics shall reimburse Incyte, with respect to a MacroGenics Combination Study, [**] ([**]%) of Incyte's Manufacturing Expenses, irrespective of whether such Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product is used by MacroGenics.

(e) Forecasts and Orders.

(i) Rolling Forecast. Commencing on the Effective Date, and on or before the [**] day of each Calendar Quarter thereafter, each Party shall furnish the other Party via the JMC with (A) a rolling forecast of the quantities of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product for which the other Party (for Incyte on behalf of itself and any Collaborators) reasonably expects to submit Orders in each calendar month

during the following [**] calendar months (the “**Rolling Forecast**”), and (B) a rolling, non-binding forecast of the quantities of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product for which the other Party reasonably expects to submit Orders in each calendar quarter for months [**] through [**] (the “**Long Term Forecast**”), in each case of (A) and (B), for the purpose of conducting Monotherapy Studies, Incyte Combination Studies, Collaborator Combination Studies, or MacroGenics Combination Studies, as applicable. For the avoidance of doubt, the Long Term Forecast and months [**] through [**] of the Rolling Forecast will not be binding on the Party submitting such forecast, and months [**] through [**] of the Rolling Forecast will be binding on the Party submitting such forecast (the “**Binding Portion**”).

- (ii) **Orders.** From time to time during the Term, Incyte and MacroGenics will enter into mutually-agreeable orders that reflect the Binding Portion of the Rolling Forecast (each, an “**Order**”) pursuant to which Incyte will order, and MacroGenics will agree to supply, (or, if Incyte is Manufacturing clinical supply for MacroGenics’ use, pursuant to which MacroGenics will order, and Incyte will agree to supply) such quantities of clinical supplies of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product as specified in the Order, on the terms agreed upon by the Parties therein and the Clinical Supply Agreement. An Order shall be binding on the Parties in accordance with the terms and conditions of the Clinical Supply Agreement; provided that each Party shall submit and the other Party shall accept all orders consistent with the most recent Rolling Forecast and the provisions of this Section 7.2(e)(ii). Each Order will specify: (A) the quantities of Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product to be supplied by MacroGenics, (B) the estimated cost of Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product to be supplied, (C) the delivery date for such quantities of Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product and (D) the testing to be conducted and documentation to be provided for the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product supplied under such Order. For all units of Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product that MacroGenics Manufactures for its own use or use by its Development Partners in connection with a MacroGenics Combination Study, MacroGenics shall submit to Incyte in advance of such supply a confirmatory “Order” indicating the information set forth in (A) through (D) with respect to the quantities that it will supply.

7.3 General Commercial Supply Terms.

(a) Licensed Compound Bulk Drug Substance.

- (i) Beginning [**] prior to the anticipated Initiation of the [**] Pivotal Study, and at least [**] prior to January 1st of each Calendar Year, Incyte, with input from MacroGenics, shall (x) determine the amounts of Licensed Compound Bulk Drug Substance to fulfill the annual projected global commercial supply of Licensed Compound Drug Product for such Calendar Year (the “**Annual Global Commercial Supply Forecast**”) and (y) provide a non-binding summary of the projected global commercial supply of Licensed Compound Drug Product for the following [**] Calendar Years. Each applicable forecast shall reasonably reflect MacroGenics’ reasonably forecasted market demand for Licensed Compound Drug Product in connection with the Commercialization of MacroGenics Pipeline Assets as a component of a MacroGenics Combination Regimens in the applicable Calendar Year.
- (ii) Except as otherwise provided herein, (x) MacroGenics shall have the right, but not the obligation, to Manufacture, at its expense, the lesser of (A) up to [**] of the global commercial supply of the Licensed Compound Bulk Drug Substance corresponding to the Annual Global Commercial Supply Forecast, and (B) the annual then-current planned capacity of the MacroGenics Manufacturing Facilities (such amount that MacroGenics elects to Manufacture as set forth in this Section 7.3(a), the “**MacroGenics Commercial Supply Commitment**”), and (y) subject to successful Manufacturing Technology Transfer, FDA or EMA site validation, and Incyte’s notification that it is prepared to deliver the Incyte Commercial Supply Commitment, Incyte shall have the right and obligation to Manufacture, or have Manufactured, at the Incyte Facility, the percentage of the global commercial supply of the Licensed Compound Bulk Drug Substance other than the MacroGenics Commercial Supply Commitment, which shall be at least [**] (such amount, the “**Incyte Commercial Supply Commitment**”). On an annual basis, the Parties will review and update, upon mutual agreement taking into consideration the prior year delivery, the Commercial Supply Commitments, including the percentage allocations for each Party to Manufacture (or in the case of Incyte, have Manufactured) its share of the global commercial supply of Licensed Compound Bulk Drug Substance. MacroGenics shall notify Incyte of its percent MacroGenics Commercial Supply Commitment within [**] after its receipt of the Annual Global Commercial Supply Forecast, and each Party shall be obligated to deliver the full quantity of its Commercial Supply Commitment.
- (iii) In the event that MacroGenics delivers [**] the MacroGenics Commercial Supply Commitment in [**] out of any [**] consecutive Calendar Year period (a “**Commercial Shortfall**”), Incyte shall have the right to limit MacroGenics’ future annual commercial supply volume such that it does not exceed the [**] volume that MacroGenics delivered in either of such [**] in which the Commercial Shortfall occurred (i.e. Incyte may adjust MacroGenics’ future right to manufacture [**] by dividing the [**] volume

that MacroGenics delivered in either of such [**] years in which the Commercial Shortfall occurred by the total projected volume demand for future years).

- (iv) In addition, in the event that (x) MacroGenics Manufactures [**] the entirety of the MacroGenics Commercial Supply Commitment, or (y) Incyte Manufactures or has Manufactured [**] the entirety of the Incyte Commercial Supply Commitment, then without limitation of any other rights or remedies available to the Parties, the other Party shall have the right (but not the obligation) to Manufacture, itself (in the case of MacroGenics) or through the Incyte Facility (in the case of Incyte), the remaining amount of the Licensed Compound Bulk Drug Substance, to fulfill demand for [**] of the Licensed Compound Bulk Drug Substance relative to the Annual Global Commercial Supply Forecast, in accordance with the terms of the Commercial Supply Agreement; provided that, at all times during the Term, MacroGenics shall use Commercially Reasonable Efforts to fulfill the MacroGenics Commercial Supply Commitment, and Incyte shall use Commercially Reasonable Efforts to fulfill the Incyte Commercial Supply Commitment; provided further, that, neither Party shall reallocate its then-current planned Manufacturing capacity to fulfill its respective Commercial Supply Commitment to any other compounds or products.
- (v) In the event that Incyte Manufactures or has Manufactured [**] the entirety of the Incyte Commercial Supply Commitment in a given Calendar Year, to the extent that MacroGenics has any Licensed Compound Bulk Drug Substance available at such time that is not committed for MacroGenics Clinical Studies, Incyte may purchase such Licensed Compound Bulk Drug Substance from MacroGenics in accordance with Section 7.3(c). MacroGenics shall supply all quantities of Licensed Compound Bulk Drug Substance from the MacroGenics Large-Scale Supply Plant or the MacroGenics 1,000L Supply Plant, and shall not have the right to subcontract the Manufacture of the Licensed Compound Bulk Drug Substance to any Third Party without Incyte's prior written approval.

(b)Licensed Compound Drug Product. Incyte shall be solely responsible, at its sole cost and expense, for Manufacturing from the Licensed Compound Bulk Drug Substance, itself or through an Approved CMO, [**] of the projected global commercial supply of the Licensed Compound Drug Product.

(c)Commercial Supply Costs. To the extent MacroGenics provides any commercial supply of the Licensed Compound Drug Product to Incyte pursuant to Section 7.3(a), the provisions of this Section 7.3(c) shall apply. MacroGenics shall provide such supply at a cost equal to [**] of the Manufacturing Expenses incurred by MacroGenics with respect to such quantities of the Licensed Compound Drug Product. MacroGenics shall thereafter provide Incyte with an invoice, and Incyte

would have up to [**] following its receipt of such invoice to request reasonable supporting documentation from MacroGenics to confirm the amount of Manufacturing Expenses set forth therein. MacroGenics shall provide any such reasonable supporting documentation within [**] following Incyte's request. Incyte shall pay MacroGenics the full undisputed amount of any invoice with respect to commercial supply of the Licensed Compound Drug Product within the later of (i) [**] after Incyte's receipt of such invoice from MacroGenics, or (ii) [**] after Incyte's receipt of the supporting documentation in accordance with the procedure described above.

(d) Commercial Supply Agreement. No later than [**] after Initiation of the first Pivotal Study, the Parties shall use Commercially Reasonable Efforts to execute a commercial supply agreement (the "**Commercial Supply Agreement**") that will set forth the terms and conditions governing the provision of commercial supply of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product from MacroGenics to Incyte.

(e) MacroGenics Commercial Supply Rights. Notwithstanding anything to the contrary herein, in the event that Incyte (as determined by Incyte in its reasonable discretion) is, or could reasonably be expected to be unable to Manufacture or have Manufactured the Incyte Commercial Supply Commitment, then Incyte shall promptly inform MacroGenics upon becoming aware of the events giving rise to such inability or expected inability, and (i) MacroGenics shall have the right to Manufacture such quantities of the Licensed Compound Bulk Drug Substance that Incyte is unable to Manufacture or have Manufactured until such time that Incyte is prepared to deliver the Incyte Commercial Supply Commitment, and (ii) Incyte shall Manufacture or have Manufactured quantities of the Licensed Compound Drug Product using the Licensed Compound Bulk Drug Substance provided by MacroGenics. In the event that Incyte notifies MacroGenics in writing that Incyte does not have an Incyte Facility that is equipped for commercial supply purposes (in Incyte's reasonable discretion), MacroGenics shall have the right to Manufacture such quantities of the Licensed Compound Drug Product, in order to meet [**] of the global supply requirement for the MacroGenics Combination Regimen.

7.4 Records; Audit Rights. Incyte and MacroGenics shall (and Incyte shall require that each Collaborator shall) keep complete and accurate records pertaining to its use and disposition of the Licensed Compound (including its storage, shipping and chain of custody activities) and, upon request of the other Party, shall make such records open to review by the other Party for the purpose of conducting investigations for the determination of the safety and/or efficacy of the Licensed Compound or a Party's and the Collaborator's compliance with this Agreement with respect to the Licensed Compound.

7.5 Operation of MacroGenics Manufacturing Facilities.

(a) Subject to MacroGenics' compliance with its obligations under this Agreement and the Ancillary Agreements, MacroGenics shall have the sole discretion in the

operation and use of the MacroGenics Manufacturing Facilities to fulfill its obligations to supply the Licensed Compound Bulk Drug Substance under this Agreement and any Ancillary Agreements, including with respect to the following:

- (i) scheduling of production runs to fulfill Orders and meet forecasts;
- (ii) scheduling of cleaning and maintenance and shut down to perform such activities; and
- (iii) allocation of staff to activities and tasks to be performed in each MacroGenics Manufacturing Facility.

7.6 Quality Assurance.

(a)Clinical Supply. MacroGenics shall use Commercially Reasonable Efforts to implement and perform operating procedures and controls for sampling, stability and other testing of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product, and for validation, documentation and release of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product and such other quality assurance and quality control procedures as are required by the specifications, GMP and the Clinical Quality Agreement (collectively, “**Quality Assurance Measures**”), for clinical supply purposes. To the extent any clinical or commercial supplies of the Licensed Compound are Manufactured at the Incyte Facility pursuant to this Article 7, all parties involved in such Manufacture shall adhere to the Quality Assurance Measures, subject to any modifications that may be mutually agreed upon by the Parties in writing from time to time. MacroGenics shall lead any discussions between the Parties related to Quality Assurance Measures for clinical supply of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product for Phase I Studies and Phase II Studies. Incyte shall lead any discussions between the Parties related to Quality Assurance Measures for clinical supply of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product for Phase III Studies and Pivotal Studies.

(b)Commercial Supply. Both Parties shall use Commercially Reasonable Efforts to implement and perform Quality Assurance Measures for commercial supply of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product. To the extent MacroGenics or an Approved CRO Manufactures any Phase III Study or Pivotal Study clinical supply or any commercial supplies of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product pursuant to this Article 7, such parties shall adhere to the Quality Assurance Measures implemented by Incyte in its production of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product, subject to any modifications that may be mutually agreed upon by the Parties in writing from time to time. Incyte shall lead any discussions between the Parties related to Quality Assurance Measures for commercial supply of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product.

7.7 Compliance with Law. Each Party shall conduct all Manufacturing activities related to the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product in compliance with all Applicable Law, including applicable national and international (e.g., ICH, GCP, GLP, and GMP) guidelines.

**ARTICLE 8
CONSIDERATION**

8.1 Upfront Payment. MacroGenics shall invoice Incyte after the Effective Date and, within [**] after receipt of such invoice, Incyte shall pay to MacroGenics, One Hundred Fifty Million Dollars (\$150,000,000) as a one-time, non-refundable, non-creditable upfront license payment.

8.2 Milestone Payments. The applicable Party will notify the other Party within [**] following the achievement of each milestone set forth below (each, a “**Milestone**”). Thereafter, MacroGenics shall submit an invoice to Incyte for the applicable Milestone payment, and within [**] after Incyte’s receipt of such invoice, Incyte shall remit the applicable Milestone payment to MacroGenics. In addition, except with respect to the Breakthrough Designation Milestone, if for any reason any other Development Milestone corresponding to a Milestone payment does not occur prior to the occurrence of Regulatory Approval, then such prior non-occurring Development Milestone shall be deemed to occur concurrently with Regulatory Approval, and the applicable Milestone payments for the applicable Development Milestones shall become due and payable in accordance with this Section 8.2.

(a) Proof of Concept Milestone. The following payments shall be payable once as specified in the table below with respect to the first applicable Clinical Study (conducted by: (i) Incyte, its Affiliates, or sublicensees (excluding Collaborators); (ii) MacroGenics, in the case of the Ongoing Clinical Study, to the extent it meets the definition of a Phase II Study or Phase III Study; (iii) MacroGenics, if Incyte agrees in writing, in its sole discretion, that such study satisfies the POC Development Milestone; or (iv) MacroGenics, in the case of a MacroGenics Clinical Study in an Indication for which the then-current Incyte Global Development Plan also includes the Initiation of a Clinical Study in the same Indication within the [**] period following the date on which MacroGenics’ Clinical Study achieved Proof of Concept) to achieve the corresponding Milestone:

Proof of Concept Milestone	Payment (USD)		
	1 st Indication	2 nd Indication	3 rd Indication
[**] or [**] Establishing Proof of Concept (the “ POC Development Milestone ”)	[**]	[**]	[**]

(b)Development Milestones. The following payments shall be payable once as specified in the table below with respect to the first applicable Monotherapy Regimen, or Incyte Combination Regimen Developed by Incyte, its Affiliates, or sublicensees (excluding Collaborators) to achieve the corresponding Milestone (together with the POC Development Milestone, each, a “**Development Milestone**”):

Development Milestone	Payment (USD)		
	1 st Indication	2 nd Indication	3 rd Indication
Treatment of [**] cumulative subjects across all Incyte Clinical Studies (including Incyte Monotherapy Studies and Incyte Combination Studies) in a single Indication for greater than [**] continuously at a recommended Phase II or Phase III defined dose and schedule	[**]	[**]	[**]
Initiation of a Pivotal Study	[**]	[**]	[**]
Breakthrough Designation Granted	[**]	N/A	N/A

(c)Regulatory Filing Milestones. The following payments shall be payable once as specified in the table below, with respect to the first Monotherapy Regimen or Incyte Combination Regimen Developed by Incyte, its Affiliates, or sublicensees (excluding Collaborators) to achieve the corresponding Milestone (each, a “**Regulatory Filing Milestone**”):

Regulatory Filing Milestone	Payment (USD)		
	1 st Indication	2 nd Indication	3 rd Indication
First filing of BLA in the U.S.	[**]	[**]	[**]
First filing of MAA with EMA or in [**] European Major Market countries	[**]	[**]	[**]

(d)Regulatory Approval Milestones. The following payments shall be payable once as specified in the table below, with respect to the first Monotherapy Regimen or Incyte Combination Regimen Developed by Incyte, its Affiliates, or sublicensees (excluding Collaborators) to achieve the corresponding Milestone (each, an “**Approval Milestone**”):

Approval Milestone	Payment (USD)		
	1 st Indication	2 nd Indication	3 rd Indication

[**] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.

Approval Milestone	Payment (USD)		
	1 st Indication	2 nd Indication	3 rd Indication
Receipt of Regulatory Approval in U.S.	[**]	[**]	[**]
Receipt of Regulatory Approval in EU	[**]	[**]	[**]
Receipt of Regulatory Approval in Japan	[**]	[**]	[**]

(e) Annual Net Sales Milestones. The Milestone payments set forth in this Section 8.2(e) shall each be payable to MacroGenics one time only, upon the first time during the Term that the total aggregate Net Sales of Licensed Products in any Calendar Year in the Territory during the applicable Royalty Term for the Licensed Products in the applicable country exceed the amounts set forth in the following table (each, a “Sales Milestone”).

Annual Aggregate Worldwide Net Sales Milestones	
Sales Milestone	Payment (USD)
Upon the first occasion that aggregate annual Net Sales of Licensed Products exceeds [**]	[**]
Upon the first occasion that aggregate annual Net Sales of Licensed Products exceeds [**]	[**]
Upon the first occasion that aggregate annual Net Sales of Licensed Products exceeds [**]	[**]
Upon the first occasion that aggregate annual Net Sales of Licensed Products exceeds [**]	[**]

If more than one Sales Milestone described in this Section 8.2(e) is achieved during the same Calendar Year, then Incyte shall pay MacroGenics only the Sales Milestone payment that corresponds to the highest Sales Milestone that was achieved in such Calendar Year, and any Sales Milestone that was earned in such Calendar Year but not paid shall be paid with respect to the first Calendar Year in which no other Sales Milestone was achieved. For purposes of clarity, only one Sales Milestone payment shall be owed, on each of the first occasions that aggregate annual Net Sales of Licensed Products exceed [**], [**], [**] and [**] under this Section 8.2(e).

8.3 Royalty Obligations. Incyte shall pay to MacroGenics royalties on the aggregate annual Net Sales of Licensed Products in the Territory, on a Licensed Product-by-Licensed Product basis, at the following rates set forth in this Section 8.3, in each case, subject to Sections 8.5 and 8.10:

[] = Portions of this exhibit have been omitted pursuant to a confidential treatment request. An unredacted version of this exhibit has been filed separately with the Commission.**

Annual Net Sales	Royalty Rate
On the portion of worldwide annual Net Sales of Licensed Products less than or equal to [**]	15%
On the portion of worldwide annual Net Sales of Licensed Products greater than [**] and less than or equal to [**]	[**]
On the portion of worldwide annual Net Sales of Licensed Product greater than [**] and less than or equal to [**]	[**]
On the portion of worldwide annual Net Sales of Licensed Product greater than [**] and less than or equal to [**]	[**]
On the portion of worldwide annual Net Sales of Licensed Product greater than [**]	24%

8.4 Royalty Term. Royalties under Section 8.3 shall be payable on Net Sales on a Licensed Product-by-Licensed Product and country-by-country basis during the Royalty Term applicable to such Licensed Product in the applicable country. Following the expiration of the Royalty Term with respect to a Licensed Product in the applicable country (but not following an earlier termination of this Agreement), subject to the terms and conditions of this Agreement, Incyte shall have a perpetual, irrevocable, non-exclusive, fully-paid and royalty-free right and license, with the right to grant sublicenses, under the Licensed Technology and Label Combination Patents, to Exploit such Licensed Product in the Field in such country, and Net Sales of such Licensed Product in such country shall not count toward the milestones or royalty thresholds under Sections 8.2 or 8.3.

8.5 Royalty Rate Adjustments; Licensed Product Pricing.

(a) The royalty rates set forth in Section 8.3 shall be subject to reduction as follows:

- (i) On a country-by-country basis, to the extent a Licensed Product is sold in a country in the Territory in which one (1) or more Third Parties is selling or has previously sold one or more Biosimilar Products, and such Biosimilar Products, collectively, have achieved a [**] or more market share of the aggregate market share of such Licensed Product and such Biosimilar Products (based on data provided by IMS Health Incorporated, Fairfield, Connecticut) as measured on a units sold basis in any Calendar Quarter, or if such data is not available, such other methodology for estimating the percentage of unit sales based market share of such Biosimilar Products in such country as agreed upon by the Parties, then Incyte's royalty obligations with respect to sales of such Licensed Product in such country during such Calendar Quarter and all future Calendar Quarters shall be reduced by [**] of the applicable rate set forth in Section 8.3 (as such rate may be adjusted pursuant to Section 8.5(b) below);

- (ii) On a country-by-country basis and Licensed Product-by-Licensed Product basis, the royalty rates shall be reduced by [**], in each country in the Territory in which, at the time applicable Net Sales occur, no Valid Claim of Licensed Patents Covers the Commercialization of the applicable Licensed Product; and
- (iii) In no event shall the reduction available to Incyte pursuant to Sections 8.5(a)(i) and 8.5(a)(ii) reduce the royalties payable to MacroGenics for a given Calendar Quarter to less than [**] of the royalty amount otherwise payable with respect to the applicable Licensed Product (the “**Royalty Floor**”) for such Calendar Quarter during the Royalty Term, provided that Incyte may credit against royalty obligations payable with respect to one or more future Calendar Quarter(s) any royalty reductions that Incyte was unable to take in any previous Calendar Quarter due to the Royalty Floor to the extent such credited royalty deductions do not cause the payments owed to MacroGenics in such future Calendar Quarter to be reduced below the Royalty Floor.

(b) Notwithstanding anything to the contrary herein, in the event that Incyte or its Affiliates or sublicensees sell the Licensed Compound [**] in a Calendar Year such that the [**] for such Calendar Year is [**] the [**], [**], [**] or [**], as applicable, then, as Incyte’s [**] and MacroGenics’ [**] with respect to such sales, within [**] following the end of such Calendar Year, Incyte shall pay MacroGenics a one-time payment in an amount equal to the shortfall of the royalty that would have been owed had the [**] of the [**] been equal to the [**], [**], [**], or [**], as applicable. By way of example, if MacroGenics received \$[**] in U.S. royalties over the course of a Calendar Year based on a [**], and the [**] in such Calendar Year was [**], then Incyte would owe MacroGenics a shortfall payment of \$[**] ([**]).

8.6 Manner of Royalty Payment. Within [**] following the end of each Calendar Quarter ending during an applicable Royalty Term as to a Licensed Product in the Territory, Incyte shall provide MacroGenics with a report setting forth, on a Licensed Product-by-Licensed Product and country-by-country basis: (a) the Net Sales of such Licensed Product in such country, calculated in accordance with GAAP and (b) a calculation of the royalty payment due with respect to such Net Sales. Such report shall also include the exchange rates and other methodology used in converting Net Sales into U.S. Dollars from the currencies in which such sales were made for purposes of calculating the appropriate royalty rate and the royalty payment due, and the application of the adjustments, if any, made in accordance with the terms of Section 8.5 and Section 8.10. Following MacroGenics’ receipt of an undisputed report, MacroGenics shall send an invoice to Incyte for the royalty payment due for such Calendar Quarter. Within [**] after Incyte’s receipt of such invoice, Incyte shall pay all undisputed amounts due to MacroGenics pursuant to Section 8.3 with respect to Net Sales by Incyte, its Affiliates and their respective sublicensees for such Calendar Quarter.

8.7 Monotherapy Development Sublicense Fees. Incyte shall pay to MacroGenics [**] of upfront fees and milestones received following the Effective Date but prior to the end of the Royalty Term by Incyte and its Affiliates from any Third Party with which Incyte enters into, during the [**] after the Effective Date, a bona fide collaboration (such collaboration being limited solely to Development of the Monotherapy Regimen in the U.S., EU or Japan), pursuant to which Incyte grants such Third Party a sublicense under this Agreement (“**Monotherapy Sublicense Fees**”).

8.8 Collaborator Sublicense Fees. With respect to each sublicense granted by Incyte under this Agreement with respect to a Collaborator Combination Regimen, throughout the Term, Incyte shall have the right, but not the obligation, to charge Collaborators an upfront fee, milestone or royalties on the net sales of the Collaborator’s Pipeline Asset in exchange for access to use the Licensed Compound in a Collaborator Combination Regimen, and shall pay to MacroGenics [**] of any such upfront fee, milestones or royalties received during the Royalty Term by Incyte and its Affiliates from such Collaborator in connection with the applicable Collaborator Contract (“**Collaborator Sublicense Fees**”).

8.9 Currency. All payments under this Agreement shall be payable in U.S. Dollars. With respect to sales of a Licensed Product invoiced in a currency other than U.S. Dollars, such amounts and the amounts payable hereunder shall be expressed in their U.S. Dollars equivalents using the exchange rate Incyte uses for its public financial accounting purposes.

8.10 Third Party Financial Obligations.

(a) Subject to Section 8.10(b) and 8.10(c) below, in the event that Incyte in its reasonable discretion determines that it is necessary or useful to obtain a license under any Patents controlled by a Third Party in order to Exploit the Monotherapy Regimen (such license, a “**Third Party License**”), then Incyte may credit up to [**] of the amount of [**], milestone payments, royalties, and other amounts actually paid by Incyte or its applicable Affiliate or, solely to the extent passed through to Incyte, its sublicensee, as the case may be, to such Third Party in connection with such Third Party License in a given Calendar Quarter, in each case to the extent allocable to rights to Exploit the Monotherapy Regimen, against future milestone payments and royalty payments owed to MacroGenics under Section 8.3 (as such royalties may be adjusted pursuant to Section 8.5(b)) in such Calendar Quarter (such credit, the “**Third Party License Credit**”); provided, however, that in no event will such Third Party License Credit reduce any royalty or milestone payment payable to MacroGenics to less than [**] of the royalty or milestone amount otherwise payable with respect to the applicable Licensed Product. Any share of such Third Party obligations that [**] due to the [**]. For clarity, the Third Party License Credit shall not be [**].

(b) As of the Execution Date, MacroGenics has the existing Third Party licenses set forth in Exhibit C (such licenses, the “**Existing Third Party Licenses**”). Incyte shall be solely responsible for paying to MacroGenics, with respect to the Existing Third Party Licenses, all license fees, milestone payments, and royalties (including royalty buyout payments) payable to the applicable Third Party licensor under such Existing

Third Party License, to the extent resulting from Incyte's Exploitation of the Licensed Compound and/or Licensed Product; provided that, [**] shall have [**] of the amount of such fees as a [**] in the manner provided in [**], subject to the [**] and [**] set forth in such [**].

(c) Notwithstanding anything to the contrary herein, Incyte shall be solely responsible for the payment of any and all costs and expenses, including upfront fees, milestone payments and royalty payments (without deduction pursuant to subsection (a)), and the assumption of any and all liabilities owed or incurred by Incyte or its Affiliates prior to the Effective Date or during the Term in connection with obtaining from [**] any Third Party License for the Exploitation of the Licensed Compound (including the promotion of the Licensed Compound as a component of a MacroGenics Combination Regimen) under those Patents identified on Exhibit G that are owned or Controlled by [**] as of the Effective Date (such [**], the "[**]"; such license, the "[**]"). During the Term, Incyte will use Commercially Reasonable Efforts to (x) [**] a [**] that [**] the [**] under the [**] by [**] to [**], [**] generally consistent with the license set forth in Section 3.4(b) (except that the [**] will be solely for the Exploitation of the Licensed Compound and any further sublicensing thereof shall be subject to the provisions to Section 3.2(c)); and (y) maintain the [**] for so long as it is commercially reasonable for Incyte to do so. For so long as Incyte maintains the [**] in effect, Incyte will not amend or modify the [**] in a manner that would have a material adverse effect on MacroGenics' rights under this Agreement without MacroGenics' prior written consent. For clarity, the [**] hereunder with respect to the [**] shall not include [**] to the Exploitation of any Pipeline Asset or the Combination of any Pipeline Asset with the Licensed Compound.

(d) [**]. Notwithstanding Section 8.10(a) and 8.10(c), during the Term and in the event that Incyte determines it is necessary to obtain from [**] any Third Party License for the Exploitation of the Licensed Compound (including the promotion of the Licensed Compound as a component of a MacroGenics Combination Regimen) under those Patents identified on Exhibit H that are owned or Controlled by [**] as of the Effective Date (such [**], the "[**]"; such license, the "[**]"), Incyte shall use Commercially Reasonable Efforts to [**] and [**] the [**], either as an extension of the [**] or a [**], and ensure that the terms of the [**] permit the [**] under the [**] by Incyte to MacroGenics, on terms generally consistent with the license set forth in Section 3.4(b) and the provisions of Section 8.10(c), except that the [**] will be solely for the Exploitation of the Licensed Compound, and any [**] thereof shall be subject to the provisions of Section 3.2(c). To the extent Incyte determines it is necessary to obtain the [**], Incyte shall be solely responsible for the payment of any and all costs and expenses, including upfront fees, milestone payments and royalty payments, without deduction pursuant to 8.10(a) or any other provision of this Agreement.

8.11 Taxes. All payments due and payable under this Agreement will be made without any deduction or withholding of Taxes, unless such deduction or withholding Tax is required by Applicable Law in effect at the time of payout. If the paying Party is so required to deduct or withhold any Taxes, such Party shall (a) promptly notify the other Party of such requirement; (b) pay to the relevant authorities the full amount required to be deducted or withheld promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against the other Party; and (c) promptly forward to the other Party an official receipt (or certified copy), or other documentation reasonably acceptable to the other Party evidencing such payment to such authorities. Notwithstanding the foregoing, if as a result of (i) the assignment or transfer by operation of law or otherwise, of this Agreement by either Party to an Affiliate or Third Party outside of the U.S., or (ii) the exercise by either Party of its rights under this Agreement through an Affiliate or Third Party outside the U.S., withholding Tax in excess of the withholding Tax amount that would have been payable in the absence of such assignment or exercise of rights becomes payable with respect to any amount due to the other Party under this Agreement, then: (x) where the paying Party is the assigning or exercising Party described in (i) and (ii), the paying Party shall pay to the other Party such additional amounts as are necessary so that the other Party receives the amounts it would have received if such payments were not subject to such withholding Tax as a consequence of such assignment or exercise; and (y) where the receiving Party is the assigning or exercising Party described in (i) and (ii), the paying Party shall not be required to pay any amount in excess of the aggregate payment it would have been required to make based on the withholding Tax amount that would have been payable in the absence of such assignment or exercise of rights.

8.12 Audit. Each Party shall maintain complete and accurate records in the ordinary course of such Party's operations in order to permit the other Party to confirm the accuracy of the calculation of royalties, milestones, FTE Costs, Third Party Expenses, Manufacturing Expenses and other payments under this Agreement. Upon reasonable prior notice, but not more than [**] per Calendar Year, such records shall be available during regular business hours for a period of [**] from the end of the Calendar Year to which they pertain for examination by a "Big Four" independent certified public accounting firm (*i.e.*, PriceWaterhouseCoopers, Deloitte & Touche, Ernst & Young or KPMG) selected by the requesting Party, having no prior engagement with the requesting Party, and reasonably acceptable to the other Party for the sole purpose of verifying the accuracy of the financial reports and correctness of the payments furnished by the other Party pursuant to this Agreement (it being agreed that if the Parties have collectively engaged with more than [**] of the foregoing Big Four firms at the time of selection for an audit hereunder, then at such time the Parties shall reasonably cooperate and determine additional acceptable certified public accounting firms who may conduct such audit pursuant to this Section 8.12). Any such auditor shall not disclose the other Party's Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by the other Party or the amount of payments due by the other Party under this Agreement. Any amounts shown to be owed but unpaid shall be paid within [**] from the accountant's report, plus interest, as set forth in Section 8.13, from the original due date. Any amounts shown to have been overpaid shall be refunded within [**] from the accountant's report. The requesting Party shall bear the full cost of such audit unless such audit discloses an underpayment by the other Party of more than [**] of the amount due, in which case the other Party shall bear the full cost of such audit.

8.13 Manner of Payment. All payments due to a Party hereunder shall be made in U.S. Dollars by wire transfer of immediately available funds into an account designated by the receiving Party. If a Party does not receive payment of any sum due to it on or before the due date, such Party shall notify the other Party, and the paying Party shall have [**] following receipt of such notice to pay any undisputed amount. Thereafter, interest shall accrue on the undisputed sum due to such Party until the date of payment at the per annum rate of [**] over the then current prime rate quoted by Citibank in New York City of the maximum rate allowable by Applicable Law, whichever is lower.

**ARTICLE 9
INTELLECTUAL PROPERTY MATTERS**

9.1 Inventorship; Ownership and Disclosure of Inventions.

(a) Inventorship. For purposes of this Section 9.1, inventorship with respect to any Inventions made by a Party's (or its Affiliates') own employees, agents, licensees or independent contractors in the course of conducting its activities under this Agreement, together with all intellectual property rights therein, shall be determined in accordance with U.S. patent laws.

(b) Ownership by Incyte. As between the Parties, any Invention made solely by Incyte's (or its Affiliates') own employees, agents, licensees or independent contractors that arises in the course of performing any Monotherapy Study, Incyte Combination Study and/or any Collaborator Combination Study under this Agreement or performing any other activity under this Agreement, together with all intellectual property rights in each of the foregoing (collectively, "**Incyte Development IP**") and Incyte's interest in Collaborator Development IP shall, as between Incyte and MacroGenics, be solely owned by Incyte.

(c) Ownership by MacroGenics. As between the Parties, any Invention made solely by MacroGenics' (or its Affiliates') own employees, agents, licensees or independent contractors that arises in the course of performing any MacroGenics Combination Study under this Agreement or, performing any other activity under this Agreement, together with all intellectual property rights therein (collectively, "**MacroGenics Development IP**") shall, as between MacroGenics and Incyte, be solely owned by MacroGenics and, to the extent useful or necessary to Exploit the Licensed Compound or Licensed Product, shall, subject to Section 15.3(d), constitute Licensed Patents or Licensed Know-How (as applicable) for purposes of this Agreement.

(d) Joint Ownership. The Parties shall jointly own any Inventions for which the inventors include at least one employee, agent, or independent contractor of each Party that arise in the course of performing activities under this Agreement, together with all intellectual property rights therein ("**Joint Inventions**"). Subject to any licenses granted under this Agreement, each Party will have the right to practice and exploit any Joint Inventions without the duty of accounting to the other Party or seeking consent (for licensing, assigning or otherwise exploiting Joint Inventions) from the other Party by reason of the joint ownership thereof; and each Party hereby

waives any right such Party may have under the Applicable Law of any jurisdiction to require any such approval or accounting, and, to the extent Applicable Law prohibits such a waiver, each Party shall be deemed to so consent. In furtherance thereof, upon the reasonable written request of a Party, the other Party will in writing grant such consents and confirm that no such accounting is required to effect the foregoing regarding Joint Inventions. Each Party shall promptly disclose to the other Party any invention disclosures, or other similar documents, submitted to it by its employees, agents or independent contractors describing the Joint Inventions, and all Information relating to such Joint Inventions to the extent necessary for the use of such Joint Invention in the Development or commercialization of the Licensed Compounds or the Licensed Products in the Field and, to the extent patentable, for the preparation, filing and maintenance of any Patent with respect to such Joint Invention. Any such Information provided to the other Party pursuant to this Section 9.1(d) shall, to the extent it refers to or describes the Pipeline Asset of the Disclosing Party, be Confidential Information of the Disclosing Party, and the Disclosing Party shall have the right to require that any Confidential Information related to its Pipeline Assets be redacted from any Patent application(s) Covering Joint Inventions, provided that such Confidential Information shall not be redacted to the extent it is necessary to understand the Joint Invention, or is otherwise required for the patentability of the Joint Invention.

(e)Assignment by Representatives. Each Party shall (and Incyte shall require that each Collaborator shall) bind its Affiliates, and its or their employees, agents, consultants and contractors (collectively, “**Representatives**”) to disclose to such Party, and to assign to such Party or its Affiliate (or to Collaborator, as applicable) all right, title and interest in, any Invention that is made by such Representative in the course of conducting its activities under this Agreement, together with all intellectual property therein.

9.2 Prosecution of Patents.

(a)Licensed Patents. Subject to the oversight of the JIPC and in accordance with the remainder of this Section 9.2(a), MacroGenics shall have the primary right and authority to prepare, file, prosecute and maintain the Licensed Patents (other than the Joint Patents, which are the subject of Section 9.2(e)) on a worldwide basis, and shall prepare, file, prosecute or maintain the Licensed Patents in any jurisdiction requested by Incyte to the extent permitted under Applicable Law using independent outside counsel mutually agreed upon by the Parties.

(b)Costs. Such activities under Section 9.2(a) shall be conducted by MacroGenics (including through outside counsel selected in accordance with Section 9.2(a) above) at MacroGenics’ own expense; provided that, Incyte shall reimburse MacroGenics for [**] of the reasonable, out-of-pocket costs incurred by MacroGenics in preparing, filing, prosecuting and maintaining the Licensed Patents in accordance with this Section 9.2, within [**] after receipt of any undisputed invoice from MacroGenics

setting forth such costs; provided, further, that if, pursuant to MacroGenics' agreement with any Third Party, MacroGenics is reimbursed by such Third Party for any such out-of-pocket costs in the preparing, filing, prosecution or maintenance of any such Licensed Patent, Incyte's share of such out-of-pocket costs will be determined by [**]. Notwithstanding the foregoing, if Incyte wishes to seek Patent protection for a Licensed Patent in a jurisdiction other than those set forth on Exhibit F (a "**Requested Licensed Patent**"), then Incyte shall so notify MacroGenics in writing and shall reimburse MacroGenics for [**] of the reasonable, out-of-pocket costs incurred by MacroGenics in preparing, filing, prosecuting and maintaining such Requested Licensed Patent in such jurisdiction in accordance with this Section 9.2, within [**] after receipt of any undisputed invoice from MacroGenics setting forth such costs; provided that, if the Requested Licensed Patent Covers a MacroGenics Pipeline Asset, then Incyte shall only be required to pay [**] of the reasonable, out-of-pocket costs incurred by MacroGenics in preparing, filing, prosecuting and maintaining the Requested Licensed Patents in accordance with this Section 9.2; provided, further, that if, pursuant to MacroGenics' agreement with any Third Party, MacroGenics is reimbursed by such Third Party for any such out-of-pocket costs in the preparing, filing, prosecution or maintenance of any such Requested Licensed Patent, Incyte's share of such out-of-pocket costs will be determined by [**].

- (i) **Opt-Out Right.** Incyte may cease reimbursement of MacroGenics' costs associated with any Licensed Patent pursuant to Section 9.2(a) by providing MacroGenics with at least [**] written notice (an "**Opt Out Notice**"). Upon receipt of an Opt Out Notice, MacroGenics may cease to pursue any efforts to prepare, file, prosecute or maintain the applicable Licensed Patent(s). Upon expiration of the notice period set forth in the Opt Out Notice, any Licensed Patent which is the subject of such Opt-Out Notice shall cease to be a Licensed Patent for all purposes under this Agreement, including for purposes of the licenses granted by MacroGenics to Incyte under Section 3.1.
- (ii) **Incyte Review and Comment Rights.** Subject to the oversight of the JIPC, MacroGenics shall provide Incyte with a reasonable opportunity to review and comment on its efforts to prepare, file, prosecute and maintain Licensed Patents, including by providing Incyte with a copy of material communications from any patent authority regarding any Licensed Patent, and by providing drafts of any material filings or responses to be made in advance of submitting such filings or responses. MacroGenics shall consider Incyte's comments and cooperate with Incyte regarding such communications and drafts in good faith, and shall use Commercially Reasonable Efforts to address Incyte's comments. If MacroGenics determines in its discretion to abandon or not maintain any Licensed Patent(s) in any country(ies) of the world, then MacroGenics shall provide Incyte with written notice of such determination within a period of time reasonably necessary to allow Incyte to determine its interest in such Licensed Patent(s)

(which notice from MacroGenics shall be given no later than [**] prior to any final deadline for any pending action or response that may be due with respect to such Licensed Patent(s) with the applicable patent authority). If Incyte provides written notice indicating that it wishes to acquire such Licensed Patent(s), MacroGenics shall, free of charge, assign and transfer to Incyte the ownership of, and interest in, such Licensed Patent(s) in such country(ies), at Incyte's own expense, and MacroGenics shall cooperate with Incyte for assignment and transfer of such Licensed Patent(s) in such country. Thereafter, all such assigned and transferred Patents will be deemed Incyte Patents and not Licensed Patents, and Incyte shall have the right to prepare, file, prosecute and maintain such Patents as set forth in Section 9.2(e), at its sole expense. Notwithstanding the foregoing, Incyte shall have no right to prepare, file, prosecute or maintain (a) any Licensed Patents, in connection with settlement proceedings, oppositions, *inter-partes* proceedings and other similar circumstances; and (b) any Patents that are otherwise owned or Controlled by MacroGenics that are not Licensed Patents.

(c) Incyte Patents; Incyte Development IP. Incyte shall have the sole right and authority to prepare, file, prosecute and maintain Incyte Patents and Patents within the Incyte Development IP on a worldwide basis at its own expense.

(i) MacroGenics Review and Comment Rights. Incyte shall provide MacroGenics with a reasonable opportunity to review and comment on its efforts to prepare, file, prosecute and maintain Incyte Patents and Patents within the Incyte Development IP in each case that specifically relate to the Licensed Compound or Licensed Product (collectively, the "**Subject Patents**"), including by providing MacroGenics with a copy of material communications from any patent authority regarding any Subject Patent, and by providing drafts of any material filings or responses to be made in advance of submitting such filings or responses. Incyte shall consider MacroGenics' comments regarding such communications and drafts in good faith, and shall use Commercially Reasonable Efforts to address MacroGenics' comments where practicable. If Incyte determines in its discretion to abandon or not maintain any Subject Patent(s) in any country(ies) of the world, then Incyte shall provide MacroGenics with written notice of such determination within a period of time reasonably necessary to allow MacroGenics to determine its interest in such Subject Patent(s) (which notice from Incyte shall be given no later than [**] prior to any final deadline for any pending action or response that may be due with respect to such Subject Patent(s) with the applicable patent authority). If MacroGenics provides written notice indicating that it wishes to acquire such Subject Patent(s), Incyte shall, in return for MacroGenics' payment to Incyte of [**] of Incyte's accrued costs for filing, prosecution, and maintenance of such Subject Patent, assign and transfer to MacroGenics the ownership of, and interest in, such Subject Patent(s) in such country(ies), at MacroGenics' own expense, and Incyte shall cooperate with

MacroGenics for assignment and transfer of such Subject Patent(s) in such country. Thereafter, MacroGenics shall have the right to prepare, file, prosecute and maintain such Patents at its sole expense and Incyte shall have no further rights in or obligation to MacroGenics with respect to such Subject Patent(s). Notwithstanding the foregoing, MacroGenics shall have no right to prepare, file, prosecute or maintain (a) any Subject Patents, in connection with settlement proceedings, oppositions, *inter-partes* proceedings and other similar circumstances; and (b) any Patents that are otherwise owned or Controlled by Incyte or its Affiliates that are not Subject Patents.

(d) Collaborator Development IP. As between the Parties, Incyte shall have the sole right and authority to prepare, file, prosecute and maintain Patents within the Collaborator Development IP on a worldwide basis at its own expense.

(e) Joint Patents.

- (i)** Subject to the governance of the JIPC and in accordance with the remainder of this Section 9.2(e), Incyte shall have the primary right and authority to prepare, file, prosecute and maintain the Patents included in the Joint Inventions (“**Joint Patents**”) at its own expense; provided, however, to the extent that claims of Joint Patents Cover MacroGenics Pipeline Assets, that MacroGenics shall have the right and authority to prepare, file, prosecute and maintain the Patents included in the Joint Inventions that specifically relate to MacroGenics Combination Regimens or MacroGenics Pipeline Assets (but not to the Licensed Compound or Licensed Product) (“**MacroGenics-Responsible Joint Patents**”).
- (ii) Costs.** Such activities under Section 9.2(e)(i) shall be conducted by the responsible Party (the “**Responsible Party**”) (including through outside counsel) at the Responsible Party’s own expense; provided that, the other Party shall reimburse the Responsible Party for fifty percent (50%) of the reasonable, out-of-pocket costs incurred by the Responsible Party in preparing, filing, prosecuting and maintaining the applicable Joint Patent(s) in accordance with this Section 9.2(e)(i), within [**] after receipt of any undisputed invoice from the Responsible Party setting forth such costs.
- (iii) Review and Comment Rights.** Subject to the governance of the JIPC, the Responsible Party shall provide the other Party with a reasonable opportunity to review and comment on its efforts to prepare, file, prosecute and maintain the Joint Patents, including by providing such Party with a copy of material communications from any patent authority regarding any Joint Patent, and by providing drafts of any material filings or responses to be made in advance of submitting such filings or responses. The Responsible Party shall consider the other Party’s comments and cooperate with the other Party regarding such communications and drafts in good faith, and shall use Commercially Reasonable Efforts to address the other Party’s comments. If the Responsible

Party determines in its discretion to abandon or not maintain any Joint Patent(s) for which it has prosecution and maintenance right pursuant to Section 9.2(e)(i) in any country(ies) of the world, then the Responsible Party shall provide the other Party with written notice of such determination within a period of time reasonably necessary to allow the other Party to determine its interest in acquiring the Responsible Party's interest in such Joint Patent(s) (which notice from the Responsible Party shall be given no later than [**] prior to any final deadline for any pending action or response that may be due with respect to such Joint Patent(s) with the applicable patent authority). Upon written notice from such Party that it wishes to acquire the Responsible Party's interest in such Joint Patent(s), the Responsible Party shall, free of charge, assign and transfer to the other Party the Responsible Party's interest in such Joint Patent(s) in such country(ies), at the other Party's own expense, and the Responsible Party shall cooperate with the other Party for assignment and transfer of such Joint Patent(s) in such country. Thereafter, all such assigned and transferred Patents will be deemed Patents of the assignee party and not Joint Patents, and the other Party shall have the right to prepare, file, prosecute and maintain such Patents at its sole expense and the Responsible Party shall have no further rights (including any license rights hereunder) in or obligation to the other Party (including payment obligations hereunder) with respect to such Joint Patent(s).

(f) Cooperation in Prosecution.

- (i)** Each Party shall provide the other Party all reasonable assistance and cooperation in the prosecution efforts with respect to Licensed Patents (including Joint Patents) provided above in Sections 9.2(a) through 9.2(e). The Parties will discuss and consider in good faith filing separate Patent Rights that include claims that Cover Licensed Compound, Licensed Product and Combinations thereof (e.g., methods of manufacturing and uses of such Licensed Compound and Licensed Product) specifically or generically and claims that Cover only other compounds and methods of making and using such other compounds. Each Party shall provide the other Party all reasonable assistance and cooperation in providing any necessary powers of attorney and executing any other required documents or instruments for such prosecution, as well as further actions as set forth below. Such assistance and cooperation shall include making a Party's inventors and other scientific advisors reasonably available to assist the other Party's Patent prosecution efforts.
- (ii)** All communications between the Parties relating to the prosecution efforts provided above in Sections 9.2(a) through 9.2(e), including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to the applicable Patents, shall be considered Confidential Information of the Party controlling the

prosecution of the applicable Patents pursuant to Sections 9.2(a) through 9.2(e) (the “**Prosecuting Party**”), except that, other than as set forth in Section 9.1(d), such communications in connection with Joint Patents shall be considered the Confidential Information of both Parties.

- (iii) The Prosecuting Party shall keep the other Party reasonably informed of its prosecution activities with respect to the applicable Patents.

9.3 Infringement of Patents by Third Parties.

(a) Notification. Each Party shall promptly notify the other Party in writing of any existing, alleged or threatened infringement of any Licensed Patent, Joint Patent, or Subject Patent, of which it becomes aware, and shall provide all Information in such Party’s possession or control relating to such infringement.

(b) Infringement of Licensed Patents.

- (i) Subject to Section 9.3(b)(ii) through 9.3(b)(vii), Incyte shall have the first right, but not the obligation, to bring an appropriate suit or other action against any Third Party engaged in any existing, alleged or threatened infringement of any Licensed Patent or Joint Patent, including the filing by a Third Party of any Biosimilar Application under the BPCI Act, and to compromise or settle such action by counsel of its choice.
- (ii) Incyte shall notify MacroGenics of its election to take any action in accordance with Section 9.3(b)(i) at least [**] before any time limit set forth in Applicable Law or regulation, including the time limits set forth under the BPCI Act. Notwithstanding the foregoing sentence, Incyte shall not initiate any such suit or take such other action with respect to any Licensed Patent or Joint Patent without first consulting with MacroGenics and giving good faith consideration to any reasonable objection from MacroGenics regarding Incyte’s proposed course of action. MacroGenics shall cooperate in the prosecution of any suit under this Section 9.3 as may be reasonably requested by Incyte. In the event that Incyte elects not to initiate a lawsuit or take other reasonable action with respect to an infringement described in Section 9.3(b)(i), MacroGenics shall have the right, but not the obligation, to initiate such suit or take such other action, after providing [**] (or [**] in the event there is a time limit) notice to Incyte and giving good-faith consideration to Incyte’s reason(s) for not initiating a suit or taking other action; provided, however, that if Incyte has notified MacroGenics that it is not proceeding with an action on the advice of competent outside counsel that has evaluated patent scope, validity, enforceability, and/or possible infringement defenses, then MacroGenics shall not commence an action as described in this Section 9.3(b)(ii) until such time that (A) the Parties have agreed that such action should be commenced or (B) a mutually-agreeable Third Party expert has mediated such disagreement and determined that such action is reasonably unlikely to

have a material adverse effect on the Licensed Patents, Joint Patents, or Subject Patents. If, prior to the outcome of such determination by such Third Party expert, a time limit will expire or deadline occur that will prevent or limit the ability to initiate or conduct such suit or action, MacroGenics shall have the right to proceed with such suit or action until the outcome of the determination, at which point MacroGenics may continue with such suit or action only in accordance with the determination.

- (iii) Without limiting the obligations of the Parties under subsection (ii) above, if one Party elects to bring suit or take action under this Section 9.3(b) against an infringement, then the other Party shall have the right, prior to commencement of the suit or action, to join any such suit or action at its own cost and expense.
- (iv) Incyte will have sole decision-making authority with respect to the determination of which Incyte Patents, and primary decision-making authority with respect to the determination of which Licensed Patents or Joint Patents, to submit to a Third Party that files a Biosimilar Application, or any other act of patent information exchange or listing as required by the BPCI Act or other similar measure in any other country in the Territory; provided that (A) to the extent permitted by Applicable Law, Incyte shall confer in good faith with MacroGenics regarding which, if any, Licensed Patents or Joint Patents are listed pursuant to 42 U.S.C. § 262(l)(3)(A) (or any successor legislation) or included in any litigation with the Third Party applicant and (B) prior to the submission of such list to the Third Party, MacroGenics shall have the right to review and comment on and (if agreed by the Parties) require Incyte to include additional Licensed Patents or Joint Patents therein.
- (v) Each Party shall provide to the Party enforcing any such rights under this Section 9.3(b) reasonable assistance in such enforcement, at such enforcing Party's reasonable request and expense, including joining such action as a party plaintiff if required by Applicable Law to pursue such action. The enforcing Party shall keep the other Party regularly informed of the status and progress of such enforcement efforts, shall reasonably consider the other Party's comments on any such efforts, and shall consult with the other Party in any important aspects of such enforcement, including determination of material litigation strategy and filing of important papers to the competent court.
- (vi) Each Party shall bear all of its own internal costs incurred in connection with its activities under this Section 9.3(b). In the event that the Parties are joined in suit or action against the infringement or the non-enforcing Party elects to join such suit or action and, in either case, elects to be represented by the same outside counsel as the enforcing Party, then the enforcing Party shall be responsible for all expenses arising from such outside counsel, provided

that the enforcing Party consents to such joint representation by outside counsel, such consent not to be unreasonably withheld, delayed or conditioned.

- (vii) The Party not bringing an action with respect to infringement in the Territory under this Section 9.3(b) shall be entitled to separate representation in such matter by counsel of its own choice and at its own expense, but such Party shall at all times cooperate fully with the Party bringing such action.
- (viii) Neither Party shall settle any claim, suit or action that it brought under this Section 9.3 involving Licensed Patents or Joint Patents that would either (A) involve any admission of invalidity or unenforceability of a Licensed Patent or Joint Patent or (B) result in the imposition of any liability on the non-enforcing party for which the enforcing party is not indemnifying the non-enforcing party pursuant to Article 14, without the prior written consent of the other Party, such consent not to be unreasonably withheld, delayed or conditioned.

(c)Infringement of Patents Claiming MacroGenics Pipeline Assets / MacroGenics Combination Regimens. With respect to any infringement of any Patent that (i) Covers any MacroGenics Pipeline Asset or MacroGenics Combination Regimen and (ii) either (A) does not Cover the Licensed Compound or any Licensed Product or (B) did not exist as of the Execution Date and is being enforced with respect to activity that does not infringe (x) any composition of matter or formulation Patent with respect to the Licensed Compound nor (y) any method Patent that Covers the Licensed Compound as a Monotherapy Regimen, MacroGenics shall have the sole and exclusive right, but not the obligation, to bring, at MacroGenics' expense and in its sole control, an appropriate suit or other action against any Person engaged in such infringement of such Patent.

(d)Infringement of Incyte Patents; Incyte Development IP. With respect to any infringement of any Incyte Patent or any Patent within the Incyte Development IP, Incyte shall have the sole and exclusive right, but not the obligation, to bring, at Incyte's expense and in its sole control, an appropriate suit or other action against any Person engaged in such infringement of such Patent.

(e)Infringement of Patents Claiming Incyte Pipeline Assets / Collaborator Pipeline Assets / Incyte Combination Regimens / Collaborator Combination Regimens. With respect to any infringement of any Patent that Covers any Incyte Pipeline Asset, Collaborator Pipeline Asset, Incyte Combination Regimen or Collaborator Combination Regimen, as between the Parties, Incyte shall have the sole and exclusive right, but not the obligation, to bring, at Incyte's expense and in its sole control, an appropriate suit or other action against any Person engaged in such infringement of such Patent.

(f)Allocation of Proceeds. If either Party recovers monetary damages or a monetary settlement from any Third Party in a suit or action brought under Section 9.3(b) or any royalties, milestones or other payments from a license agreement with a Third Party related to any alleged infringement as to which such Party had a right to bring a suit or other action pursuant to Section 9.3(b), then to the extent such damages or royalties result from the infringement of Licensed Patents, such recovery (“**Infringement Recovery**”) shall first be allocated to the reimbursement of any expenses incurred by the Parties in such litigation, action or license negotiations; then, any remaining amounts shall be allocated to Incyte and treated as Net Sales for purposes of this Agreement; provided, however, that if MacroGenics is the party bringing the applicable suit or action, any amounts remaining amounts shall be allocated [**] to MacroGenics and [**] to Incyte. For clarity, with respect to all other infringement suits or actions brought by a Party (*e.g.*, with respect to Incyte Patents or Patents within the Incyte Development IP or MacroGenics Development IP), the owning Party shall keep all recoveries.

9.4 Patent Term Extensions. The Parties shall consult and cooperate with each other in obtaining patent term extensions, adjustments, or restorations or supplemental protection certificates or their equivalents (each a “**Patent Extension**” and collectively “**Patent Extensions**”) in the Territory for the Licensed Patents and Joint Patents to the extent they Cover Licensed Compounds, Licensed Products, or the Monotherapy Regimen; provided that, (a) Incyte shall have the primary right and authority to seek and apply for Patent Extensions with respect to Licensed Patents and Joint Patents that [**] claim Monoclonal Antibodies, subject to review and comment by MacroGenics, which Incyte shall consider in good faith; (b) MacroGenics shall have the primary right and authority to seek and apply for Patent Extensions with respect to Licensed Patents and Joint Patents that [**] claim bi- or multi-specific antibodies, subject to review and comment by Incyte, which MacroGenics shall consider in good faith; and (c) the Parties shall discuss in good faith and shall mutually agree upon whether to seek and apply for Patent Extensions with respect to any Patents [**] Monoclonal Antibodies and [**]. In the event that a Party does not intend to seek a Patent Extension that is or will become available for a Licensed Patent or Joint Patent, it shall so inform the other Party in writing in sufficient time to permit the other Party to seek such Patent Extension. The Party that does not apply for a Patent Extension hereunder will cooperate fully with the other Party in making such filings or actions, including making available all required regulatory data and Information and executing any required authorizations to apply for such Patent Extension. All out-of-pocket expenses incurred in connection with activities of each Party with respect to the Licensed Patent(s) or Joint Patent(s) for which such Party seeks a Patent Extension pursuant to this Section 9.4 shall be entirely borne by such Party.

9.5 Infringement of Third Party Rights in the Territory.

(a)Notice. In the event that a Third Party makes any claim, gives notice, or brings any suit or other *inter-partes* proceeding against MacroGenics or Incyte, or any of their respective Affiliates or sublicensees (including Collaborators) for infringement or misappropriation of any intellectual property rights of a Third Party arising out of the Exploitation of any Licensed Product in the Field (“**Third Party Infringement**”

Claim”), the Party receiving notice of a Third Party Infringement Claim shall promptly notify the other Party.

(b)Defense. Subject to Article 14, the Party or its respective Affiliate or sublicensee against which such Third Party Infringement Claim is brought shall have the sole right to defend such Third Party Infringement Claim.

9.6 Patent Oppositions and Other Proceedings.

(a)Licensed Patents. If any Licensed Patent or Joint Patent becomes the subject of any proceeding commenced by a Third Party within the Territory in connection with an opposition, reexamination request, action for declaratory judgment, nullity action, interference, *inter-partes* review, post-grant review, other patent office administrative proceedings or other attack upon the validity, title or enforceability thereof (a “**Third Party Patent Challenge**”) (except insofar as such action is a counterclaim to or defense of, or accompanies a defense of, an action for infringement against a Third Party under Section 9.5, in which case the provisions of Section 9.5 shall govern), the Prosecuting Party as to such Licensed Patent or Joint Patent shall have the discretion whether to defend and shall control any defense of such Licensed Patent or Joint Patent, at its own expense; provided, however, that if the Prosecuting Party, declines or fails to take any action to defend such Third Party Patent Challenge within [**] of the commencement thereof, then the other Party shall have the right to defend and shall control any defense of such Licensed Patent or Joint Patent, at its own expense.

(b)Third Party Patent Rights. Except with respect to any Patents within the [**] or [**] (in which case the provisions of Section 10.2(j) shall govern), if either Party desires to bring an opposition, reexamination request, action for declaratory judgment, nullity action, interference, *inter partes* review, post grant review, or other patent office administrative proceedings or other attack upon the validity, title or enforceability of a Patent owned or Controlled by a Third Party and that claims the Licensed Compound or a Licensed Product (either specifically or generically), or the use, manufacture, sale, offer for sale or importation of the Licensed Compound or a Licensed Product (either specifically or generically) (except insofar as such action is a counterclaim to or defense of, or accompanies a defense of, a Third Party’s claim or assertion of infringement under Section 9.5, in which case the provisions of Section 9.5 shall govern), such Party shall so notify the other Party and the Parties shall promptly confer to determine whether to bring such action or the manner in which to settle such action. Each Party shall have the right, but not the obligation, to bring at its own expense such action in the Territory, provided that the Parties shall use reasonable efforts as practicable to coordinate and cooperate in bringing such action(s). The Party not bringing an action under this Section 9.6(b) shall be entitled to separate representation in such proceeding by counsel of its own choice and at its own expense, and shall cooperate fully with the Party bringing such action. Any awards or amounts received in bringing any such action shall be first allocated

to reimburse the initiating Party's expenses in such action, and any remaining amounts shall be allocated between the Parties as provided in Section 9.3(f).

**ARTICLE 10
REPRESENTATIONS, WARRANTIES AND COVENANTS**

10.1 Mutual Representations, Warranties and Covenants. Each of the Parties hereby represents and warrants to the other Party as of the Execution Date and, as applicable, hereinafter covenants that:

- (a) Organization.** It is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, and has all requisite power and authority, corporate or otherwise, to execute, deliver, and perform this Agreement.
- (b) Binding Agreement.** This Agreement is a legal and valid obligation binding upon such Party and enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, or other laws of general application affecting the enforcement of creditor rights, judicial principles affecting the availability of specific performance, and general principles of equity (whether enforceability is considered a proceeding at law or equity).
- (c) Authorization.** The execution, delivery, and performance of this Agreement by such Party have been duly authorized by all necessary corporate action and do not conflict with any agreement, obligation, instrument, or understanding, oral or written, to which it is a party or by which it is bound, nor violate any Applicable Law or any order, writ, judgment, injunction, decree, determination, or award of any Governmental Authority presently in effect applicable to such Party.
- (d) No Further Approval.** It is not aware of any government authorization, consent, approval, license, exemption of or filing or registration with any Governmental Authority under any Applicable Law, currently in effect, necessary for, or in connection with, the transactions contemplated by this Agreement or any other agreement or instrument executed in connection herewith, or for the performance by it of its obligations under this Agreement and such other agreements (save for Regulatory Approvals and similar authorizations from Governmental Authorities necessary for the Exploitation of Licensed Compound and Licensed Products as contemplated hereunder), except as may be required to obtain clearance of this Agreement under the HSR Act.
- (e) No Inconsistent Obligations.** It is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any material respect with the terms of this Agreement, or that would impede the diligent and complete fulfillment of its obligations hereunder.

(f) Certain Actions. It shall not take any actions between the Execution Date and the Effective Date that would, or would be reasonably likely to, cause any representations or warranties made by such Party in this Article 10 to be untrue or inaccurate in any material respect as of the Effective Date.

10.2 Additional Representations and Warranties of MacroGenics. MacroGenics represents and warrants as of the Execution Date and covenants to Incyte that:

(a) To MacroGenics' Knowledge, there is no actual or threatened infringement or misappropriation of the Licensed Technology or Label Combination Patents by any Person in the Territory. MacroGenics (or its Affiliates) is the sole and exclusive owner of, or otherwise Controls pursuant to an Existing Third Party License, the Licensed Technology, Label Combination Patents and the Transferred Documentation. MacroGenics has all rights necessary to grant the licenses under the Licensed Technology and Label Combination Patents, and Rights of Reference to Regulatory Documentation that it grants to Incyte hereunder. During the Term, MacroGenics shall not, and shall cause its Affiliates not to, grant to any Third Party any rights that encumber or conflict with the rights granted to Incyte hereunder with respect to the Licensed Technology, Label Combination Patents or Transferred Documentation.

(b) The Licensed Patents set forth on Exhibit A, together with the Label Combination Patents, represent all Patents Controlled by MacroGenics (or its Affiliates) that Cover or disclose the Licensed Compound or any Invention necessary or useful for the Exploitation of the Licensed Compound or Licensed Products in the Territory in the Field as of the Execution Date. The Licensed Patents and Label Combination Patents are free and clear of liens, charges or encumbrances other than licenses granted to Third Parties that are not inconsistent with the rights and licenses granted to Incyte hereunder. To MacroGenics' Knowledge, no Third Party has challenged or threatened in writing to challenge the scope, validity or enforceability of any Licensed Patent or Label Combination Patents (including, by way of example, through opposition or the institution or written threat of institution of interference, nullity or similar invalidity proceedings before the U.S. Patent and Trademark Office or any analogous foreign Governmental Authorities). MacroGenics or its Affiliates have timely paid all filing and renewal fees payable with respect to any Licensed Patents for which MacroGenics controls prosecution and maintenance, and with respect to all Label Combination Patents. The development of the Licensed Patents and Label Combination Patents has not been funded, in whole or in part, by the U.S. government. To MacroGenics' Knowledge, as of the Execution Date, the Exploitation of the Licensed Compound as a Monotherapy Regimen does not infringe or misappropriate the intellectual property or proprietary rights of any Third Party in the Territory, [**].

(c) The Licensed Know-How is free and clear of liens, charges or encumbrances other than licenses granted to Third Parties that are not inconsistent with the rights and

licenses granted to Incyte hereunder. MacroGenics and its Affiliates have taken commercially reasonable measures consistent with industry practices to protect the secrecy, confidentiality and value of all Licensed Know-How that constitutes trade secrets under Applicable Law (including requiring all employees, consultants and independent contractors to execute binding and enforceable agreements requiring all such employees, consultants and independent contractors to maintain the confidentiality of such Licensed Know-How), and, to MacroGenics' Knowledge, there has not occurred any unauthorized access, use, or disclosure of the Licensed Know-How. The development of the Licensed Know-How has not been funded, in whole or in part, by the U.S. government.

- (d) MacroGenics has not received any written notice or threat of any material suit, legal claim, action, proceeding or investigation against MacroGenics or any of its Affiliates that relates to the Licensed Technology or Label Combination Patents, and no judgment or settlement is owed by MacroGenics or any of its Affiliates in connection with the Licensed Technology or Label Combination Patents.
- (e) All current and former officers, employees, agents, advisors, consultants, contractors or other representatives of MacroGenics or any of its Affiliates who are inventors of or have otherwise contributed or are otherwise expected to contribute to the creation or development of any Licensed Technology or Label Combination Patents have or will have executed and delivered to MacroGenics or any such Affiliate, prior to contributing to the creation or development of any Licensed Technology or Label Combination Patents, a valid and enforceable assignment or other agreement regarding the protection of proprietary Information and the assignment to MacroGenics or any such Affiliate of such person's entire right, title and interest in and to any Licensed Technology and Label Combination Patents. To MacroGenics' Knowledge, no current officer, employee, agent, advisor, contractor, consultant or other representative of MacroGenics or any of its Affiliates is in violation of any term of any assignment or other agreement regarding the assignment, protection, or confidentiality of Licensed Patents, other Licensed Technology, or Label Combination Patents, or of any employment contract or any other contractual obligation relating to the relationship of any such Person with MacroGenics or any such Affiliate. Incyte has no obligation to contribute to any remuneration of any inventor employed or previously employed by MacroGenics or any of its Affiliates in respect of any such Inventions, Information and discoveries and intellectual property rights therein that are so assigned to MacroGenics or its Affiliate(s).
- (f) MacroGenics has prepared, maintained and retained all Transferred Documentation for the Licensed Compound and the Licensed Products in the Territory pursuant to and in accordance with all Applicable Law, including, as applicable, GLP. All activities conducted by or on behalf of MacroGenics with respect to Licensed Compound have been conducted in accordance with Applicable Law (including GLP and GMP).

- (g) To MacroGenics' Knowledge, other than under the Existing Third Party Licenses and [**], no royalties, milestones, or other payments are owed to any Third Party for Patents controlled by such Third Party that are reasonably likely to be necessary or useful in order to Exploit the Licensed Compound or Licensed Products.
- (h) Neither MacroGenics nor any of its Affiliates has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FFDCA or is subject to any similar sanction of other Governmental Authorities in the Territory, and neither MacroGenics nor any of its Affiliates has used, in any capacity, any Person who either has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FFDCA or is subject to any such similar sanction. MacroGenics shall not engage, and shall ensure that its licensees and Representatives shall not engage in any capacity in connection with this Agreement or any ancillary agreements, any Person who either has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FFDCA or is subject to any such similar sanction. MacroGenics shall inform Incyte in writing promptly if it or any Person engaged by MacroGenics or any of its Affiliates who is performing services under this Agreement or any ancillary agreements is debarred or is the subject of a conviction described in Section 306 of the FFDCA, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to MacroGenics' Knowledge, is threatened, relating to the debarment or conviction of MacroGenics, any of its Affiliates or any such Person performing services hereunder or thereunder.
- (i) MacroGenics is not subject to any agreement with any Third Party which would limit or restrict its ability to perform its obligations under this Agreement in any material respect.
- (j) MacroGenics covenants and agrees, and shall cause its Affiliates and any sublicensees (subject to the remainder of this subsection (j)) to covenant and agree, not to directly or indirectly challenge the validity, enforceability, patentability, or inventorship of any claim of any Patent within the [**] or the [**], except in response to a claim of infringement of the Patent within the [**] or the [**], as applicable. MacroGenics further agrees not to provide assistance or support, financial or otherwise, to any Third Party in bringing any such challenge to the infringement, validity, enforceability, patentability, or inventorship of any claim of any Patent within the [**] or the [**]. The foregoing restrictions with respect to the [**] shall, subject to Section 10.3(e), apply until, upon inquiry by MacroGenics and confirmation by Incyte, the existence and continued effectiveness of the sublicense granted to MacroGenics with respect to the [**] and/or any [**] thereto have terminated, changed or been amended otherwise. For clarity, the foregoing restrictions shall apply only to those [**] that have received a [**] or [**], as applicable; provided further, that to the extent a Third Party who [**] other than [**] or [**] within the [**] or the [**], the [**] to such Third Party under such other intellectual property shall not be construed as an [**] under this Section 10.2(j).

10.3 Additional Representations and Warranties of Incyte. Incyte represents and warrants as of the Execution Date and covenants to MacroGenics that:

- (a) Incyte has all rights necessary to grant to MacroGenics the licenses under the Incyte Patents and Rights of Reference to Regulatory Documentation related to the Licensed Compound or Licensed Products that it grants to MacroGenics hereunder.
- (b) Neither Incyte nor any of its Affiliates or any Collaborators, has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FDCA or is subject to any similar sanction of other Governmental Authorities in the Territory, and neither Incyte nor any of its Affiliates or any Collaborators has used, in any capacity, any Person who either has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FDCA or is subject to any such similar sanction. Incyte shall not engage, and shall ensure that its Affiliates, Representatives and Collaborators shall not engage, in any capacity in connection with this Agreement or any ancillary agreements, any Person who either has been debarred by the FDA, is the subject of a conviction described in Section 306 of the FDCA or is subject to any such similar sanction. Incyte shall inform MacroGenics in writing promptly if it or any Person engaged by Incyte or any of its Affiliates or Collaborators who is performing services under this Agreement or any ancillary agreements is debarred or is the subject of a conviction described in Section 306 of the FDCA, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to Incyte's Knowledge, is threatened, relating to the debarment or conviction of Incyte, any of its Affiliates or Collaborators performing services hereunder or thereunder.
- (c) Incyte is not subject to any agreement with any Third Party which would limit or restrict its ability to perform its obligations under this Agreement in any material respect.
- (d) To Incyte's Knowledge, [**], no royalties, milestones, or other payments are owed to any Third Party for Patents controlled by such Third Party that are reasonably likely to be necessary or useful in order to Exploit the Licensed Compound or Licensed Products.

10.4 No Other Representations or Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE 10, THE PARTIES MAKE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EITHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, INCLUDING ANY EXPRESS OR IMPLIED WARRANTY OF QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR WARRANTY OF NON-INFRINGEMENT OR AS TO THE VALIDITY OF ANY PATENTS. EACH PARTY HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY THAT THE DEVELOPMENT, MANUFACTURE OR COMMERCIALIZATION OF ANY COMPOUND OR PRODUCT PURSUANT TO THIS AGREEMENT WILL BE SUCCESSFUL

OR THAT ANY PARTICULAR SALES LEVEL WITH RESPECT TO ANY COMPOUND OR PRODUCT WILL BE ACHIEVED.

**ARTICLE 11
CONFIDENTIALITY**

11.1 Nondisclosure. Each Party agrees that, during the Term and for a period of [**] thereafter, the Party receiving Confidential Information (the “**Receiving Party**”) of the other Party (the “**Disclosing Party**”) shall (a) maintain in confidence such Confidential Information using not less than the efforts such Receiving Party uses to maintain in confidence its own confidential or proprietary Information of similar kind and value, (b) not disclose such Confidential Information to any Third Party without the prior written consent of the Disclosing Party, except for disclosures expressly permitted below, and (c) not use such Confidential Information for any purpose except those permitted by this Agreement (it being understood that this Section 11.1 shall not create or imply any rights or licenses not expressly granted under this Agreement). Notwithstanding anything to the contrary in the foregoing, the obligations of confidentiality and non-use with respect to any trade secret within such Confidential Information shall survive such [**] period for so long as such Confidential Information remains protected as a trade secret under Applicable Law.

11.2 Exceptions. The obligations in Section 11.1 shall not apply with respect to any portion of the Confidential Information that the Receiving Party can show by competent, written evidence:

- (a) is publicly disclosed by the Disclosing Party, either before or after it is disclosed to the Receiving Party hereunder;
- (b) is known to the Receiving Party or any of its Affiliates, without any obligation to keep it confidential or any restriction on its use, prior to disclosure to the Receiving Party or any of its Affiliates by the Disclosing Party;
- (c) is subsequently disclosed to the Receiving Party or any of its Affiliates on a non-confidential basis by a Third Party that to the Receiving Party’s Knowledge is not bound by a duty of confidentiality or restriction on its use;
- (d) is now, or hereafter becomes, through no act or failure to act on the part of the Receiving Party or any of its Affiliates, generally known or available, either before or after it is disclosed to the Receiving Party by the Disclosing Party;
- (e) is independently discovered or developed by or on behalf of the Receiving Party or any of its Affiliates without the use of or reference to the Confidential Information belonging to the Disclosing Party; or
- (f) is the subject of written permission to disclose provided by the Disclosing Party.

11.3 Authorized Disclosure. The Receiving Party may disclose Confidential Information belonging to the Disclosing Party only to the extent such disclosure is reasonably necessary in the following instances:

- (a) filing, prosecuting, maintaining, enforcing or defending Patents as permitted by this Agreement;
- (b) as reasonably required in generating Regulatory Documentation and obtaining Regulatory Approvals;
- (c) prosecuting or defending litigation, including responding to a subpoena in a Third Party litigation;
- (d) complying with Applicable Law or court or administrative orders;
- (e) complying with any obligation under this Agreement;
- (f) in communications with existing or bona fide prospective acquirers, merger partners, financing sources, investment bankers, lenders or investors, and consultants and advisors of the Receiving Party in connection with transactions or bona fide prospective transactions with the foregoing, in each case on a need to know basis and under appropriate confidentiality provisions substantially equivalent to those of this Agreement; provided, however, that the Receiving Party shall remain responsible for any violation of such confidentiality provisions by any Person receiving such Confidential Information; or
- (g) to its Affiliates, sublicensees or prospective sublicensees, subcontractors or prospective subcontractors, consultants, agents and advisors on a “need-to-know” basis in order for the Receiving Party to exercise its rights or fulfill its obligations under this Agreement, each of whom prior to disclosure must be bound by written obligations of confidentiality and restrictions on use of such Confidential Information that are no less restrictive than those set forth in this Article 11; provided, however, that, in each of the above situations, the Receiving Party shall remain responsible for any failure by any Person who receives Confidential Information pursuant to this Section 11.3(g) to treat such Confidential Information as required under this Article 11.

If and whenever any Confidential Information is disclosed in accordance with this Section 11.3, such disclosure shall not cause any such information to cease to be Confidential Information except to the extent that such disclosure results in a public disclosure of such information (other than by breach of this Agreement). Notwithstanding the foregoing, in the event a Party is required to make a disclosure of the other Party’s Confidential Information pursuant to Section 11.3(a) through Section 11.3(e), it will, except where impracticable or not legally permitted, give reasonable advance notice to the other Party of such disclosure and use not less than the same efforts to secure confidential treatment of such information as it would to protect its own confidential information from disclosure.

11.4 Terms of this Agreement. The Parties acknowledge that this Agreement and all of the respective terms of this Agreement shall be treated as Confidential Information of both Parties, subject to the provisions of Section 11.3(f), 11.3(g) and 11.6.

11.5 Publicity. Without limiting the Parties' rights and obligations pursuant to Section 11.9 with respect to publications:

- (a) Each Party shall make a public announcement of the execution of this Agreement in the form attached as Exhibit D to this Agreement, which shall be issued at a time to be mutually agreed by the Parties, but no later than [**] after the Execution Date. Except as required to comply with Applicable Law or as set forth in subsection (b), each Party agrees not to issue any other press release or other public statement disclosing other information relating to this Agreement or the transactions contemplated hereby without the prior written consent of the other Party, such consent not to be unreasonably withheld, delayed or conditioned.
- (b) The Parties acknowledge the importance of supporting each other's efforts to publicly disclose results and significant developments regarding the Licensed Products and other activities in connection with this Agreement that may include information that is not otherwise permitted to be disclosed under this Article 11, and that may be beyond what is required by Applicable Law, but in each case consistent with the need to keep investors informed regarding such Party's business in accordance with customary investor relations, and each Party may request to the right to make such disclosures from time to time. Such disclosures may include achievement of milestones, significant events in the Development and regulatory process, Commercialization activities and the like. Except for the initial press release(s) described in subsection (a), whenever a Party (the "**Requesting Party**") desires to make any such public disclosure, it shall first notify the other Party (the "**Cooperating Party**") of such planned press release or public announcement and provide a draft for review at least [**] in advance of issuing such press release or making such public announcement (or, with respect to press releases and public announcements that are required by Applicable Law, or by regulation or rule of any public stock exchange (including NASDAQ), with as much advance notice as possible under the circumstances if it is not possible to provide notice at least [**] in advance). The Requesting Party and Cooperating Party will discuss such proposed public disclosure in good faith. Unless otherwise permitted pursuant to Section 11.6 or required by Applicable Law, or by regulation or rule of any public stock exchange (including NASDAQ), the Requesting Party will not issue such press release or make such public announcement without the prior written consent of the Cooperating Party, not to be unreasonably withheld, conditioned or delayed, provided that the Requesting Party may issue such press release or make such public announcement if: (i) the contents of such press release or public announcement have previously been made public other than through a breach of this Agreement by the Requesting Party, (ii) such press release or public announcement does not materially differ from, or relies solely on facts publicly disclosed in, a previously-approved press release or other publicly available information, and (iii) the Requesting Party notifies the Cooperating Party reasonably in advance of issuance. The principles to be observed in disclosures pursuant to this Section 11.5(b) shall include accuracy, compliance with Applicable Law and regulatory guidance documents, reasonable sensitivity to

potential negative reactions of the FDA (and its foreign counterparts), and the need to protect competitively sensitive information regarding Licensed Products and the legal obligations and responsibility to keep investors informed regarding the Requesting Party's business.

11.6 Securities Filings. Notwithstanding anything to the contrary in this Article 11, in the event either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state or other jurisdiction a registration statement or any other disclosure document that describes or refers to the terms and conditions of this Agreement or any related agreements between the Parties, or requires the filing of this Agreement as an exhibit to such registration, statement or disclosure document, such Party shall notify the other Party of such intention and shall provide the other Party with a copy of relevant portions of the proposed filing at least [**] prior to such filing (and any revisions to such portions of the proposed filing a reasonable time prior to the filing thereof), including any exhibits thereto that refer to the other Party or the terms and conditions of this Agreement or any related agreements between the Parties. The Party making such filing shall cooperate in good faith with the other Party to obtain confidential treatment of the terms and conditions of this Agreement or any related agreements between the Parties that the other Party reasonably requests be kept confidential or otherwise afforded confidential treatment, and shall only disclose Confidential Information that it is advised by outside counsel is legally required to be disclosed. Each Party acknowledges that the other Party may be required by securities regulators, including the Securities and Exchange Commission, or advised by such other Party's outside counsel that the financial terms, including the milestone amounts and/or royalty rates must be included in such filings. No notice shall be required under this Section 11.6 if the description of or reference to this Agreement or a related agreement between the Parties contained in the proposed filing has been included in any previous filing made by either Party in accordance with this Section 11.6 or otherwise approved by the other Party.

11.7 Relationship to Confidentiality Agreement. This Agreement supersedes the Prior CDA; provided, however, that all "Confidential Information" disclosed or received by the Parties and their Affiliates thereunder shall be deemed Confidential Information hereunder and shall be subject to the terms and conditions of this Agreement.

11.8 Equitable Relief. Given the nature of the Confidential Information and the competitive damage that could result to a Party upon unauthorized disclosure, use or transfer of its Confidential Information to any Third Party, the Parties agree that monetary damages may not be a sufficient remedy for any breach of this Article 11. In addition to all other remedies, a Party shall be entitled to seek specific performance and injunctive and other equitable relief as a remedy for any breach or threatened breach of this Article 11.

11.9 Publications. The publishing Party shall have the right to publish results of all Clinical Studies and Development activities conducted pursuant to this Agreement, (a) with respect to Incyte as the publishing Party, in connection with any Incyte Pipeline Asset, Collaborator Pipeline Asset, Incyte Combination Regimen, Collaborator Combination Regimen or Monotherapy Regimen and any other activity Incyte is permitted to conduct under this Agreement related to the Licensed Compound or a Licensed Product and (b) with respect to MacroGenics as the publishing Party, in

connection with any MacroGenics Pipeline Asset or MacroGenics Combination Regimen (and including, for clarity, any MacroGenics Combination Study (including translational data related thereto, pre-clinical data and other data related to Development activities conducted pursuant to this Agreement, but excluding pre-clinical data that is solely related to the Licensed Compound after the Study Transition Date), and the Ongoing Clinical Study (prior to the Study Transition Date)); provided, in each case ((a) and (b)) however, that the reviewing Party shall have the right to review all proposed publications with respect to the Licensed Compound or Licensed Products (including as a component of a Monotherapy Regimen or a MacroGenics Combination Regimen) prior to submission of such publication, for the purposes of identifying any relevant intellectual property or Confidential Information belonging in whole or in part to the reviewing Party and recommending any changes the reviewing Party reasonably believes are necessary to preserve any such intellectual property or Confidential Information. The publishing Party shall provide reviewing Party with a copy of the applicable proposed abstract, manuscript, or presentation no less than [**] ([**] in the case of abstracts) prior to its intended submission for publication. The reviewing Party shall respond in writing promptly and in no event later than [**] after receipt of the proposed material with one or more of the following: (i) comments on the proposed material, which the publishing Party will consider in good faith but is not obligated to accept ([**], for any such publications made or proposed to be made before the earlier of Licensed Compound Approval or [**] after the Effective Date, to the extent [**] to the proposed material (x) [**] or [**] and (y) may be incorporated consistent with the [**], MacroGenics shall [**]); or (ii) any concerns regarding patentability or protection of its Confidential Information. In the event of concern over Patent protection, the publishing Party agrees not to submit such publication or to make such presentation that contains such information until the reviewing Party is given a reasonable period of time, and in no event less than [**], to seek Patent protection for any material in such publication or presentation which it believes is patentable. Subject to Section 11.3, any Confidential Information of the reviewing Party shall, absent the prior written consent of the reviewing Party, be removed by the publishing Party from such publication or presentation. In the case of conference abstracts and other rapid scientific communications, the Parties will use reasonable efforts to complete the review process in [**] or less.

11.10 Additional Obligations Relating to Competing Antibodies.

- (a) In the event that MacroGenics or an Affiliate [**] (i) [**] owned or Controlled by MacroGenics (or its Affiliates); or (ii) [**] by MacroGenics or an Affiliate, in each case (of (i) and (ii)) other than Licensed Compound, MacroGenics shall and shall cause its Affiliates to: (x) adopt reasonable written procedures to prevent any of MacroGenics' Representatives (excluding any MacroGenics [**] or [**], and [**] or [**], it being understood that such employees are otherwise subject to the applicable confidentiality obligations under this Agreement) involved in conducting such Clinical Studies or Commercialization from accessing or using any Confidential Information of Incyte or its Affiliates or sublicensees, or any of their commercially-sensitive information or pricing information relating to the Licensed Compound or Licensed Products and (y) require such Representatives to [**] and [**] between MacroGenics and Incyte under this Agreement (including Joint Committee meetings) and [**] to the Licensed Compound or any Licensed Product.

(b) In the event that Incyte or an Affiliate directly or indirectly [**], in each case which [**] or [**] (e.g. [**]), Incyte shall and shall cause its Affiliates to: (x) adopt reasonable written procedures to prevent any of Incyte's Representatives ([**] or [**], and [**], it being understood that such employees are otherwise subject to the applicable confidentiality obligations under this Agreement) involved in conducting such Clinical Studies or Commercialization from accessing or using any Confidential Information of MacroGenics or its Affiliates or sublicensees, or any of their commercially-sensitive information or pricing information relating to the MacroGenics Pipeline Asset and (y) require such Representatives to [**] and [**] between MacroGenics and Incyte under this Agreement (including Joint Committee meetings) and [**] to the MacroGenics Pipeline Asset.

ARTICLE 12 TERM AND TERMINATION

12.1 Term. This Agreement shall become effective as of the Execution Date and, unless earlier terminated pursuant to this Article 12, shall continue in full force and effect as long as Incyte continues to Exploit the Licensed Compound or Licensed Products in accordance with the terms and conditions of this Agreement (the "**Term**"). The provisions of Article 1 (Definitions), Article 10 (Representations, Warranties and Covenants), Article 11 (Confidentiality), Article 13 (Dispute Resolution), Article 14 (Indemnification) and Article 15 (Miscellaneous), and Section 12.3 (Termination for Material Breach) and Section 12.7 (HSR Filing; Termination Upon HSR Denial), shall become effective on the Execution Date; the other provisions of this Agreement shall not become effective until the Effective Date.

12.2 Unilateral Termination by Incyte. Incyte shall have the right to terminate this Agreement in its entirety, or on a Licensed Product-by-Licensed Product basis, at any time after the Execution Date, for any or no reason, upon providing [**] prior written notice to MacroGenics.

12.3 Termination for Material Breach. Either Party (the "**Terminating Party**") may terminate this Agreement in its entirety, or on a country-by-country and Licensed Product-by-Licensed Product basis, in the event the other Party (the "**Breaching Party**") has materially breached this Agreement, and such material breach has not been cured within [**] after receipt of written notice of such breach by the Breaching Party from the Terminating Party (the "**Cure Period**"). The written notice describing the alleged material breach shall provide sufficient detail to put the Breaching Party on notice of such material breach. Any termination of this Agreement pursuant to this Section 12.3 shall become effective at the end of the Cure Period, unless the Breaching Party has cured any such material breach prior to the expiration of such Cure Period (or, if such material breach is not reasonably able to be cured within the Cure Period, the Breaching Party has notified the Terminating Party of its plan for curing such material breach, has commenced and sustained its efforts to cure such material breach during the Cure Period and does cure such material breach within [**] after the end of the Cure Period). The right of either Party to terminate this Agreement as provided in this Section 12.3 shall not be affected in any way by such Party's waiver of or failure to take action with respect to any previous breach under this Agreement.

12.4 Termination by Incyte for Safety Reasons. Incyte shall have the right to terminate this Agreement, at any time after the Effective Date at any time upon providing [**] prior written notice to MacroGenics: (a) if [**] responsible for Incyte's [**] in good faith that the [**] of the Licensed Product is such that the Licensed Product cannot continue to be Developed or administered to patients safely; or (b) upon the occurrence of [**] serious safety-related events related to the use of the Licensed Product that cause Incyte [**] safety [**] of the Licensed Product [**] of the Licensed Products.

12.5 Termination for Patent Challenge. MacroGenics may terminate this Agreement with respect to a Licensed Product (or this Agreement in its entirety if such Licensed Product is the only Product for which this Agreement is applicable), if Incyte or any of its Affiliates directly or indirectly disputes, or assists any Third Party to dispute, the validity of any granted Patent within the Licensed Patents in a litigation or other court proceeding with respect to such Licensed Product; provided, however, MacroGenics acknowledges and agrees that nothing in this Section 12.5 prevents Incyte from taking any of the actions referred to in this Section 12.5 and, provided further that MacroGenics shall not have the right to terminate if Incyte:

- (a) opposes, or assists any Third Party to oppose, the grant of a Patent pursuant to any application in relation to the Licensed Patents in an administrative proceeding, such as a patent re-examination, *inter-partes* review, or other post grant proceeding or opposition;
- (b) asserts invalidity as a defense in any court proceeding brought by MacroGenics, its Affiliates, sublicensees, successors or designees asserting infringement of a Licensed Patent; and/or
- (c) either (i) acquires a Third Party that has an existing challenge, whether in a court or administrative proceeding, against a Licensed Patent or (ii) licenses a product for which the licensor has an existing challenge, whether in a court or administrative proceeding, against a Licensed Patent.

12.6 Termination for Bankruptcy.

- (a) Either Party may terminate this Agreement in its entirety upon providing written notice to the other Party on or after the time that such other Party makes a general assignment for the benefit of creditors, files an insolvency petition in bankruptcy, petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets, commences under the laws of any jurisdiction any proceeding involving its insolvency, bankruptcy, reorganization, adjustment of debt, dissolution, liquidation or any other similar proceeding for the release of financially distressed debtors, or becomes a party to any proceeding or action of the type described above (each, an "**Insolvency Event**"), and such proceeding or action remains un-dismissed or un-stayed for a period of more than [**].

(b) All rights and licenses granted under or pursuant to this Agreement, including, for the avoidance of doubt, the licenses granted to Incyte pursuant to Section 3.1, are, and shall otherwise be deemed to be, for purposes of Section 365(n) of Title 11 of the U.S. Code (“**Section 365(n)**”) and other similar laws in any jurisdiction outside the U.S. (collectively, the “**Bankruptcy Laws**”), licenses of rights to “intellectual property” as defined under the Bankruptcy Laws. Upon the occurrence of any Insolvency Event with respect to a Party (the “**Insolvent Party**”), the Insolvent Party agrees that the other Party (the “**Non-Insolvent Party**”), as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Bankruptcy Laws. Further, each Party agrees and acknowledges that all payments hereunder, other than the upfront payment pursuant to Section 8.1, milestone payments pursuant to Section 8.2 the royalty payments pursuant to Section 8.3, and the payments pursuant to Section 8.10 do not constitute royalties within the meaning of Section 365(n) or relate to licenses of intellectual property hereunder. Each Party shall, during the term of this Agreement, create and maintain current copies or, if not amenable to copying, detailed descriptions or other appropriate embodiments, to the extent feasible, of all such intellectual property (Licensed Technology in the case of MacroGenics and Incyte Technology in the case of Incyte). Each Party agrees and acknowledges that “embodiments” of intellectual property within the meaning of Section 365(n) include laboratory notebooks, cell lines, product samples and inventory, research studies and data, Regulatory Approvals and Regulatory Documentation in each case to the extent related to the Licensed Compound and Licensed Products. If: (i) a case is commenced during the Term by or against a Party under the Bankruptcy Laws, (ii) this Agreement is rejected as provided for under the Bankruptcy Laws, and (iii) the Non-Insolvent Party elects to retain its rights hereunder as provided for under the Bankruptcy Laws, then the Insolvent Party (in any capacity, including debtor-in-possession) and its successors and assigns (including a Title 11 trustee), shall (x) provide to the Non-Insolvent Party immediately upon the Non-Insolvent Party’s written request copies of all such intellectual property (including embodiments thereof) held by the Insolvent Party and such successors and assigns, or otherwise available to them, and (y) not interfere with the Non-Insolvent Party’s rights under this Agreement, or any related agreements between the Parties, to such intellectual property (including such embodiments), including any right to obtain such intellectual property (or such embodiments) from another entity, to the extent provided in the Bankruptcy Laws. Whenever the Insolvent Party or any of its successors or assigns provides to the Non-Insolvent Party any of the intellectual property licensed hereunder (or any embodiment thereof) pursuant to this Section 12.6(b), the Non-Insolvent Party shall have the right to perform the Insolvent Party’s obligations hereunder with respect to such intellectual property, but neither such provision nor such performance by the Non-Insolvent Party shall release the Insolvent Party from liability resulting from rejection of the license or the failure to perform such obligations. All rights, powers and remedies of the Non-Insolvent Party as provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including the Bankruptcy Laws) in the event of the

commencement of a case by or against a Party under the Bankruptcy Laws. In particular, it is the intention and understanding of the Parties to this Agreement that the rights granted to the Parties under this Section 12.6 are essential to the Parties' respective businesses and the Parties acknowledge that damages are not an adequate remedy. The Parties agree that they intend the following rights to extend to the maximum extent permitted by Applicable Law, and to be enforceable under Section 365(n): (A) the right of access to any intellectual property (including embodiments thereof) of the Insolvent Party, or any Third Party with whom the Insolvent Party contracts to perform an obligation of the Insolvent Party under this Agreement, and, in the case of the Third Party, which is necessary for the Exploitation of the Licensed Compound or Licensed Products; and (B) the right to contract directly with any Third Party to complete the contracted work upon failure of the Insolvent Party to comply with its applicable obligations.

12.7 HSR Filing; Termination Upon HSR Denial. If Incyte or MacroGenics determines that an HSR Filing is necessary, it shall so notify the other Party, and each Party shall, within [**] of the Execution Date (or such later time as may be agreed to in writing by the Parties), file with the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice, and/or with equivalent foreign authorities, any HSR Filing required of it under the HSR Act in the reasonable opinion of either Party with respect to the transactions contemplated hereby. Each Party will use reasonable efforts to do, or cause to be done, all things necessary, proper and advisable to, as promptly as practicable, take all actions necessary to make the filings required of such Party or its Affiliates under the HSR Act. The Parties shall cooperate with one another to the extent necessary in the preparation of any such HSR Filing. Each Party shall be responsible for its own costs, expenses, and filing fees associated with any HSR Filing; provided, however, that [**] shall be solely responsible for any [**] (other than [**] that may be incurred as a result of [**] on the part of [**]) required to be [**] in connection with [**]. If the Parties make an HSR Filing hereunder, then this Agreement shall terminate (a) at the election of either Party, immediately upon notice to the other Party, if the U.S. Federal Trade Commission or the U.S. Department of Justice, or an equivalent authority in the European Union, seeks a preliminary injunction under the Antitrust Laws against Incyte and MacroGenics to enjoin the transactions contemplated by this Agreement; or (b) at the election of either Party, immediately upon notice to the other Party, in the event that the HSR Clearance Date shall not have occurred on or prior to [**] after the effective date of the HSR Filing. In the event of such termination, this Agreement shall be of no further force and effect.

12.8 Effects of Termination. All of the following effects of termination are in addition to the other rights and remedies that may be available to either of the Parties under this Agreement and shall not be construed to limit any such rights or remedies. In the event of termination of this Agreement (other than in connection with Section 12.7 and except as otherwise noted below), the following provisions of this Section 12.8 shall apply from and after the effective date of termination:

- (a) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, without limiting the effect that such termination shall have on any provisions of this Agreement, other than those provisions that this Agreement expressly provides shall survive such termination, all rights and licenses granted herein to Incyte shall

terminate, all such previously licensed rights shall revert to MacroGenics, and Incyte shall cease any and all Development, Manufacturing, and Commercialization activities with respect to the Licensed Compound and Licensed Products (to the extent such activities were being performed using such rights and licenses) as soon as is reasonably practicable under Applicable Law.

- (b) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6 (in which events all payment obligations hereunder shall survive), all payment obligations hereunder shall terminate, other than those that are accrued and unpaid as of the effective date of such termination and royalties that become due under Section 8.3 with respect to Net Sales of the Licensed Compound and all Licensed Products made following the effective date of termination to the extent permitted under Section 12.8(f).
- (c) The Parties will enter into good-faith discussions with respect to any transition or conveyance of assets, rights, access to materials, or processes that are not otherwise transitioned pursuant to this Section 12.8 but may be necessary for the Parties' future development and commercialization activities with respect to the Licensed Compound and Licensed Products.
- (d) Solely in the event of a Qualifying Termination, Incyte hereby grants to MacroGenics, effective as of the effective date of such termination, a non-exclusive, transferable, fully paid-up, royalty-free, sublicenseable license in the Field in the Territory, under the Incyte Technology that Covers the Exploitation of, or is incorporated into, the Licensed Compound or any Licensed Product at the time of termination, solely to Exploit the Licensed Compound or Monotherapy Regimen; provided, however, that MacroGenics shall reimburse Incyte for any amounts paid by Incyte to any Third Party in connection with MacroGenics' exercise of its right to obtain such license (it being understood that MacroGenics shall have the right to decline to accept such license as to some or all of the rights in this subsection (d) if MacroGenics does not wish to assume the related Third Party obligation); provided further, that MacroGenics shall have the right, on a license-by-license basis, to terminate its license with respect to any Incyte Technology licensed under such Third Party license at any time subject to any limitations on termination rights and any notice and ongoing payment obligations under the applicable Third Party license. Notwithstanding the foregoing, any rights, licenses, or sublicenses granted by Incyte under the Incyte Technology under this subsection (d) shall continue only to the extent and only for so long as Incyte continues to have the contractual right under the applicable Third Party license (the "**Upstream License**") to extend such rights, licenses, or sublicenses to MacroGenics. Any assignee of Incyte's rights under the applicable Upstream License will be required to take such assignment subject to the rights of MacroGenics under this subsection (d).

(e) **Wind-down.**

- (i) The JSC shall coordinate the wind-down of the Parties' activities under this Agreement.
- (ii) Solely in the event of a Qualifying Termination: (A) Incyte, as soon as reasonably practicable after the effective date of such termination, upon MacroGenics' written request, shall provide to MacroGenics, as applicable and to the extent permitted under any applicable Third Party contract, any material Information, including copies of all Clinical Study data and results, arising out of the performance by or on behalf of Incyte of activities under this Agreement and Controlled by Incyte to the extent solely relating to the Licensed Compound and any Licensed Products, including control of, and all Information relating to, the Global Safety Database; and (B) Incyte will reasonably cooperate with MacroGenics to provide a transfer of such material Information.
- (iii) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, beginning on the date that notice of any termination of this Agreement is given by the terminating Party, (A) Incyte shall have no further right or obligation to commence or provide funding for any Clinical Study of the Licensed Compound, whether or not such Clinical Study had been Initiated on or before such date of notice of termination of this Agreement, except that: (x) if [**]; and (y) if [**] following the effective date of such termination or [**], whichever is earlier; and (B) if [**] as described in (y) above, [**] (except to the extent otherwise provided above, [**]).
- (iv) Solely in the event of a Qualifying Termination, at MacroGenics' request, but without expanding the provisions of Section 12.8(d) with respect to any Upstream License, Incyte shall use reasonable efforts to (x) assign to MacroGenics any and all Third Party agreements to which Incyte or any of its Affiliates are a party that relate exclusively to any Development, Commercialization or Manufacturing activities conducted in connection with the Licensed Compound or any Licensed Products prior to such termination (including agreements relating to the sourcing and Manufacture of the Licensed Compound or any Licensed Products or, to the extent the First Commercial Sale of the Licensed Compound or any Licensed Product has occurred, for sale, promotion, distribution, or use of such Licensed Compound or Licensed Product), or (y) if such assignment is not permitted under the relevant Third Party agreement: (1) grant to MacroGenics other rights to provide to MacroGenics the benefit of such non-assignable agreement, at MacroGenics' expense, to the extent permitted under the terms of such non-assignable agreement; or (2) to the extent such grant is not permitted under the terms of such non-assignable agreement, discuss with MacroGenics in good faith an alternative solution to enable MacroGenics to receive, at MacroGenics' expense, the benefit of the terms of such non-assignable agreement.

- (v) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, in the event the Licensed Compound or Licensed Product are Manufactured by Incyte or its Affiliate or an Approved CMO, then, upon the written request of MacroGenics, Incyte shall supply MacroGenics with such Licensed Compound and Licensed Products and/or materials at a commercially reasonable price, until Incyte (or its Affiliate or Approved CMO) elects to cease Manufacturing of the Licensed Compound and Licensed Products, in which case: (x) Incyte will provide [**] prior notice to MacroGenics of the election to cease such Manufacture, and (y) if necessary and at MacroGenics' cost and expense, Incyte will provide reasonable amounts of technical assistance reasonably necessary to assist MacroGenics in the start-up of Manufacturing of such the Licensed Compound and Licensed Products and/or materials, and/or obtaining Regulatory Approval of the Licensed Compound and Licensed Products.
- (f) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, at MacroGenics' request, Incyte shall transfer to MacroGenics, and [**], any Licensed Compound or Licensed Product held by Incyte that has not been sold or used by Incyte within [**] following such termination, [**], with respect to such Licensed Compound and Licensed Products.
- (g) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, Incyte shall (i) transfer to MacroGenics any and all Regulatory Documentation and safety data Controlled by Incyte on the effective date of termination, to the extent such information relates solely to any Licensed Compound, Monotherapy Regimen, Licensed Products and, if applicable pursuant to Sections 5.8(a) or 5.8(c), MacroGenics Combination Regimens, (ii) transfer to MacroGenics any and all other related Know-How Controlled by Incyte on the effective date of termination, to the extent such Know-How relates solely to any Licensed Compound, Monotherapy Regimen or Licensed Products and (iii) upon MacroGenics' request, provide a Right of Reference to any Regulatory Documentation Controlled by Incyte on the effective date of termination, to the extent such Regulatory Documentation is necessary for MacroGenics or its licensees to Develop and/or Commercialize the Licensed Compound and, if applicable pursuant to Sections 5.8(a) or 5.8(c), MacroGenics Combination Regimens, and has not already been transferred to MacroGenics hereunder. MacroGenics shall [**] and [**] in order to complete the activities pursuant to this subsection (g), within [**] after [**] of any [**].
- (h) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, Incyte shall return to MacroGenics all Licensed Know-How, including Transferred Documentation and Regulatory Documentation, previously provided to Incyte by or on behalf of MacroGenics.
- (i) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6 (in which case Incyte's rights with respect to preparation, filing, prosecution,

maintenance and enforcement activities under Article 9 with respect to Licensed Patents shall survive termination), MacroGenics shall have the right to assume all preparation, filing, prosecution, maintenance and enforcement activities under Article 9 with respect to Licensed Patents as to which Incyte has assumed the right and authority to prepare, file, prosecute, maintain or enforce; provided that MacroGenics shall notify Incyte in writing at least [**] prior to the effective date of termination of this Agreement of those Licensed Patents for which MacroGenics wishes to assume such activities. During the period between delivery of such notice by MacroGenics and the effective date of termination, the Parties will discuss the list of Licensed Patents for which MacroGenics wishes to assume such activities, and following such discussion Incyte shall be free to continue, abandon or terminate without liability all preparation, filing, prosecution, maintenance and enforcement activities under Article 9 with respect to Licensed Patents (or the applicable activities) that are not included in such notice. Incyte will cooperate with MacroGenics and, if requested by MacroGenics, provide MacroGenics with reasonable assistance at MacroGenics' cost and expense, with the preparation, filing, prosecution, maintenance, and enforcement activities with respect to such Licensed Patents. In the event MacroGenics assumes any enforcement activities being conducted by Incyte prior to termination of this Agreement, then any amount received by MacroGenics in connection with a settlement, by award of a court, or pursuant to another dispute resolution with respect to such assumed activities shall first be used to reimburse the Parties for their respective costs incurred in connection with such action (whether before or after the effective date of termination), and any remaining amount shall be (i) allocated [**] to MacroGenics and [**] to Incyte to the extent the amount relates to infringing activity that occurred prior to the effective date of termination and (ii) retained [**] by MacroGenics to the extent the amount relates to infringing activity that occurred after the effective date of termination.

(j) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, for each Collaborator Contract that complies with the requirements of Section 3.2(b), Incyte shall assign such Collaborator Contract to MacroGenics, and MacroGenics shall assume such Collaborator Contract from Incyte; provided that MacroGenics shall not be obligated to participate in any cost-sharing arrangement in which Incyte had been participating under such Collaborator Contract; provided, however, that (i) in no event shall MacroGenics' obligations with respect to such Collaborator Contract be any greater than MacroGenics' obligations under this Agreement or its rights with respect to such Collaborator Contract be any less than MacroGenics' rights under this Agreement (it being understood that MacroGenics shall not be required to supply any Licensed Compound Bulk Drug Substance or Licensed Compound Drug Product beyond the planned capacity of the MacroGenics Manufacturing Facilities allocated to such products, as applicable, prior to such termination); (ii) MacroGenics shall have no obligation to assume any Collaborator Contract if doing so would put MacroGenics in breach of such contract; and (iii) Incyte hereby agrees to defend, indemnify and hold harmless the MacroGenics Indemnitees from and against any and all Losses to which any MacroGenics

Indemnitee may become subject as a direct result of any Claim by any Third Party (including any Collaborator) to the extent such Losses result from Incyte's breach of its obligations under the applicable Collaborator Contract prior to the date of assignment of such Collaborator Contract pursuant to this Section 12.8(j).

(k) Other than in the event of termination by Incyte pursuant to Section 12.3 or Section 12.6, for each Development Agreement entered into between Incyte and a licensee or Third Party subcontractor of Incyte pursuant to Section 4.5, at MacroGenics' option, Incyte will assign such Development Agreement to MacroGenics; provided that MacroGenics shall notify Incyte in writing at least [**] prior to the effective date of termination of this Agreement of those Development Agreement(s) which MacroGenics wishes to assume, and Incyte shall be free to terminate without liability any Development Agreement that is not included in such notice.

12.9 Effect of Termination for MacroGenics Breach or Bankruptcy. All of the following effects of termination are in addition to the other rights and remedies that may be available to either of the Parties under this Agreement and shall not be construed to limit any such rights or remedies. In the event of termination of this Agreement by Incyte pursuant to Section 12.3 or Section 12.6, the following provisions of this Section 12.9 shall apply from and after the effective date of termination:

(a) The rights and licenses granted herein to MacroGenics pursuant to Section 3.4(b) or Section 5.4(a) or retained by MacroGenics, in each case, related to the Exploitation of the MacroGenics Pipeline Assets and the right to conduct or have conducted the MacroGenics Combination Studies shall continue in full force and effect, in accordance with and subject to the terms and conditions of this Agreement (including for clarity, the retained rights by MacroGenics in Section 3.3 and as applicable, the licenses in Section 3.4(b)); provided, however, that: (i) any such rights, licenses, or sublicenses granted by Incyte shall continue only to the extent and only for so long as Incyte continues to have the contractual right under the applicable Upstream License to extend such rights, licenses, or sublicenses to MacroGenics; and (ii) if MacroGenics' breach of its obligations under this Agreement constitutes a breach under an Upstream License, then MacroGenics shall not receive any rights under this Section 12.9(a) with respect to any rights, licenses, or sublicenses that are subject to such Upstream License. Any assignee of Incyte's rights under the applicable Upstream License will be required to take such assignment subject to the rights of MacroGenics under this Section 12.9(a). MacroGenics shall reimburse Incyte for any amounts paid by Incyte to any Third Party in connection with MacroGenics' exercise of such licenses (it being understood that MacroGenics shall have the right to decline such license as to some or all of the rights in this subsection (a) upon written notice to Incyte if MacroGenics does not wish to assume the related Third Party obligation); provided further, that MacroGenics shall have the right, on a license-by-license basis, to terminate its license pursuant to this subsection (a) under such Third Party license at any time upon written notice to Incyte, subject to any

limitations on termination rights and any notice and ongoing payment obligations under the applicable Third Party license.

- (b) All payment obligations hereunder shall survive, including those payment obligations that are accrued and unpaid as of the effective date of such termination; provided that Incyte may pursue remedies under Section 12.10 and, pending resolution of any claim for remedies under Section 12.10, Incyte may pay to a reputable Third Party escrow agent selected by Incyte and pursuant to a three-party agreement among Incyte, MacroGenics and the escrow agent up to [**] of any royalties or milestones otherwise owed to MacroGenics hereunder (but in no event more than the amount reasonably being asserted by Incyte pursuant to Section 12.10 as damages arising from the applicable breach or bankruptcy), and such escrow agent shall hold all such payments pending resolution of the dispute hereunder; provided that, following resolution of the claim, the escrow agent will be instructed to allocate the payments between the Parties as follows: %3. first, the escrow agent will pay to Incyte the amount of damages, costs and other amounts that MacroGenics is required (or agrees) to pay to Incyte in connection with the applicable claim pursuant to Section 12.10, together with Incyte's costs and expenses in connection with bringing such claim, and %3. any remaining amount will be paid to MacroGenics. The foregoing shall not be construed to limit Incyte's ability to recover any amount asserted against MacroGenics under Section 12.10 [**] under this subsection (b).
- (c) All licenses granted to Incyte shall continue in full force and effect, in accordance with and subject to the terms and conditions of this Agreement.
- (d) At Incyte's option, in accordance with a commercially reasonable transition plan established by the JMC with the goal of allowing the Parties to continue to conduct their businesses following termination as contemplated under this Section 12.9, Incyte shall have the right, upon written notice to MacroGenics, to assume the Manufacture of one hundred percent (100%) of the global requirements of the Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product (other than quantities that MacroGenics may manufacture for its own use in MacroGenics Combination Studies thereafter), following which MacroGenics shall not have the right to supply any Licensed Compound Bulk Drug Substance and Licensed Compound Drug Product unless expressly authorized by Incyte in writing. Until such time that Incyte so notifies MacroGenics that it is prepared to Manufacture all such global requirements, MacroGenics shall Manufacture and supply to Incyte up to [**] ([**]%) of MacroGenics' then-committed supply of Incyte's global requirements of the Licensed Compound Bulk Drug Substance and/or Licensed Compound Drug Product, in accordance with the provisions of Section 7.2 and Section 7.3.
- (e) Incyte may at its sole discretion, in accordance with a commercially reasonable transition plan established by the JDC or JMC, as applicable, with the goal of allowing the Parties to continue to conduct their businesses following termination as

contemplated under this Section 12.9, commence the Study Transition, IND Transition, Manufacturing Technology Transfer, and/or Information Transfer upon written notice to MacroGenics, if and to the extent the same have not been commenced as of the effective date of termination, as to which transitions Incyte may specify shortened timeframes to the extent compliance therewith by MacroGenics is reasonably practicable, and the obligations of MacroGenics in connection with the Study Transition, IND Transition, Manufacturing Technology Transfer, and/or Information Transfer shall continue until their completion in accordance with the terms and conditions of this Agreement.

(f) Incyte (or its Collaborators, as applicable) shall have the sole right and responsibility to conduct any and all Clinical Studies Initiated by Incyte or its sublicensees or Collaborators prior to the effective date of such termination, but shall have no obligations in connection with any Clinical Studies being conducted by MacroGenics as of the effective date of such termination.

For clarity, any termination pursuant to this Section 12.9 shall not affect MacroGenics' rights with respect to maintaining continued access to the Global Safety Database.

12.10 Remedies. Except as otherwise explicitly set forth in this Agreement, termination or expiration of this Agreement shall not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration, nor prejudice either Party's right to obtain performance of any obligation. Each Party shall be free, pursuant to Article 13, to seek, without restriction as to the number of times it may seek, damages, costs and remedies that may be available to it under Applicable Law or in equity and shall be entitled to offset the amount of any damages and costs obtained against the other Party in a final determination under Article 13, against any amounts otherwise due to such other Party under this Agreement.

12.11 Survival. In the event of termination or expiration of this Agreement, in addition to the provisions of this Agreement that continue in effect in accordance with their terms, the following provisions of this Agreement shall survive: Article 1 (Definitions) (as applicable), Article 11 (Confidentiality), Article 12 (Term and Termination), Article 13 (Dispute Resolution), Article 14 (Indemnification) (solely as to activities arising during the Term or as to any activities conducted in the course of a Party's exercise of a license surviving the Term), Article 15 (Miscellaneous); Sections 3.3 (Retained Rights), 3.5 (No Implied Licenses), 7.4 (Records; Audit Rights), 7.7 (Compliance with Law), 8.9 (Currency), 8.11 (Taxes), 8.12 (Audit), 8.13 (Manner of Payment), 9.1 (Inventorship; Ownership and Disclosure of Inventions) and 10.4 (No Other Representations of Warranties), and any other provisions of this Agreement that are necessary to interpret or effectuate the intent of the foregoing provisions. For clarity, the indemnity in Section 14.1(d) shall survive beyond the duration of the Term only with respect to any Losses arising from activities that occurred during the Term, irrespective of whether Incyte is continuing to extend [**] or [**] to MacroGenics at the time such Loss arises.

ARTICLE 13 DISPUTE RESOLUTION

13.1 Dispute Resolution Mechanism. The Parties agree that the procedures set forth in this Article 13 sets forth certain binding and non-binding mechanisms for resolving any dispute, controversy or claim between the Parties that may arise from time to time pursuant to this Agreement relating to either Party's rights or obligations hereunder (each, a "**Dispute**", and collectively, the "**Disputes**") that is not resolved through good faith negotiation between the Parties. For the avoidance of doubt, this Article 13 shall not apply to any decision with respect to which a Party has final decision-making authority hereunder. The Parties shall first attempt in good faith to resolve any Dispute, including Disputes that may involve the parent company, subsidiaries or other Affiliates of any Party or sublicensees (including Collaborators) of a Party, in accordance with Section 13.2.

13.2 Resolution by Executive Officers. In the event of any Dispute regarding the construction or interpretation of this Agreement or the rights, duties or liabilities of either Party hereunder, the Parties shall first attempt in good faith to resolve such Dispute by negotiation and consultation between themselves. In the event that such Dispute is not resolved on such basis within [**] (unless otherwise agreed by the Parties), either Party may, by written notice to the other Party, refer the Dispute to the Executive Officers for attempted resolution by good faith negotiation within [**] after such notice is received (unless otherwise agreed by the Parties). Each Party may, in its discretion, seek resolution of any and all Disputes that are not resolved under this Article 13 in any court of competent jurisdiction.

13.3 Provisional Remedies. In addition, each Party has the right to seek from the appropriate court provisional remedies such as attachment, preliminary injunction, replevin, etc. to avoid irreparable harm, maintain the *status quo*, or preserve the subject matter of the Dispute.

ARTICLE 14 INDEMNIFICATION

14.1 Indemnification by Incyte. Incyte hereby agrees to defend, indemnify and hold harmless MacroGenics and its Affiliates, and each of their respective directors, officers, employees, agents and representatives (each, a "**MacroGenics Indemnitee**") from and against any and all claims, suits, actions, demands, liabilities, expenses and/or losses, including reasonable legal expenses and attorneys' fees (collectively, the "**Losses**"), to which any MacroGenics Indemnitee may become subject as a direct result of any claim, demand, action or other proceeding by any Third Party (each, a "**Claim**"), to the extent such Losses result from: (a) the Exploitation of any Compound or Product by Incyte or its Affiliate or Third Party sublicensee (including any Collaborator); (b) the breach by Incyte of any warranty, representation, covenant or agreement made by Incyte in this Agreement or in the Clinical Supply Agreement, the Clinical Quality Agreement, the Commercial Supply Agreement, or the Pharmacovigilance Agreement (collectively, the "**Ancillary Agreements**"); (c) the negligence, illegal conduct or willful misconduct of Incyte or its Affiliate or Third Party sublicensee (including any Collaborator), or any officer, director, employee, agent or representative thereof in connection with this Agreement or any Ancillary Agreement; or (d) any claims that the Exploitation of the Licensed Compound pursuant to and in accordance with the provisions of this Agreement infringes the [**] or the [**] (except that, to the extent (i) MacroGenics does not [**] as described in Section 3.2(c) in any instance and (ii) such sublicense to MacroGenics under the [**] would have prevented the occurrence of such Loss, then Incyte shall be relieved of its obligations

under this Section 14.1(d) in connection with any resulting claims of infringement); and except, with respect to each of clauses (a) through (d) above, to the extent such Losses arise directly or indirectly from the negligence, gross negligence, illegal conduct or willful misconduct of any MacroGenics Indemnitee or the breach by MacroGenics of any warranty, representation, covenant or agreement made by MacroGenics in this Agreement or any Ancillary Agreement.

14.2 Indemnification by MacroGenics. MacroGenics hereby agrees to defend, indemnify and hold harmless Incyte and its Affiliates and each of their respective directors, officers, employees, agents and representatives (each, an “**Incyte Indemnitee**”) from and against any and all Losses to which any Incyte Indemnitee may become subject as a direct result of any Claim to the extent such Losses result from: (a) the breach by MacroGenics of any warranty, representation, covenant or agreement made by MacroGenics in this Agreement or any Ancillary Agreement; (b) the negligence, illegal conduct, or willful misconduct of MacroGenics or its Affiliate or its licensee (other than Incyte or its Affiliate), or any officer, director, employee, agent or representative thereof in connection with this Agreement or any Ancillary Agreement; (c) the Exploitation of any Compound or Product by MacroGenics or its Affiliate or licensees, including in connection with the Ongoing Clinical Study, MacroGenics Combination Studies or any other activities conducted by MacroGenics or its Affiliate or licensees in connection with this Agreement or any Ancillary Agreement; except, with respect to each of clauses (a) through (c) above, to the extent such Losses arise directly or indirectly from the negligence, gross negligence, illegal conduct or willful misconduct of any Incyte Indemnitee or the breach by Incyte of any warranty, representation, covenant or agreement made by Incyte in this Agreement or any Ancillary Agreement.

14.3 Indemnification Procedures.

(a)Notice. Promptly after a MacroGenics Indemnitee or an Incyte Indemnitee (each, an “**Indemnitee**”) receives notice of a pending or threatened Claim, such Indemnitee shall give written notice of the Claim to the Party from whom the Indemnitee is entitled to receive indemnification pursuant to Sections 14.1 or 14.2, as applicable (the “**Indemnifying Party**”). However, an Indemnitee’s delay in providing or failure to provide such notice shall not relieve the Indemnifying Party of its indemnification obligations, except to the extent it can demonstrate prejudice due to the delay or lack of notice.

(b)Defense. Upon receipt of notice under this Section 14.3 from the Indemnitee, the Indemnifying Party will have the duty to either compromise or defend, at its own expense (and by counsel reasonably satisfactory to Indemnitee), such Claim. The Indemnifying Party will promptly (and in any event not more than [**] after receipt of the Indemnitee’s original notice) notify the Indemnitee in writing that it acknowledges its obligation (which acknowledgment shall not be deemed or construed as an admission of liability, either under this Article 14 or otherwise) to indemnify the Indemnitee with respect to the Claim pursuant to this Article 14 and of its intention to compromise or defend such Claim. Once the Indemnifying Party gives such notice to the Indemnitee, the Indemnifying Party is not liable to the Indemnitee for the fees of other counsel or any other expenses subsequently incurred by the Indemnitee in connection with such defense, other than the Indemnitee’s

reasonable Third Party expenses related to its cooperation provided pursuant to Section 14.3(c) below. As to all Claims as to which the Indemnifying Party has assumed control under this Section 14.3(b), the Indemnitee shall have the right to employ separate counsel and to participate in the defense of a Claim (as reasonably directed by the Indemnifying Party) at its own expense.

(c)Cooperation. The Indemnitee will cooperate fully with the Indemnifying Party and its legal representatives in the investigation and defense of any Claim. The Indemnifying Party shall keep the Indemnitee informed on a reasonable and timely basis as to the status of such Claim (to the extent the Indemnitee is not participating in the defense of such Claim) and conduct the defense of such Claim in a prudent manner.

(d)Settlement. If an Indemnifying Party assumes the defense of a Claim, no compromise or settlement of such Claim may be effected by the Indemnifying Party without the Indemnitee's written consent (such consent not to be unreasonably withheld, delayed or conditioned), unless: (1) there is no finding or admission of any violation of law or any violation of the rights of any Person on the part of the Indemnitee and no effect on any other claims that may be made against the Indemnitee; (2) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party; and (3) the Indemnitee's rights under this Agreement are not adversely affected. If the Indemnifying Party fails to assume defense of a Claim within a reasonable time, the Indemnitee may settle such Claim on such terms as it deems appropriate with the consent of the Indemnifying Party (such consent not to be unreasonably withheld, delayed or conditioned), and the Indemnifying Party shall be obligated to indemnify the Indemnitee for such settlement as provided in this Article 14.

14.4 Insurance. Each Party shall, at its own expense, with respect to any Product, procure and maintain during the period commencing on the Execution Date through the period of Commercialization and for a period of not less than [**] following the termination or expiration of this Agreement, insurance policies, including product liability insurance, in amounts not less than [**] per claim and annual aggregate. All such insurance shall include worldwide coverage and shall include the other Party as an additional insured under its respective program(s). Prior to the Initiation of any Clinical Study, the Party responsible for such Clinical Study shall secure, and maintain in full force and effect, clinical trial insurance as required by Applicable Law in those territories where such Clinical Study shall be conducted. Upon request, each Party shall provide the other Party with a certificate of insurance evidencing the coverage required under this Section 14.4. Such insurance shall not be construed to create a limit of a Party's liability with respect to its indemnification obligations under this Article 14. Each Party shall provide the other Party with prompt written notice of cancellation, non-renewal or material change in such insurance that could materially adversely affect the rights of such other Party hereunder, and shall provide such notice within [**] after any such cancellation, non-renewal or material change. The Parties acknowledge and agree that Incyte may meet its obligations under this Section 14.4 through self-insurance.

14.5 Limitation of Liability. EXCEPT TO THE EXTENT INCLUDED IN LOSSES RESULTING FROM A THIRD PARTY CLAIM FOR WHICH ONE PARTY IS OBLIGATED TO

INDEMNIFY THE OTHER PARTY (OR AN INDEMNITEE OF SUCH OTHER PARTY) PURSUANT TO THIS ARTICLE 14 OR SECTION 12.8(J) AND ANY BREACH OF ARTICLE 11 (CONFIDENTIALITY), IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY (OR THE OTHER PARTY'S AFFILIATES OR SUBLICENSEES) IN CONNECTION WITH THIS AGREEMENT FOR LOST REVENUE, LOST PROFITS, LOST SAVINGS, LOSS OF USE, DAMAGE TO GOODWILL, OR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR INDIRECT DAMAGES UNDER ANY THEORY, INCLUDING CONTRACT, NEGLIGENCE, OR STRICT LIABILITY, EVEN IF THAT PARTY HAS BEEN PLACED ON NOTICE OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 15

MISCELLANEOUS

15.1 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given on the date delivered, if delivered personally, or on the next Business Day after being sent by reputable overnight courier (with delivery tracking provided, signature required and delivery prepaid), in each case, to the Parties at the following addresses, or on the date sent and confirmed by electronic transmission to the telecopier number specified below (or at such other address or telecopier number for a Party as shall be specified by notice given in accordance with this Section 15.1).

(a) If to Incyte:

Incyte Corporation
1801 Augustine Cut Off
Wilmington, DE 19803
Attention: CEO
Fax: [**]

with a copy to:

Incyte Corporation
1801 Augustine Cut Off
Wilmington, DE 19803
Attention: EVP & General Counsel
Fax: [**]

(b) If to MacroGenics:

MacroGenics, Inc.
9704 Medical Center Drive
Rockville, MD 20850
Attention: CEO
Fax: [**]

with a copy to:

MacroGenics, Inc.
9704 Medical Center Drive
Rockville, MD 20850
Attention: General Counsel
Fax: [**]

15.2 Governing Law. This Agreement and all disputes arising out of or related to this Agreement or any breach hereof shall be governed by and construed under the laws of the State of New York, without giving effect to any choice of law principles that would require the application of the laws of a different state.

15.3 Change of Control.

(a) Notice. Each Party (or its successor) shall provide notice to the other Party of any Change of Control of the notifying Party within [**] after the date upon which the Change of Control closes or otherwise becomes effective. For purposes of this Section 15.3(a), a public announcement of the closing or effectiveness of a Change of Control shall be deemed notice to the other Party of such Change of Control.

(b) MacroGenics. In the event of a Change of Control of MacroGenics, MacroGenics and the applicable Acquirer shall have the right to conduct Clinical Studies that evaluate the Combination of the Licensed Compound with any Acquirer Pipeline Asset or MacroGenics Pipeline Asset (such study, an “**Acquirer Combination Study**”) only as set forth in the remainder of this Section 15.3(b). For clarity, in addition to the requirements and limitations of this Section 15.3(b), (x) any Acquirer Combination Study shall be subject to the requirements and limitations set forth herein with respect to MacroGenics Combination Studies (e.g., the limitations set forth in Section 4.3, and Article 5), (y) MacroGenics shall be responsible for any failure of the Acquirer to comply with the obligations set forth in this Section 15.3(b); and (z) except where this Agreement specifies terms and conditions that are specifically applicable to an Acquirer (e.g., Sections 5.5(c), 15.3(b), and 15.3(d)), all obligations of MacroGenics under this agreement shall apply to the Acquirer as if the Acquirer were MacroGenics hereunder.

(i) MacroGenics (or the Acquirer, as applicable) shall notify Incyte of each Acquirer Combination Study to be Initiated following the date of the Change of Control and until the earlier of [**] after the Effective Date, or (y) [**], shall provide Incyte with a copy of the protocol synopsis for the conduct of such proposed Acquirer Combination Study and, solely to the extent the components outlined in the protocol synopsis reviewed by Incyte are materially different from the corresponding components in the full protocol, such updated protocol synopsis, in each case, subject to reasonable redaction with respect to any MacroGenics Pipeline Asset Information (or commercially sensitive confidential information related to the Acquirer Pipeline Asset, as applicable). Incyte shall have the right to object to the

conduct of such Acquirer Combination Study if Incyte reasonably believes in its sole determination that:

- (A) the proposed Acquirer Combination Study poses a [**], following the procedures set forth in Section 4.3(b)(i)(3), but substituting “Acquirer Combination Study(ies)” for “MacroGenics Combination Study(ies)” and with Incyte (and not MacroGenics) holding the final decision-making authority with respect thereto pursuant to Section 4.3(b)(i)(3); provided that such veto right under this paragraph (A) shall expire [**] after the Effective Date; or
 - (B) the design or conduct of any such Acquirer Combination Study (x) that does not satisfy the applicable dosage and schedule requirements of Section 4.3(b)(ii) (substituting for such purpose, “Acquirer Combination Study(ies)” for MacroGenics Combination Study(ies) in Section 4.3(b)(ii)), provided that Incyte (and not MacroGenics) shall have final decision-making authority with respect thereto pursuant to Section 4.3(b)(ii); or (y) for which the Acquirer Pipeline Asset, when combined with or compared to the Licensed Compound, is reasonably expected by Incyte, in its sole determination, to have a material negative impact on Incyte’s business (with Incyte’s objection rights under the foregoing clauses (B)(x) and (B)(y) expiring upon achievement of the first Licensed Compound Approval by either the FDA or EMA).
- (ii) If Incyte so objects under subsection (i), MacroGenics (or the Acquirer, as applicable) shall not Initiate such Acquirer Combination Study without the prior written consent of Incyte, it being understood that such objection right shall apply with respect to the Initiation of each Acquirer Combination Study for each applicable Pipeline Asset until the expiration of such right as set forth in Sections 15.3(b)(i)(A) and 15.3(b)(i)(B), as applicable.
- (iii) If the Acquirer or its Affiliates owns or Controls, and has not discontinued the Development and Commercialization of, or divested, upon the consummation of the Change of Control, a clinical-stage or approved anti-PD-1 or anti-PD-L1 Monoclonal Antibody in the Field (such product, an “**Incyte Competing Product**”), then:
- (A) Acquirer shall and shall cause its Affiliates, within [**]after such consummation, to: (x) adopt reasonable written procedures to prevent Acquirer’s employees or contractors ([**], and [**], it being understood that such employees are otherwise subject to the applicable confidentiality obligations under this Agreement) involved in the Development or Commercialization of such Incyte Competing Product from [**] or [**] to the Licensed Compound or any Licensed Product, for Development or Commercialization of the

Incyte Competing Product; and (y) if the Incyte Competing Product is undergoing a pivotal Clinical Study or has received Regulatory Approval, then require such employees and contractors of Acquirer to [**] and [**] between MacroGenics and Incyte under this Agreement (including Joint Committee meetings) and [**] to the Licensed Compound or any Licensed Product; and

(B) on or before the date that is [**] after the date upon which a Change of Control of MacroGenics closes or otherwise becomes effective, the Parties shall dissolve the JSC and CCC and thereafter Incyte shall perform all activities assigned by this Agreement to the JSC; provided that, the JDC shall remain in place for the coordination of any MacroGenics Combination Studies, the JMC shall remain in place for the coordination of Manufacturing activities, and the JIPC shall remain in place for the coordination of the prosecution and maintenance of the Licensed Patents.

(c) **Incyte.** Notwithstanding anything to the contrary herein, in the event of a Change of Control of Incyte, if the Acquirer or its Affiliates owns or Controls, and has not discontinued the Development and Commercialization of, or divested, upon the consummation of the Change of Control, a clinical-stage or approved anti-PD-1 or anti-PD-L1 Monoclonal Antibody in the Field (such product, a “**MacroGenics Competing Product**”), the following terms and conditions shall apply:

(i) Acquirer shall and shall cause its Affiliates, within [**] after such consummation to adopt the protections, and Acquirer shall have the rights and obligations, set forth in Sections 15.3(b)(iii)(A) and (B) *mutatis mutandis*; and

(ii) Incyte’s right to object to the conduct of an Acquirer Combination Study pursuant to Section 15.3(b)(i)(B)(y) shall immediately terminate.

(d) **Acquirer IP.** Notwithstanding any provisions of this Agreement to the contrary, in the event of a Change of Control of either Party, such Change of Control shall not provide the other Party with any rights or access to the intellectual property or technology of the acquired Party’s Acquirer or successor which was a Third Party prior to such event.

15.4 Assignment. Neither Party may assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, except that a Party may make such an assignment or transfer without the other Party’s consent to (a) an Affiliate or (b) subject to Section 15.3 above, an Acquirer. Any successor or assignee of rights and/or obligations permitted hereunder shall, in writing to the other Party, expressly assume performance of such rights and/or obligations. Any permitted assignment shall be binding on the successors of the assigning Party. Any assignment

or attempted assignment by either Party in violation of the terms of this Section 15.4 shall be null, void and of no legal effect.

15.5 Designation of Affiliates. Each Party may discharge any obligation and exercise any right hereunder through delegation of its obligations or rights to any of its Affiliates. Each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Agreement, and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. Any breach by a Party's Affiliate of any of such Party's obligations under this Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party's Affiliate.

15.6 Relationship of the Parties. It is expressly agreed that MacroGenics, on the one hand, and Incyte, on the other hand, are independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither MacroGenics nor Incyte 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, without the prior written consent of the other Party to do so. All individuals employed by a Party shall be employees of that Party and not of the other Party and all costs and obligations incurred by reason of such employment shall be for the account and expense of such Party.

15.7 Force Majeure. Both Parties shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by Force Majeure and the nonperforming Party promptly provides notice of such Force Majeure circumstances to the other Party. Such excuse shall be continued so long as the condition constituting Force Majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. Notwithstanding the foregoing, a Party shall not be excused from making payments owed hereunder because of a Force Majeure affecting such Party. If a Force Majeure persists for more than [**], then the Parties shall discuss in good faith the modification of the Parties' obligations under this Agreement in order to mitigate the delays caused by such Force Majeure. In the event a Party is prevented from performing its obligations under this Agreement due to Force Majeure for more than [**] according to this Section 15.7, the other Party shall have the right to terminate this Agreement upon [**] notice after the expiration of such period. A termination under this Section 15.7 by either Party shall be treated as a termination under Section 12.3 above and the corresponding provisions for termination under Section 12.3 shall apply except to the extent the affected Party is prevented from performing due to the Force Majeure.

15.8 Entire Agreement; Amendments. This Agreement, including the Exhibits and Schedules hereto, and together with the Ancillary Agreements, sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties with respect to the subject matter hereof and supersedes, as of the Execution Date, all prior and contemporaneous agreements and understandings between the Parties with respect to the subject matter hereof, including the Prior CDA. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced

to writing and signed by an authorized officer of each Party. In the event of any inconsistency between the body of this Agreement and either any Exhibits to this Agreement or any subsequent agreements ancillary to this Agreement, unless otherwise expressly stated to the contrary in such Exhibit or ancillary agreement, the terms contained in this Agreement shall control.

15.9 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable by any court of competent jurisdiction from which no appeal can be or is timely taken, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make good faith efforts to replace any such invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

15.10 English Language. This Agreement shall be written in and executed in, and all other communications under or in connection with this Agreement shall be in, the English language. Any translation into any other language shall not be an official version hereof or thereof, and in the event of any conflict in interpretation between the English version and such translation, the English version shall control.

15.11 Waiver and Non-Exclusion of Remedies. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise. The rights and remedies provided herein are cumulative and do not exclude any other right or remedy provided by Applicable Law or otherwise available except as expressly set forth herein.

15.12 Further Assurance. Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further assignments, agreements, documents, and instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents, and instruments, as may be necessary including as the other Party may reasonably request in connection with this Agreement to carry out more effectively the provisions and purposes hereof.

15.13 Headings. The headings of each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Article or Section.

15.14 Standstill.

- (a) Incyte agrees that neither it nor any of its Affiliates (but excluding any Acquirer of Incyte or any Affiliates of such Acquirer following a Change of Control of Incyte), officers or directors acting at Incyte's direction, alone or as part of any 13D Group, shall, directly or indirectly, for a period of twenty-four (24) months from the Execution Date (the "**Standstill Period**"), without the prior written approval of MacroGenics' Board of Directors (or any committee thereof):

(i) acquire, offer or propose to acquire or agree to acquire or cause to be acquired ownership (including, but not limited to, beneficial ownership as defined in Rule 13d-3 under the Securities and Exchange Act of 1934) more than three percent (3%) of the voting securities of MacroGenics, or any rights or options to acquire any such ownership (including from a Third Party);

(ii) make or participate, directly or indirectly, in any “solicitation” of “proxies” (as such terms are used in the proxy rules (Regulation 14A) of the Securities and Exchange Commission) to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of MacroGenics;

(iii) form or join a “group” (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) (“**13D Group**”) with respect to any voting securities of MacroGenics;

(iv) otherwise act, whether alone or in concert with others, to seek to propose to MacroGenics any merger, business combination, restructuring, recapitalization or similar transaction with respect to or with MacroGenics or otherwise act, whether alone or in concert with others, to seek to “control” (as such term is defined in Section 1.2), change the management or Board of Directors of MacroGenics, or nominate any person as a director of MacroGenics who is not nominated by a then incumbent director; or

(v) publicly announce its intentions to enter into any discussion, negotiations, arrangements or understandings with any Third Party with respect to, any of the foregoing.

(b) If at any time during the Standstill Period, Incyte or, to its actual knowledge, any of its officers or directors are approached by any Third Party concerning Incyte’s participation in a transaction of the type referred to in Sections 15.14(a)(i)-(v), Incyte shall, or shall use reasonable efforts to cause such officer or director (as applicable) to, promptly inform such Third Party that Incyte is bound by the provisions of this Section 15.14.

(c) The restrictions set forth in Section 15.14(a) shall terminate immediately if: (i) a Person or 13D Group (not including Incyte or its Affiliates) (A) commences or publicly announces its intent to commence a tender or exchange offer for voting securities of MacroGenics representing more than twenty percent (20%) of the then-outstanding voting power of the voting securities of MacroGenics or (B) publicly announces a bona fide proposal to enter into a transaction described in, or of a similar nature to those described in, clause (ii)(A) or (ii)(B) below and, prior to the termination, withdrawal or abandonment of such proposal by such Person or 13D Group (as evidenced by a subsequent public announcement or by communication to MacroGenics that is then either publicly announced or provided to Incyte), either (x) MacroGenics publicly announces its willingness to consider such proposal or alternative proposals for a transaction described in, or of a similar nature as those

described in, clause (ii)(A) or (ii)(B) below, (y) the Board of Directors of MacroGenics determines to engage in negotiations with such Person or 13D Group or any other party other than Incyte or its Affiliates with respect to a transaction described in clause (ii)(A) or (ii)(B) below, or (z) such offer or proposal is not publicly rejected or recommended against by MacroGenics within ten (10) Business Days after such offer or proposal becomes public, or (ii) MacroGenics or its Affiliates initiates a process to consider or enter into a transaction described in clause (A) or (B) below, or enters into a letter of intent or definitive agreement with any Third Party regarding (A) any merger, consolidation, sale, reorganization, recapitalization or other business combination pursuant to which the outstanding shares of MacroGenics would be converted into cash or securities of a Person or a 13D Group not including Incyte or its Affiliates and the stockholders or equity holders of MacroGenics immediately prior to such transaction would own, immediately after consummation of such a transaction, less than a controlling portion of the outstanding voting securities of MacroGenics or the entity surviving such transaction; or (B) any transaction or series of transactions that would result, directly or indirectly, in the sale or transfer to a Third Party of (1) all or substantially all of MacroGenics' assets; or (2) a majority of MacroGenics' assets which relate to this Agreement.

(d) Nothing in this Section 15.14 shall prohibit: (i) Incyte or its Affiliates or its or their Representatives from acquiring or offering to acquire any securities of MacroGenics in connection with any mutual fund, pension plan or employee benefit plan managed on behalf of employees or former employees of Incyte or its Affiliates; or (ii) an officer of Incyte from engaging in discussions with an officer of MacroGenics on a confidential, non-public basis regarding any of the transactions contemplated under this Section 15.14 that would not reasonably be expected to require Incyte or MacroGenics to make any public disclosure with respect thereto.

15.15 Construction. Whenever this Agreement refers to a number of days without using a term otherwise defined herein, such number refers to calendar days. Except where the context otherwise requires, %3. wherever used, the singular shall include the plural, the plural shall include the singular; %3. the use of any gender shall be applicable to all genders; %3. the terms "including," "include," "includes" or "for example" shall not limit the generality of any description preceding such term and, as used herein, shall have the same meaning as "including, but not limited to," or "including, without limitation"; %3. the words "herein", "hereof" and "hereunder", and words of similar import, refer to this Agreement in its entirety and not to any particular provision hereof; %3. the word "or" has the inclusive meaning that is typically associated with the phrase "and/or"; %3. the word "will" means "shall"; %3. if a period of time is specified and dates from a given day or Business Day, or the day or Business Day of an act or event, it is to be calculated exclusive of that day or Business Day; %3. "Dollar", "USD" or "\$" means U.S. Dollars; %3. references to a particular Person include such Person's successors and assigns to the extent not prohibited by this Agreement; %3. a capitalized term not defined herein but reflecting a different part of speech than a capitalized term which is defined herein shall be interpreted in a correlative manner; %3. "written" includes communications sent and received by facsimile or electronic mail; %3. any definition of or reference to any agreement, instrument or other document herein shall be construed as referring

to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein) and %3. references herein to pharmaceutical products, therapies, ingredients, and the like, shall include biologics and biopharmaceutical products, therapies, ingredients, and the like, as applicable. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied for or against either Party. Whenever a provision of this Agreement requires an approval or consent by a Party to this Agreement within a specified time period and notification of such approval or consent is not delivered within such time period, then, unless otherwise specified, the Party whose approval or consent is required shall be conclusively deemed to have withheld its approval or consent. Each Party represents that it has been represented by legal counsel in connection with this Agreement and acknowledges that it has participated in the drafting hereof.

15.16 Third Party Beneficiaries. Except with respect to indemnification obligations pursuant to Article 14, for which MacroGenics Indemnitees and Incyte Indemnitees are third party beneficiaries, no other Persons, other than MacroGenics and Incyte (including their respective successors and permitted assigns), shall be entitled to enforce the performance of this Agreement. For the avoidance of doubt, Collaborators shall not constitute third party beneficiaries under this Agreement for any purpose whatsoever.

15.17 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by .pdf or other electronically transmitted signatures and such signatures shall be deemed to bind each Party as if they were the original signatures.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties have signed this Agreement as of the Execution Date.

INCYTE CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

MACROGENICS, INC.

By: _____

Name: _____

Title: _____

Date: _____

SIGNATURE PAGE TO GLOBAL COLLABORATION AND LICENSE AGREEMENT

EXHIBIT A

Licensed Patents

Patents and applications claiming the benefit of U.S. Provisional Application Nos: [**], which cover the composition of matter, or the method of making or using, the sale or the importation of the Licensed Compound.

Exhibit A - 1

EXHIBIT B-1

Incyte Global Development Plan

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CONFIDENTIAL

Exhibit B-1 - 1

EXHIBIT B-2

MacroGenics Global Development Plan

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Exhibit B-2 - 3

EXHIBIT C

Existing Third Party Licenses

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Exhibit C - 1

EXHIBIT D

Form of Press Release



For Immediate Release

Incyte and MacroGenics Announce Global Collaboration and Licensing Agreement for Anti-PD-1 Monoclonal Antibody MGA012

- *Incyte gains exclusive, worldwide development and commercialization rights to MGA012 in all indications*
- *MacroGenics to receive an upfront cash payment of \$150 million plus potential milestone payments and royalties, and retains right to develop its pipeline assets in combination with MGA012*

WILMINGTON, DE AND ROCKVILLE, MD – October XX, 2017 – Incyte Corporation (NASDAQ:INCY) and MacroGenics, Inc. (NASDAQ:MGNX) announced today that the companies have entered into an exclusive global collaboration and license agreement for MacroGenics' MGA012, an investigational monoclonal antibody that inhibits programmed cell death protein 1 (PD-1). Incyte has obtained exclusive worldwide rights for the development and commercialization of MGA012 in all indications, while MacroGenics retains the right to develop its pipeline assets in combination with MGA012.

"Anti-PD-1 therapy is becoming a mainstay of cancer treatment across multiple tumor types, and we believe the addition of MGA012 to our clinical pipeline is important to fulfilling our long-term development strategy in immuno-oncology. This collaboration with MacroGenics will allow us to rapidly explore the potential clinical benefit of developing MGA012 as a monotherapy and also combining anti-PD-1 therapy with several of our existing portfolio assets," said Steven Stein, M.D., Chief Medical Officer of Incyte.

"We believe Incyte is the ideal partner for MGA012, given its immuno-oncology portfolio and dedication to researching and developing innovative and transformative cancer therapies and we hope that the combined resources of both companies will be able to significantly expand and accelerate the current development efforts for this promising molecule," said Scott Koenig, M.D., Ph.D., President and Chief Executive Officer of MacroGenics.

Exhibit D - 1

“Furthermore, we look forward to exploring the combination of MGA012 with multiple molecules in our own portfolio, including DART molecules for redirected T-cell killing, antibodies with enhanced effector function and ADCs, potentially to provide improved patient benefit.”

Enrollment in the dose escalation portion of the Phase 1 study of MGA012 has been completed and the molecule is currently being evaluated as monotherapy across four solid tumor types in the dose expansion portion of the study. Data from the dose escalation portion of the Phase 1 study have been accepted for poster presentation at the upcoming Society for Immunotherapy of Cancer (SITC) 32nd Annual Meeting in November 2017.

Terms of the Collaboration

Upon closing, Incyte will pay MacroGenics an upfront payment of \$150 million. Incyte will receive worldwide rights to develop and commercialize MGA012 in all indications.

Per the terms of the collaboration, MacroGenics will also be eligible to receive up to \$420 million in potential development and regulatory milestones, and up to \$330 million in potential commercial milestones. If MGA012 is approved and commercialized, MacroGenics would be eligible to receive royalties, tiered from 15 percent to 24 percent, on future sales of MGA012 by Incyte.

Under the terms of the collaboration, Incyte will lead global development of MGA012. MacroGenics retains the right to develop its pipeline assets in combination with MGA012, with Incyte commercializing MGA012 and MacroGenics commercializing its asset(s), if any such potential combinations are approved.

In addition, MacroGenics retains the right to manufacture a portion of both companies' global clinical and commercial supply needs of MGA012. MacroGenics intends to utilize its commercial-scale GMP facility, which is expected to be fully operational in 2018.

The transaction is expected to close in the fourth quarter of 2017, subject to the early termination or expiration of any applicable waiting periods under the Hart-Scott Rodino Act and customary closing conditions.

About Incyte Corporation

Incyte Corporation is a Wilmington, Delaware-based biopharmaceutical company focused on the discovery, development and commercialization of proprietary therapeutics. For additional information on Incyte, please visit the Company's website at www.incyte.com.

Follow @Incyte on Twitter at <https://twitter.com/Incyte>.

Exhibit D - 2

About MacroGenics, Inc.

MacroGenics is a clinical-stage biopharmaceutical company focused on discovering and developing innovative monoclonal antibody-based therapeutics for the treatment of cancer, as well as autoimmune disorders and infectious diseases. MacroGenics generates its pipeline of product candidates primarily from its proprietary suite of next-generation antibody-based technology platforms. The combination of MacroGenics' technology platforms and protein engineering expertise has allowed MacroGenics to generate promising product candidates and enter into several strategic collaborations with global pharmaceutical and biotechnology companies. For more information, please see MacroGenics' website at www.macrogenics.com. MacroGenics and the MacroGenics logo are trademarks or registered trademarks of MacroGenics, Inc.

Incyte Forward-Looking Statements

Except for the historical information set forth herein, the matters set forth in this press release contain predictions, estimates and other forward-looking statements, including without limitation statements regarding: whether the planned transaction will close within the expected timeframe or ever; whether MGA012 will successfully advance through clinical studies or will ever be approved for use in humans anywhere or will be commercialized anywhere successfully or at all; whether MGA012 will be effective in the treatment of cancer or other indications; and whether and when any of the milestone payments or royalties under this collaboration will ever be paid by Incyte. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including unanticipated developments in and risks related to: obtaining approval for this planned collaboration; research and development efforts related to the collaboration programs; the possibility that results of clinical trials may be unsuccessful or insufficient to meet applicable regulatory standards or warrant continued development; other market or economic factors; unanticipated delays; each company's ability to compete against parties with greater financial or other resources; greater than expected expenses; and such other risks detailed from time to time in each company's reports filed with the Securities and Exchange Commission, including the Form 10-Q for the quarter ended June 30, 2017 filed by each company. Each party disclaims any intent or obligation to update these forward-looking statements.

MacroGenics' Cautionary Note on Forward-Looking Statements

Any statements in this press release about future expectations, plans and prospects for MacroGenics, including statements about MacroGenics' strategy, future operations, clinical development of MacroGenics' therapeutic candidates, milestone or opt-in payments from MacroGenics' collaborators, MacroGenics' anticipated milestones and future expectations and plans and prospects for MacroGenics and other statements containing the words "subject to", "believe", "anticipate", "plan", "expect", "intend", "estimate", "project", "may", "will", "should", "would", "could", "can", the negatives thereof, variations thereon and similar expressions, or by discussions of strategy constitute forward-looking statements

Exhibit D - 3

within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including: the uncertainties inherent in the initiation and enrollment of future clinical trials, expectations of expanding ongoing clinical trials, availability and timing of data from ongoing clinical trials, expectations for regulatory approvals, other matters that could affect the availability or commercial potential of MacroGenics' product candidates and other risks described in MacroGenics' filings with the Securities and Exchange Commission. In addition, the forward-looking statements included in this press release represent MacroGenics' views only as of the date hereof. MacroGenics anticipates that subsequent events and developments will cause MacroGenics' views to change. However, while MacroGenics may elect to update these forward-looking statements at some point in the future, MacroGenics specifically disclaims any obligation to do so, except as may be required by law. These forward-looking statements should not be relied upon as representing MacroGenics' views as of any date subsequent to the date hereof.

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Media

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MacroGenics Contacts:

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Media

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Exhibit D - 4

Exhibit D - 5

EXHIBIT E

Ongoing Clinical Study Activities

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EXHIBIT G

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Patents and patent applications claiming the benefit of [**].

Patents and patent applications claiming the benefit of [**].

Exhibit G - 1

EXHIBIT H

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Patents and patent applications claiming the benefit of [**].

Patents and patent applications claiming the benefit of [**].

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Patents and patent applications claiming the benefit of [**].

Exhibit H - 1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-8 No. 333-192277) pertaining to the 2000 Stock Option Incentive Plan, the 2003 Equity Incentive Plan, and 2013 Equity Incentive Plan of MacroGenics, Inc.;
- 2) Registration Statements (Form S-8 No. 333-202470 and Form S-8 No. 333-209812) pertaining to the 2013 Equity Incentive Plan of MacroGenics, Inc.;
- 3) Registration Statement (Form S-8 No. 333-214386) pertaining to the 2016 Employee Stock Purchase Plan of MacroGenics, Inc.
- 4) Registration Statements (Form S-3 No. 333-200092 and Form S-3 ASR No. 333-214385) of MacroGenics, Inc.

of our reports dated February 27, 2018, with respect to the consolidated financial statements of MacroGenics, Inc. and the effectiveness of internal control over financial reporting of MacroGenics, Inc. included in this Annual Report (Form 10-K) of MacroGenics, Inc. for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Baltimore, Maryland
February 27, 2018

I, Scott Koenig, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2017 of MacroGenics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Scott Koenig

Scott Koenig, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Dated: February 27, 2018

I, James Karrels, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2017 of MacroGenics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James Karrels

James Karrels
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: February 27, 2018

Certification of Principal Executive Officer Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

I, Scott Koenig, President and Chief Executive Officer (principal executive officer) of MacroGenics, Inc. (the "Registrant"), certify, to the best of my knowledge, based upon a review of the Annual Report on Form 10-K for the period ended December 31, 2017 of the Registrant (the "Report"), that:

- (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 Registrant.

/s/ Scott Koenig_____

Name: Scott Koenig, M.D., Ph.D.

Date: February 27, 2018

Certification of Principal Financial Officer Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

I, James Karrels, Senior Vice President and Chief Financial Officer (principal financial officer) of MacroGenics, Inc. (the "Registrant"), certify, to the best of my knowledge, based upon a review of the Annual Report on Form 10-K for the period ended December 31, 2017 of the Registrant (the "Report"), that:

- (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 Registrant.

/s/ James Karrels

Name: James Karrels

Date: February 27, 2018