MACROGENICS INC
Form DEF 14A
April 05, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under § 240.14a-12

MACROGENICS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

MacroGenics, Inc.

9704 Medical Center Drive

Rockville, Maryland 20850

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON May 16, 2019

To the Stockholders of MacroGenics, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the Annual Meeting) of MacroGenics, Inc., a Delaware corporation, will be held on May 16, 2019, at 9:00 a.m. local time, at the Hilton Garden Inn Rockville-Gaithersburg, 14975 Shady Grove Road, Rockville, Maryland 20850, for the following purposes:

1. To elect three Class III directors listed in these proxy materials to hold office until the 2022 Annual Meeting of Stockholders or until their successors are elected and qualified or until their earlier death, resignation or removal;

2. To ratify the selection by the Audit Committee of our Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2019;

3. To approve, on an advisory basis, the compensation of our named executive officers as disclosed in these proxy materials; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders who owned our common stock at the close of business on March 22, 2019, the record date, can vote at the Annual Meeting or any adjournment or postponement thereof.

Our Board of Directors recommends that you vote FOR the election of the director nominees and FOR Proposals 2 and 3.

Your vote is important. Whether or not you plan to attend the meeting in person, please vote by internet, by telephone or by completing, signing and dating the accompanying proxy card and returning it as soon as possible. If you have received and are using an enclosed return envelope, no postage need be affixed if it is mailed in the United States. If you receive more than one notice or more than one proxy card because your shares are registered in different names or addresses, you should vote each set of shares separately to ensure that all of your shares will be voted.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 16, 2019: Our proxy materials and annual report to stockholders are available at www.proxydocs.com/MGNX.

By Order of the Board of Directors

James Karrels
Corporate Secretary

Rockville, Maryland

April 5, 2019

TABLE OF CONTENTS

Information About the Proxy Process and Voting	2
Proposal No. 1. Election of Directors	7
Director Compensation	11
Proposal No. 2. Ratification of Selection of Independent Registered Public Accounting Firm	13
Audit Committee Report	15
Proposal No. 3. Advisory Vote on Executive Compensation	16
Corporate Governance	17
Certain Relationships and Related Party Transactions	21
Executive Officers	22
Executive Compensation Discussion and Analysis	24
Compensation Committee Report	40
CEO Pay Ratio Disclosure	41
Information About Equity Compensation Plans	42
Security Ownership of Certain Beneficial Owners and Management	43
Section 16(a) Beneficial Ownership Reporting Compliance	45
Householding of Proxy Materials	45
Where You Can Find More Information	45

Table of Contents

MacroGenics, Inc.

9704 Medical Center Drive

Rockville, Maryland 20850

PROXY STATEMENT FOR THE 2019 ANNUAL MEETING OF

STOCKHOLDERS TO BE HELD May 16, 2019

We have made available to you this proxy statement and the accompanying proxy card because the Board of Directors (the Board) of MacroGenics, Inc. (referred to herein as the Company , MacroGenics , we , us or our) is solicitin proxy to vote at our 2019 Annual Meeting of Stockholders (the Annual Meeting) to be held on Thursday, May 16, 2019, at 9:00 a.m. local time, at the Hilton Garden Inn Rockville-Gaithersburg, 14975 Shady Grove Road, Rockville, Maryland 20850.

This proxy statement summarizes information about the proposals to be considered at the Annual Meeting and other information you may find useful in determining how to vote.

The proxy card is the means by which you actually authorize another person to vote your shares in accordance with your instructions.

In addition to solicitations by mail, our directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone and by e-mail. All costs of the solicitation of proxies will be borne by us. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and we will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy materials.

We are mailing the Notice of Annual Meeting of Stockholders and the proxy card to our stockholders of record as of March 22, 2019, the record date, for the first time on or about April 5, 2019. In this mailing, we are also including instructions on how to access our proxy statement and Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2018, which Form 10-K, together with the additional cover materials, constitutes our 2018 Annual Report to Stockholders (2018 Annual Report). In addition, we have provided brokers, dealers, banks, voting trustees and their nominees, at our expense, with additional copies of our proxy materials and the 2018 Annual Report so that our record holders can supply these materials to the beneficial owners of shares of our common stock as of the record date upon request. The Form 10-K is also available in the Financials & Filings section of our website at http://ir.macrogenics.com/financial-information. The references to any of our web addresses in this proxy statement do not constitute incorporation by reference of the information contained at or available through our website.

The only voting securities of MacroGenics are shares of our common stock, of which there were 48,804,476 shares outstanding as of the record date. We need the holders of a majority in voting power of these shares of common stock to be present in person or represented by proxy at the Annual Meeting to have a quorum and conduct business at the Annual Meeting.

1

Table of Contents

INFORMATION ABOUT THE PROXY PROCESS AND VOTING

Why am I receiving these materials?

You are receiving notice of Annual Meeting and related proxy materials from us because you owned shares of our common stock as of March 22, 2019, the record date for the Annual Meeting. The MacroGenics Board of Directors (the Board) has made these materials available to you in connection with the Board s solicitation of proxies for use at our Annual Meeting.

This proxy statement describes matters on which you may vote and provides you with other important information so that you can make informed decisions about such matters. You are requested to vote on the proposals described in this proxy statement and are invited to attend the Annual Meeting.

We intend to make our Annual Report, this proxy statement and the accompanying proxy card available on or about April 5, 2019, to all stockholders of record entitled to vote at the Annual Meeting. Beneficial owners will receive notice and electronic access to these materials, and may request physical copies from their respective brokers, custodians or fiduciaries who are holding the shares on their behalf.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on March 22, 2019, the record date, will be entitled to vote at the Annual Meeting. At the close of business on the record date, there were 48,804,476 shares of our common stock issued and outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If, on the record date, your shares were registered directly in your name with the transfer agent for our common stock, Computershare Trust Company, N.A., then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If, on the record date, your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy card from your broker or other agent.

What are the voting requirements to elect directors and approve the other proposals described in the proxy statement?

The vote required to elect directors and approve each of the matters scheduled for a vote at the Annual Meeting is set forth below:

Proposal	Vote Required	Board Recommendation
1. Election of Class III directors	Plurality of votes cast	**FOR**
2. Ratification of appointment of Ernst & Young LLP (Ernst & Young)	Majority of votes cast	**FOR**
3. Advisory vote to approve compensation of named executive officers as disclosed in this proxy statement	Majority of votes cast	**FOR**

Table of Contents

Shares voted Abstain will be counted for the purposes of determining whether a quorum has been reached, but will have no effect on the approval of matters considered at the Annual Meeting. Votes may be cast by proxy or in person. A plurality of the votes cast at the meeting for the election of directors means that the nominees who receive the most votes, even if less than a majority, will be the nominees elected by stockholders. A majority of votes cast means that the shares voted in favor of a proposal exceed the shares voted against a proposal.

How do I vote?

Even if you plan to attend the Annual Meeting, we recommend that you vote before the meeting, as described below, so that your vote will be counted if you later decide not to attend the meeting. Voting by internet or by telephone is fast and convenient, and your vote is immediately confirmed and tabulated. Submitting a proxy by internet, telephone or mail prior to the Annual Meeting will not affect your right to attend the Annual Meeting and vote in person.

If you hold shares in your own name as a stockholder of record, regardless of whether you received your Annual Meeting materials through the mail or via the internet, you may vote before the Annual Meeting:

By Internet. To vote by internet, go to www.proxypush.com/MGNX and follow the instructions you find on this website. Your proxy will be voted according to your instructions. If you vote by internet, you do not need to mail in a proxy card.

By Telephone. To vote by phone, call 1-866-284-4925 toll-free from the United States and follow the instructions. If you vote by telephone, you do not need to mail in a proxy card.

By Mail. To vote by mail, complete, sign and return our proxy card in the enclosed postage-paid envelope. If you vote by internet or by telephone, please do not mail in your proxy card (unless you intend for it to revoke your prior internet or telephone vote). Your internet or telephone vote will authorize the named proxies to vote your shares in the same manner as if you completed, signed and returned your proxy card.

If you hold shares in street name, please refer to the information provided by the institution that holds our shares regarding how to provide them with voting instructions. If you beneficially hold your shares in street name and you do not submit specific voting instructions to your broker, your broker may generally vote your shares in its discretion on matters designated as routine under rules applicable to broker-dealers. However, a broker cannot vote shares held in street name on matters designated by these rules as non-routine, unless the broker receives specific voting instructions from the beneficial holder. See What are broker non-votes ? and Which ballot measures are considered routine and non-routine ? below for additional information.

Who counts the votes?

Mediant Communications, Inc. (Mediant) has been engaged as our independent agent to tabulate stockholder votes as the Inspector of Elections. If you are a stockholder of record, your executed proxy card should be returned directly to Mediant for tabulation. As noted above, if you hold your shares through a broker, your broker will return one proxy card to Mediant on behalf of all its clients.

How are votes counted?

Votes will be counted by the Inspector of Elections, who will separately count For and Against votes, abstentions and broker non-votes. In addition, with respect to the election of directors, the Inspector of Elections will count the number of Withheld votes received for the nominees. If your shares are held in street name, you will need to obtain a voting instruction form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct the institution that holds your shares to vote your

Table of Contents

shares. If you do not give instructions to the institution that holds your shares, the institution that holds your shares can vote your shares with respect to routine items, but not with respect to non-routine items. See What are broker non-votes ? and Which ballot measures are considered routine and non-routine ? for more information.

How are director nominee withhold votes treated?

Director nominees are elected by a plurality of the votes cast at the Annual Meeting of the stockholders. The nominees receiving the highest number of votes for will be elected. Votes may be cast For or may be Withheld with respect to any or all of the nominees. For purposes of the election of directors, votes that are withheld and broker non-votes (described below) will be counted as present for purposes of establishing a quorum but will not be counted as votes cast and will have no effect on the result of the vote.

What are broker non-votes ?

Broker non-votes occur when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be routine, but not with respect to non- routine matters. In the event that a broker, bank, custodian, nominee or other record holder of common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular proposal, then those shares will be treated as broker non-votes with respect to that proposal. Accordingly, if you own shares through a nominee, such as a broker or bank, please be sure to instruct your nominee to vote to ensure that your vote is counted on each of the proposals.

Which ballot measures are considered routine and non-routine ?

The ratification of the appointment of Ernst & Young as our independent registered public accounting firm for the year ending December 31, 2019 (Proposal 2) is considered routine under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to occur in connection with Proposal 2. The election of directors (Proposal 1) and the advisory vote approving compensation of the named executive officers (Proposal 3) are considered non-routine matters under applicable rules. A broker or other nominee cannot vote without instructions from the beneficial owners on non-routine matters, and therefore we expect there will be broker non-votes on Proposals 1 and 3.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of the record date.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. Our by-laws provide that a quorum will exist if stockholders holding a majority of the shares of common stock issued and outstanding and entitled to vote are present at the meeting in person or by proxy. Abstentions, withhold, and broker non-votes count as present for establishing a quorum but will not be counted as votes cast. If a quorum is not present, the meeting may be adjourned or postponed until a quorum is obtained.

What if I return a proxy card but do not make specific choices?

If we receive a signed and dated proxy card or receive your instructions by internet or by telephone and your instructions do not specify how your shares are to be voted, your shares will be voted For the election of each of the three nominees for director, For the ratification of the appointment of Ernst & Young as our independent

Table of Contents

registered public accounting firm for the year ending December 31, 2019, and For the non-binding advisory approval of the compensation of the named executive officers as disclosed in this proxy statement.

What if other matters not on the proxy card are brought before the Annual Meeting for action by the stockholders?

As of the date of this proxy statement, our Board does not intend to present any matters other than those described in this proxy statement at the Annual Meeting and is not aware of any matters to be presented by other parties. If other matters are properly brought before the Annual Meeting for action by the stockholders, proxies will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. Directors, officers and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one notice or more than one set of materials?

It means that you have more than one account for your MacroGenics shares. Please vote by internet or telephone using each of the identification numbers marked on each notice of Annual Meeting, or complete and submit all proxies by mail to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date by internet, telephone or mail.
- You may send a written notice that you are revoking your proxy to our Corporate Secretary at 9704 Medical Center Drive, Rockville, Maryland 20850.
- You may attend the Annual Meeting and vote in person. Please note, however, that simply attending the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held by your broker, bank or other nominee, you should follow the instructions provided by such nominee.

When are stockholder proposals or director nominations due for next year s Annual Meeting?

To be considered for inclusion in the proxy materials for the 2020 Annual Meeting of stockholders (the 2020 Annual Meeting), your stockholder proposals must be submitted in writing by December 7, 2019, to our Corporate Secretary

at 9704 Medical Center Drive, Rockville, Maryland 20850. However, if the date of the 2020 Annual Meeting is more than 30 days from May 16, 2020, the deadline is a reasonable time before we begin to print and send our proxy materials for the 2020 Annual Meeting. If you wish to submit a proposal that is not to be included in our proxy materials for the 2020 Annual Meeting or to nominate a director pursuant to our by-laws, you must do so not less than 90 days and no more than 120 days prior to the first anniversary of the preceding year s Annual Meeting (February 16, 2020 and January 17, 2020, respectively); provided, that if the date of the 2020 Annual Meeting is more than 20 days before or more than 60 days after the first anniversary of this year s

Table of Contents

Annual Meeting, you must give notice not earlier than the 120th day prior to the 2020 Annual Meeting and not later than the close of business on the later of (a) the 90th day prior to the 2020 Annual Meeting and (b) the tenth day following the day on which notice of the date of the 2020 Annual Meeting was mailed or public disclosure of the date of the 2020 Annual Meeting was made, whichever first occurs. You are also advised to review our by-laws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How can I find out the results of the voting at the Annual Meeting?

Voting results will be announced by the Company pursuant to the filing of a Current Report on Form 8-K within four business days after the Annual Meeting. If final voting results are unavailable at that time, we will file an amended Current Report on Form 8-K within four business days of the day the final results become available.

Table of Contents

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Background

Our Board is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Unless the Board determines that vacancies (including vacancies created by increases in the number of directors) will be filled by the stockholders, and except as otherwise provided by law, vacancies on the Board may be filled only by the affirmative vote of a majority of the remaining directors. A director elected by the Board to fill a vacancy (including a vacancy created by an increase in the number of directors) shall serve for the remainder of the term of the class of directors in which the vacancy occurred, subject to the election and qualification of such director s successor, or until such director s earlier death, resignation or removal.

At the Annual Meeting, stockholders will have an opportunity to vote for the re-election of Paulo Costa, Karen Ferrante, M.D. and Edward Hurwitz to serve as Class III directors. Each director nominee to be elected will hold office from the date of his or her election by the stockholders until the 2022 Annual Meeting of Stockholders or until his or her successor is elected and has been qualified, or until such director s earlier death, resignation or removal.

Board Recommendation

The Board of Directors recommends a vote

FOR the election of each of the Class III director nominees.

DIRECTORS AND NOMINEES

This section provides information as of the date of this proxy statement about each Class III director nominee as well as those directors whose terms continue after the Annual Meeting. The information includes age, all positions and offices held with us, length of service as a director, principal occupation and employment for the past five years and the names of other publicly held companies of which s/he has served as a director during the past five years. For information about the number of shares of common stock beneficially owned by our directors as of March 22, 2019, please see Security Ownership of Certain Beneficial Owners and Management beginning on page 43.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees named below. Each of Messrs. Paulo Costa, Edward Hurwitz and Dr. Karen Ferrante has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve. Directors are elected by a plurality of the votes cast at the Annual Meeting.

Class III Nominees for Election to a Three-Year Term Expiring at the 2022 Annual Meeting of Stockholders

Paulo Costa, age 68

Mr. Costa has served as a director since June 2009. Mr. Costa served as President and Chief Executive Officer of Novartis U.S. Corporation, from October 2005 to August 2008. Prior to his work at Novartis U.S. Corporation, Mr. Costa was President and Chief Executive Officer of Novartis Pharmaceuticals, U.S. from July 1999 to September 2005. From August 2009 to August 2012, Mr. Costa served as chair of the Board of Directors of Amylin Pharmaceuticals Inc., a publicly held company, and currently serves as a director of two privately held life science

companies. Based on Mr. Costa s diverse experience in the pharmaceutical industry, ranging from successful product development, launch and commercialization and his extensive senior management experience within the industry, as well as his experience serving on numerous boards, our Board believes Mr. Costa has the appropriate set of skills to serve as a member of our Board.

Table of Contents

Karen Ferrante, M.D., age 61

Dr. Ferrante has served as a director since January 2017. Dr. Ferrante, a hematologist-oncologist, most recently served as Chief Medical Officer and Head of Research and Development at Tokai Pharmaceuticals and brings over 20 years of oncology drug development experience to the Board. Prior to Tokai, Dr. Ferrante held several senior level positions at Millennium Pharmaceuticals Inc. and parent company Takeda Pharmaceuticals, including Oncology Therapeutic Area Head, Takeda Cambridge Site Head and Chief Medical Officer. Dr. Ferrante previously held positions of increasing responsibility at Pfizer Global Research and Development and Bristol-Myers Squibb. Dr. Ferrante holds an M.D. from Georgetown University and completed her internship and residency in internal medicine at New England Deaconess Hospital (now part of Beth Israel Deaconess Medical Center) followed by a fellowship in hematology and oncology. She currently serves as a director of Hutchison China MediTech Limited (Chi-Med), Progenics Pharmaceuticals, and Unum Therapeutics Inc., which are publicly held biopharmaceutical companies. Based on Dr. Ferrante s depth of experience in the biotechnology industry, ranging from executive officer to director roles, the Board believes Dr. Ferrante has the appropriate set of skills to serve as a member of our Board.

Edward Hurwitz, age 55

Mr. Hurwitz has served as a director since October 2004. Mr. Hurwitz is a Managing Director of MPM Capital, a life sciences venture capital firm. Prior to joining MPM Capital, Mr. Hurwitz was the founding Managing Director of Precision Bioventures, LLC, a consulting and investment advisory firm. He was a director of Alta BioPharma III, L.P., and Alta Partners VIII, L.P., funds affiliated with Alta Partners, a venture capital firm, from 2002 through December 2014. Mr. Hurwitz also serves as a director of Applied Genetic Technologies Corporation, a publicly held company. Mr. Hurwitz received a JD and MBA degree from the University of California at Berkeley in 1990 and a BA in molecular biology from Cornell University in 1985. The Board believes that Mr. Hurwitz s financial and scientific expertise, as well as his deep understanding of the biotechnology industry, makes him an important asset to our Board as it assesses both financial and strategic decisions.

Class II Directors Continuing in Office Until the 2021 Annual Meeting of Stockholders

Kenneth Galbraith, age 56

Mr. Galbraith has served as a director since July 2008. Mr. Galbraith joined Ventures West Capital in 2007 and founded Five Corners Capital Inc. in 2013 to manage the continued operations of the Ventures West Investment Funds. Mr. Galbraith has over 30 years of experience serving as an executive, director, investor and adviser to companies in the biotechnology, medical device, pharmaceutical and healthcare sectors. In addition, Mr. Galbraith serves as a director of Prometic Life Sciences Inc. and Profound Medical Corp., which are both publicly held companies, and has served as a director of several privately held companies. Based on Mr. Galbraith s depth of experience in the biotechnology industry, ranging from executive officer to director roles, the Board believes Mr. Galbraith has the appropriate set of skills to serve as a member of our Board.

Scott Jackson, age 54

Mr. Jackson has served as a director since January 2017. Mr. Jackson served as Chief Executive Officer and as a member of the Board of Directors of Celator Pharmaceuticals, Inc. from April 2008 until July 2016, when the company was acquired by Jazz Pharmaceuticals plc. Mr. Jackson has more than 25 years of experience in the pharmaceutical and biotechnology industry and has held positions of increasing responsibility in sales, marketing and commercial development at Eli Lilly & Co., SmithKline Beecham, ImClone Systems Inc., Centocor Inc., a division of Johnson & Johnson, Eximias Pharmaceutical and YM BioSciences. Mr. Jackson holds a B.S. in pharmacy from the

Philadelphia College of Pharmacy and Science and an M.B.A. from the University of Notre Dame. Mr. Jackson serves as a director of GlycoMimetics, Inc., a publicly held company, and as a director of the board of trustees of the Eastern Pennsylvania Chapter of The Leukemia and Lymphoma Society®. Based on

Table of Contents

Mr. Jackson s depth of experience in the biotechnology industry ranging from executive officer to director roles and experience with commercial development, the Board believes Mr. Jackson has the appropriate set of skills to serve as a member of our Board.

David Stump, M.D., age 69

Dr. Stump has served as a director since September 2013. Dr. Stump was most recently Executive Vice President, Research and Development at Human Genome Sciences, Inc., where he was employed from November 1999 until his retirement in December 2012. Dr. Stump also serves as a director of Sunesis Pharmaceuticals, Inc., Portola Pharmaceuticals, Inc., and REGENXBIO, Inc., which are publicly held companies. The Board believes that Dr. Stump s medical training and 23 years of experience in research and development and operations in the biotechnology industry as well as his public company board service qualify him to serve as a member of our Board.

Class I Directors Continuing in Office Until the 2020 Annual Meeting of Stockholders

Scott Koenig, M.D., Ph.D., age 66

Dr. Koenig has been our President, Chief Executive Officer and a director since September 2001 and was one of our co-founders. Prior to joining MacroGenics, Dr. Koenig served as Senior Vice President of Research at MedImmune, Inc., where he participated in the selection and maturation of their product pipeline. From 1984 to 1990, he worked in the Laboratory of Immunoregulation at the National Institute of Allergy and Infectious Diseases at the National Institutes of Health, where he investigated the immune response to retroviruses and studied the pathogenesis of AIDS. Dr. Koenig currently serves as chair of the Board of Directors of Applied Genetic Technologies Corporation, and is a member of the Board of Directors of GlycoMimetics, Inc., both publicly held companies. Additionally, Dr. Koenig serves on the Board of Directors of the International Biomedical Research Alliance, and the Biotechnology Innovation Organization and is co-chair of the Scientific Advisory Board of the Institute for Bioscience and Biotechnology Research at the University of Maryland. We believe that Dr. Koenig s detailed knowledge of our company and his over 30 years in research and the biotechnology industry provide a valuable contribution to our Board.

Matthew Fust, age 54

Matthew Fust has served as a director since March 2014. He served as Executive Vice President and Chief Financial Officer of Onyx Pharmaceuticals, Inc., an oncology-focused biopharmaceutical company, from January 2009 until its acquisition by Amgen Inc. in October 2013. From May 2003 to December 2008, Mr. Fust served as Chief Financial Officer of Jazz Pharmaceuticals, Inc. From 2002 to 2003, Mr. Fust served as Chief Financial Officer of Perlegen Sciences, Inc., a biopharmaceutical company. Previously, he was Senior Vice President and Chief Financial Officer of ALZA Corporation, where he was an executive from 1996 until 2002. Mr. Fust serves as a director of Atara Biotherapeutics, Inc., Crinetics Pharmaceuticals, Inc., Dermira, Inc. and Ultragenyx Pharmaceutical Inc., which are publicly held companies. Based on Mr. Fust s depth of experience in the biotechnology industry, ranging from executive officer to director roles, the Board of Directors believes Mr. Fust has the appropriate set of skills to serve as a member of our Board of Directors.

Jay Siegel, M.D., age 66

Dr. Siegel has served as a director since November 2017. He most recently served as Chief Biotechnology Officer and Head of Scientific Strategy and Policy at Johnson & Johnson, which he joined in 2003, and on the Executive Committees and Boards of the Biotechnology Innovation Organization and the Alliance for Regenerative Medicine. Prior to joining Johnson & Johnson, Dr. Siegel had a distinguished 20-year career at the FDA in positions

of increasing responsibility, including directing the office responsible for reviewing and approving therapeutic biologics. Dr. Siegel currently co-chairs the National Academies Forum on Regenerative

Table of Contents

Medicine. In addition, Dr. Siegel serves as a director of a privately held biopharmaceutical company. He received a B.S. in Biology from the California Institute of Technology and an M.D. from Stanford University. He trained in internal medicine at the University of California, San Francisco, and in infectious diseases and immunology at Stanford University. The Board believes that Dr. Siegel s medical training and 36 years of experience in biotechnology qualify him to serve as a member of our Board.

Table of Contents

DIRECTOR COMPENSATION

We have adopted a Director Compensation Program (the Director Plan) for our non-employee directors. Our directors who are employees are compensated for their service as employees and do not receive any additional compensation for their service on our Board. Pursuant to the Director Plan, our non-employee directors receive an annual retainer of $40,000, to be pro rated if he or she is serving as a director for less than the full year. If our chair is a non-employee director, the chair receives an additional annual retainer of $35,000. In addition, all non-employee directors who serve on one or more committees are eligible to receive the following committee fees:

Committee	Member Annual Retainer	Chair Additional Retainer
Audit Committee	$ 8,750	$ 17,500
Compensation Committee	$ 5,500	$ 13,250
Nominating and Corporate Governance Committee	$ 5,000	$ 9,250
Science and Technology Committee(1)	$ 5,500	$ 13,250

(1) The Science and Technology Committee was established by the Board in February 2019.

Our directors may elect to receive these retainer amounts in cash or stock options based on the Black-Scholes value of the dollar amount of the retainer as of the date of grant. Other than the annual retainers and committee fees paid pursuant to our Director Plan described above, non-employee directors are not entitled to receive any cash fees in connection with their service on our Board. Director compensation is reviewed regularly, generally on an annual basis, by our Compensation Committee. In setting director compensation, including any modifications to the Director Plan, the Compensation Committee considers several factors including the Company s size and stage of development and market data of the Company s peer group. The Compensation Committee also considers recommendations from its independent compensation consultant in making these determinations.

In addition, non-employee directors are entitled to receive an option to purchase shares of our common stock upon initial election or appointment to the Board (the Initial Option) and an option to purchase shares of our common stock annually thereafter (the Annual Option). The amount of shares subject to the Initial Option and Annual Option are 20,000 and 10,000 shares, respectively.

Options granted to non-employee directors have a per share exercise price equal to the per share fair market value of our common stock as of the date of grant and vest as to 1/12th of the shares of our common stock underlying such option monthly, beginning on the first monthly anniversary of the applicable grant date, subject to the director s continued service on our Board through each vesting date. The Initial Option is granted on the date the director first joins the Board and the Annual Option is granted on the date of the first Board meeting held after each Annual Meeting of stockholders.

Table of Contents

The following table sets forth information concerning the compensation earned by our non-employee directors during the year ended December 31, 2018.

Name	Fees Earned or Paid in Cash	Option Awards [1]	Total
Paulo Costa (2)	$ 0	$ 231,064	$ 231,064
Karen Ferrante, M.D.	$ 47,250	$ 141,818	$ 189,068
Matthew Fust	$ 62,500	$ 141,818	$ 204,318
Kenneth Galbraith	$ 64,500	$ 141,818	$ 206,318
Edward Hurwitz	$ 45,625	$ 141,818	$ 187,443
Scott Jackson	$ 50,875	$ 141,818	$ 192,693
Jay Siegel, M.D.	$ 36,500	$ 141,818	$ 178,318
David Stump, M.D.	$ 47,250	$ 141,818	$ 189,068

(1) Amount reflects the aggregate grant date fair value of options granted during 2018 computed in accordance with ASC Topic 718 *Stock Compensation*, as used by analogy for non-employees. The assumptions used in the valuation of these awards are set forth in Note 6 to our financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

(2) Mr. Costa elected to receive his 2018 fees in stock options.

As of December 31, 2018, each of our non-employee directors held the following outstanding options:

Name	Shares Subject to Outstanding Options
Paulo Costa	79,110
Karen Ferrante, M.D.	40,000
Matthew Fust	57,773
Kenneth Galbraith	57,773
Edward Hurwitz	57,773
Scott Jackson	40,000
Jay Siegel, M.D.	30,000
David Stump, M.D.	57,773

Table of Contents

PROPOSAL NO. 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP currently serves as our independent registered public accounting firm. After consideration of the firm s qualifications and past performance, the Audit Committee of our Board of Directors has appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019. Ernst & Young LLP has served as our independent registered public accounting firm since 2006.

In accordance with the rules of the Securities and Exchange Commission and our Audit Committee s charter, the Audit Committee is directly responsible for the selection, appointment, compensation, retention and oversight of the Company s independent registered public accounting firm and is not required to submit this appointment to a vote of the stockholders. The Board, however, considers the appointment of the independent registered public accounting firm to be an important matter of stockholder concern and is submitting the appointment of Ernst & Young LLP for ratification by our stockholders as a matter of good corporate practice. One or more representatives of Ernst & Young LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement and respond to appropriate questions from stockholders. In the event that our stockholders fail to ratify the appointment of Ernst & Young LLP, it will be considered as a direction to the Audit Committee to consider the appointment of a different firm. Even if the appointment is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Required Vote and Board Recommendation

Ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm requires the affirmative vote of a majority of the votes cast on the matter. Abstentions are not considered votes cast and, therefore, will have no effect on the voting outcome.

The Board of Directors recommends a vote

FOR the ratification of the appointment of Ernst & Young LLP.

Principal Accountant Fees and Services

The following table provides information regarding the fees paid to Ernst & Young LLP during the years ended December 31, 2018 and 2017. All fees described below were approved by the Audit Committee.

	Year Ended December 31,	
	2018	2017
Audit Fees (1)	$ 1,149,122	$ 1,035,370
Audit-Related Fees (2)	$ 30,000	$ 28,000
Tax Fees (3)	$ 132,010	$ 123,500
All Other Fees	$ 2,000	$ 0
Total Fees	$ 1,313,132	$ 1,186,870

(1) Audit fees for 2018 and 2017 were for professional services rendered for the audits of our financial statements, attestation services with respect to our internal control over financial reporting, reviews of quarterly financial statements, registration statement filings and consents, comfort letters and consultations concerning financial accounting.
(2) Audit-related fees for 2018 and 2017 were for other audit requirements.

Table of Contents

(3) Tax fees for 2018 consist of $121,530 for tax compliance, including the preparation, review and filing of tax returns, and $10,480 for tax advice and planning. Tax fees for 2017 consist of $101,500 for tax compliance, including the preparation, review and filing of tax returns, and $22,000 for tax advice and planning.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and non-audit services provided by its independent registered public accounting firm. This policy is set forth in the charter of the Audit Committee and available on the Corporate Governance section of our website at http://ir.macrogenics.com/governance.

The Audit Committee pre-approved all audit, audit-related, tax and other services provided by Ernst & Young LLP for 2018 and 2017 and the estimated costs of those services. Actual amounts billed, to the extent in excess of the estimated amounts, were periodically reviewed and approved by the Audit Committee.

Table of Contents

AUDIT COMMITTEE REPORT

The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing by MacroGenics under the Securities Act of 1933, as amended (the Securities Act), or the Securities Exchange Act of 1934 (the Exchange Act), as amended.

The primary purpose of the Audit Committee is to oversee the Company s financial reporting processes on behalf of the Board. The Audit Committee s functions are more fully described in its charter, which is available on the Corporate Governance section of the Company s website at http://ir.macrogenics.com/governance. Management has the primary responsibility for the Company s financial statements and reporting processes, including the Company s systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management MacroGenics audited financial statements and the effectiveness of the Company s internal controls over financial reporting as of and for the year ended December 31, 2018.

The Audit Committee has discussed with Ernst & Young LLP, the Company s independent registered public accounting firm, the matters required to be discussed under generally accepted auditing standards including Auditing Standard No. 1301. In addition, the Audit Committee discussed with Ernst & Young LLP its independence, and received from Ernst & Young LLP the written disclosures and the letter required by Ethics and Independence Rule 3526 of the Public Company Accounting Oversight Board. Finally, the Audit Committee discussed with Ernst & Young LLP, with and without management present, the scope and results of Ernst & Young LLP s audit of such financial statements.

Based on these reviews and discussions, the Audit Committee recommended to the Board that such audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the SEC.

Audit Committee

Kenneth Galbraith, Chair
Matthew Fust
Edward Hurwitz
Scott Jackson

Table of Contents

PROPOSAL NO. 3

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In 2016, stockholders voted, on an advisory basis, to hold an annual advisory vote on the compensation of our named executive officers. Pursuant to that guidance and consistent with Section 14A of the Exchange Act, our Board is asking stockholders to approve an advisory vote on the following resolution:

RESOLVED, that the compensation paid to MacroGenics named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved.

As an advisory vote, this proposal is not binding. Although the vote is non-binding, our Compensation Committee and Board value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

Our executive compensation programs are designed to attract, motivate, and retain executive officers who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of our near-term and longer-term financial and strategic goals and for driving corporate financial performance and stability. The programs contain elements of cash and equity-based compensation and are designed to align the interests of our executives with those of our stockholders.

The Executive Compensation section of this proxy statement beginning on page 24, including Compensation Discussion and Analysis, describes in detail our executive compensation programs and the decisions made by the Compensation Committee with respect to 2018. Highlights of our executive compensation philosophy include the following:

- A significant portion of each senior executive s compensation should be variable, based on a combination of individual and corporate performance;
- Compensation opportunities should be competitive with clinical-stage biopharmaceutical companies of similar size and comparable stage of development, but also should be designed to be flexible enough to attract talent as needed from other biopharmaceutical companies;
- The equity compensation program should align executive interests with those of stockholders; and
- Supplemental benefits and perquisites should be limited and used selectively in specific circumstances to attract and retain executives.

As we describe in the Compensation Discussion and Analysis section of this proxy statement, our executive compensation program embodies a pay-for-performance philosophy that we believe supports our business strategy and aligns the interests of our executives with those of our stockholders. The Board believes this link between compensation and the achievement of our near- and long-term business goals has helped drive our performance over time. At the same time, we believe our program does not encourage excessive risk-taking by management.

Vote Required and Board Recommendation

Approval of the advisory vote on the compensation of our named executive officers requires the affirmative vote of a majority of the votes cast on the proposal. Abstentions are not considered votes cast and, therefore, will have no effect on the vote outcome.

The Board recommends a vote FOR the approval of the advisory vote on the compensation of our named executive officers.

Table of Contents

CORPORATE GOVERNANCE

Corporate Policies

In February 2018, the Company adopted corporate governance guidelines as recommended by our Nominating and Corporate Governance Committee. In addition, the Company has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The corporate governance guidelines and the code of business conduct and ethics are available under the Corporate Governance section of our website at http://ir.macrogenics.com/governance. We expect that any amendments to the corporate governance guidelines or the code of business conduct and ethics, or any waivers of its requirements, will be disclosed on our website.

Independence of the Board

As required under rules and regulations of the Nasdaq Stock Market (Nasdaq), a majority of the members of our Board must qualify as independent, as affirmatively determined by the Board. The Board consults with the Company s counsel to ensure that the Board s determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent Nasdaq listing standards, as in effect from time to time.

The Nasdaq independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his/her family members has engaged in various types of business dealings with us. In addition, as required by Nasdaq rules, our Board has evaluated, with respect to each of our directors, whether any relationships exist, which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Consistent with these considerations, our Board has determined that all of our directors, other than Dr. Koenig, qualify as independent directors in accordance with the Nasdaq listing requirements. Dr. Koenig is not considered independent because he is an employee of MacroGenics. In making these determinations, our Board reviewed and discussed information provided by the directors and us with regard to each director s business and personal activities and relationships as they may relate to us and our management. There are no family relationships among any of our directors or executive officers.

As required under Nasdaq rules and regulations, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. All of the committees of our Board are comprised entirely of directors determined by the Board to be independent within the meaning of Nasdaq rules and regulations.

Leadership Structure of the Board

The Board does not have a policy regarding whether the roles of Chief Executive Officer and Chair of the Board should be separate and, if they are to be separate, whether the chair of the Board should be a non-employee director. If the chair of the Board is an employee director, then the Board shall elect a Lead Director from among the independent directors.

Currently, Mr. Costa, a non-employee director, serves as the Chair of the Board and Dr. Koenig serves as a director and Chief Executive Officer of the Company. The Board will continue to periodically review our leadership structure and may make such changes in the future as it deems appropriate and in the best interests of the Company and its stockholders. However, the Board believes that separation of the roles of Chief Executive Officer and Chair of the Board is currently the most appropriate structure for the Company because this structure is consistent with best

corporate governance practices. In addition, our Board believes this structure creates an environment in which there are candid disclosures by management about the Company s performance and a culture in which directors can regularly engage management and each other in active and meaningful discussions about various corporate matters.

Table of Contents

Role of Board in Risk Oversight Process

Risk assessment and oversight are an integral part of our governance and management processes. Our Board encourages management to promote a culture that incorporates risk management into our corporate strategy and day-to-day business operations. Management discusses strategic and operational risks at regular management meetings, and conducts specific strategic planning and review sessions during the year that include a focused discussion and analysis of the risks facing us. Throughout the year, senior management reviews these risks with the Board at regular Board meetings as part of management presentations that focus on particular business functions, operations or strategies, and presents the steps taken by management to mitigate or eliminate such risks.

Our Board does not have a standing risk management committee, but rather administers this oversight function directly through our Board as a whole, as well as through various standing committees of our Board that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure and our Audit Committee is responsible for overseeing our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including cyber-security. The Audit Committee also monitors compliance with legal and regulatory requirements and considers and, if appropriate, approves any related-person transactions. Our Nominating and Governance Committee monitors the effectiveness of our corporate governance. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

Board Committees

Audit Committee

Our Audit Committee oversees the accounting and financial reporting processes of the Company and audits of the Company s financial statements. The primary function of the Audit Committee is to provide assistance to the Board in fulfilling its responsibilities relating to corporate accounting and auditing, reporting practices of the Company, the quality and integrity of the financial reports of the Company, the Company s systems of internal controls regarding finance, accounting, legal compliance, ethics and cyber-security that management and the Board have established, the performance of the Company s internal audit function, if any, and independent auditor, and the qualifications and independence of the Company s independent auditor. The Audit Committee also maintains a free and open means of communication between directors, the independent auditor, the internal auditor, if any, and the management of the Company.

The current members of our Audit Committee are Matthew Fust, Kenneth Galbraith, and Scott Jackson. Mr. Galbraith serves as the chair of the Audit Committee. All members of our Audit Committee meet the requirements for financial literacy under the applicable rules and regulations of the Securities and Exchange Commission (the SEC) and Nasdaq. Our Board has determined that each of Messrs. Fust and Galbraith qualifies as an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of Nasdaq. Our Board has determined that each of Messrs. Fust, Galbraith, and Jackson are independent under the applicable rules of Nasdaq and under the applicable rules of the SEC, in particular, Rule 10A-3 of the Exchange Act. The Audit Committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq and the committee reviews compliance with its charter annually. A copy of the Audit Committee charter is available on the Corporate Governance section of the Company s website at http://ir.macrogenics.com/governance.

Compensation Committee

Our Compensation Committee reviews and evaluates our compensation philosophy for executive officers. The Compensation Committee also reviews and approves both corporate and individual goals and objectives relevant to compensation of our Chief Executive Officer, evaluates the performance of the Chief Executive Officer in light of those goals and objectives and determines and approves his compensation based on such

evaluations. In addition, the Compensation Committee determines and approves the compensation for all of the Company s executive officers, and oversees Dr. Koenig s grant of stock options and other awards to employees other than executive officers. The Compensation Committee also reviews director compensation, including retainers for committee service at least annually and recommends any changes to the Board.

The current members of our Compensation Committee are Karen Ferrante, M.D., Matthew Fust, Scott Jackson, Jay Siegel, M.D. and David Stump, M.D. Mr. Fust serves as the chair of the Compensation Committee. Each of the members of our Compensation Committee is independent under the applicable rules and regulations of Nasdaq, and under the applicable rules of the SEC, in particular, Rule 10C-1 under the Exchange Act, is a non-employee director as defined in Rule 16b-3 promulgated under the Exchange Act, and is an outside director as that term is defined in Section 162(m) of the Internal Revenue Code. The Compensation Committee operates under a written charter and the committee reviews compliance with its charter annually. A copy of the Compensation Committee charter is available on the Corporate Governance section of the Company s website at http://ir.macrogenics.com/governance.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is responsible for making recommendations to our Board regarding candidates for directorships and the size and composition of our Board. In addition, the Nominating and Corporate Governance Committee is responsible for overseeing our corporate governance policies and reporting and making recommendations to our Board concerning governance matters, including, on an annual basis, director independence. The current members of our Nominating and Corporate Governance committee are Paulo Costa, Karen Ferrante, M.D., Edward Hurwitz, and David Stump, M.D. Mr. Costa serves as the chair of the Nominating and Corporate Governance Committee. Each of the members of our Nominating and Corporate Governance Committee is an independent director under the applicable rules and regulations of Nasdaq. The Nominating and Corporate Governance Committee operates under a written charter and the committee reviews compliance with its charter annually. A copy of the Nominating and Corporate Governance Committee charter is available on the Corporate Governance section of the Company s website at http://ir.macrogenics.com/governance.

In recommending candidates for election to the Board at the Annual Meeting of Stockholders, or any special meeting of stockholders, the independent members of the Nominating and Corporate Governance Committee may consider such factors as personal and professional integrity, ethics and values, experience in corporate management, experience in the industries in which we compete, experience as a board member or executive officer of another publicly held company, diversity of expertise and experience in substantive matters pertaining to our business relative to other Board members, conflicts of interest, practical and mature business judgment, past attendance at meetings, participation n and contributions to the activities of the Board, the results of the most recent Board self-evaluation and any other areas as may be expected to contribute to an effective Board. The Board believes that a diverse membership with varying perspectives and breadth of experience is an important attribute of a well-functioning Board. With respect to diversity, the Nominating and Corporate Governance Committee may consider such factors as differences of viewpoint, professional experience, education, skill, and other individual qualities and attributes that contribute to board heterogeneity, including characteristics such as race, gender, and national origin. Further, in considering new candidates for the Board, the Nominating and Corporate Governance Committee shall make efforts to identify directors who can add to the diversity of the Board, considering such factors as age, gender, sexual orientation, and racial or ethnic makeup.

The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group of directors that can best maximize the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. For a stockholder to make any nomination for election to the Board at an Annual Meeting, the

Table of Contents

stockholder must provide notice to the Company in a timely manner. See When are stockholder proposals or director nominations due for next year s Annual Meeting of Stockholders? for additional information. Our by-laws specify requirements as to the form and content of a stockholder s notice and updates and supplements to such notice. We recommend that any stockholder wishing to make a nomination for director review a copy of our by-laws, which is available, without charge, from our Corporate Secretary, at 9704 Medical Center Drive, Rockville, Maryland 20850.

Science and Technology Committee

In February 2019, the Board established the Science and Technology Committee to assist the Board in facilitating oversight of the Company s scientific strategic direction and investment in research and development and technology (R&D). The Committee will regularly review and evaluate the Company s R&D pipeline and provide assistance, as requested, to the Compensation Committee in setting performance goals under the Company s incentive compensation program and reviewing performance results. In addition, the Committee will identify and provide the Board with strategic advice on significant emerging science and technology issues, innovations and trends. The current members of our Science and Technology Committee are Karen Ferrante, M.D., Edward Hurwitz, Jay Siegel, M.D. and David Stump, M.D. Dr. Siegel serves as the chair of the Committee. Each of the members of our Science and Technology Committee is an independent director under the applicable rules and regulations of Nasdaq. The Science and Technology Committee operates under a written charter and the committee reviews compliance with its charter annually. A copy of the Science and Technology Committee charter is available on the Corporate Governance section of the Company s website at http://ir.macrogenics.com/governance.

Meetings of the Board, Board and Committee Member Attendance and Annual Meeting Attendance

Our Board met four times in 2018. The Audit Committee met four times, the Compensation Committee met five times and the Nominating and Corporate Governance Committee met four times last year. During 2018, all then current Board members attended 75% or more of the meetings of the Board and of the committees on which they served. In addition, we encourage all of our directors and nominees for director to attend our Annual Meeting, but attendance is not mandatory. In 2018, eight of our then nine serving directors attended the Annual Meeting.

Stockholder Communications with the Board

Should stockholders wish to communicate with the Board or any specified individual directors, such correspondence should be sent to the attention of the Corporate Secretary at 9704 Medical Center Drive, Rockville, Maryland 20850. The Corporate Secretary will forward the communication to the Board members.

Compensation Committee Interlocks and Insider Participation

The following directors served on the Compensation Committee during 2018: Karen Ferrante, M.D., Matthew Fust, Scott Jackson, Jay Siegel, M.D., and David Stump, M.D. None of the members of our Compensation Committee has at any time been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers on our Board or Compensation Committee.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2018, there has not been, nor is there any proposed transaction where we were or will be a participant in which the amount involved exceeded or will exceed $120,000 and in which any director, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than the compensation agreements and other agreements and transactions which are described in Executive Compensation-Overview of Employment and Change in Control Agreements.

Policies and Procedures for Related Party Transactions

The Audit Committee is responsible for reviewing and approving, prior to our entry into any related party transactions and potential conflict of interest situations involving a principal stockholder, a member of the Board or senior management. With certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, the Audit Committee s authority covers any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related party. In reviewing and approving any such transactions, our Audit Committee considers all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm s length transaction and the extent of the related person s interest in the transaction. In addition, our Company policies require that our officers and employees avoid using their positions for purposes that are, or give the appearance of being, motivated by a desire for personal gain, and our policies further require that all officers and employees report any potential related party transaction prior to entering into such transaction. All such notices concerning related party transactions or conflicts of interest are submitted to, and reviewed by, our general counsel, our chief financial officer and our Audit Committee.

Table of Contents

EXECUTIVE OFFICERS

The following sets forth certain information regarding our current executive officers as of March 22, 2019:

Name	Age	Position(s)
Scott Koenig, M.D., Ph.D.	66	President, Chief Executive Officer and Director
James Karrels	52	Senior Vice President, Chief Financial Officer and Corporate Secretary
Ezio Bonvini, M.D.	65	Senior Vice President, Research and Chief Scientific Officer
Eric Risser	46	Senior Vice President, Business Development and Portfolio Management and Chief Business Officer
Jon Wigginton, M.D.	57	Senior Vice President, Clinical Development and Chief Medical Officer
Thomas Spitznagel, Ph.D.	52	Senior Vice President, BioPharmaceutical Development and Manufacturing
Lynn Cilinski	61	Vice President, Controller and Treasurer
Jeffrey Peters	48	Vice President, General Counsel

Scott Koenig, M.D., Ph.D., President and Chief Executive Officer and a director since September 2001 and was one of our co-founders. See Class I Directors Continuing in Office Until the 2020 Annual Meeting of Stockholders for Dr. Koenig s biography.

James Karrels, Senior Vice President, Chief Financial Officer and Corporate Secretary, joined us in May 2008 and has over 25 years of experience in finance, with a significant portion of that time working for, or on behalf of, life sciences companies. Prior to joining us, he served as Executive Director of Finance at Jazz Pharmaceuticals, Inc., where he was responsible for the company s financial planning and analysis and investor relations activities. Prior to joining Jazz Pharmaceuticals, Mr. Karrels was in the Global Healthcare Investment Banking Group at Merrill Lynch, serving most recently as a Director. Mr. Karrels holds an M.B.A. from Stanford University and a B.B.A. from the University of Notre Dame.

Ezio Bonvini, M.D., Senior Vice President, Research and Chief Scientific Officer, joined us in June 2003. From 1985 to 2003, Dr. Bonvini was with the FDA in the Center for Biologics Evaluation and Research (CBER), which is responsible for regulating therapeutic monoclonal antibodies and other proteins, ultimately serving as Acting Deputy Director, Division of Monoclonal Antibodies and Chief, Laboratory of Immunobiology. From 1982 to 1984, Dr. Bonvini was a Visiting Fellow at the National Cancer Institute at the National Institutes of Health. Dr. Bonvini received a Diploma in Science from the Scientific Lyceum in Genoa, Italy, and his M.D. and Specialty Certification in Clinical Hematology from the University of Genoa, School of Medicine.

Eric Risser, Senior Vice President, Business Development and Portfolio Management and Chief Business Officer, joined us in March 2009. Prior to joining us, Mr. Risser held the position of Senior Director, Business Development in the pharmaceutical group at Johnson & Johnson, where he worked from 2003 to 2009. Before Johnson & Johnson, Mr. Risser started and built a consulting practice that provided counsel to emerging life science companies in the United States and Europe. Earlier in his career, Mr. Risser held venture capital and investment banking positions with BA Venture Partners and Lehman Brothers Holdings Inc. Mr. Risser holds an M.B.A. from Stanford University and a B.A. from Yale University.

Jon Wigginton, M.D., Senior Vice President, Clinical Development and Chief Medical Officer, joined us in August 2013. Dr. Wigginton was the Therapeutic Area Head, Immuno-Oncology, Early Clinical Research and

Executive Director, Discovery Medicine-Clinical Oncology at Bristol-Myers from October 2008 to August 2013. While there, he led the early clinical development of the Bristol-Myers Immuno-Oncology portfolio including anti-PD-1 and anti-PD-L1. Prior to joining Bristol-Myers, Dr. Wigginton was the Director of Clinical Oncology at Merck Research Laboratories from May 2006 to October 2008, where he led early- and late-stage clinical development teams for small molecules and biologics. During his academic career, Dr. Wigginton held several positions at the National Cancer Institute Center for Cancer Research (NCI-CCR), including Head of Investigational Biologics Section, Pediatric Oncology Branch. Dr. Wigginton received his M.D. and B.S. in Biology from the University of Michigan.

Thomas Spitznagel, Ph.D., Senior Vice President, BioPharmaceutical Development and Manufacturing, joined us in 2013. He has overall responsibility for both biopharmaceutical development and manufacturing of MacroGenics Fc-optimized monoclonal antibodies and DART® molecules, as well as facilities. Prior to joining us, he was at Human Genome Sciences, most recently serving as Vice President of BioPharmaceutical Development, where he was responsible for oversight of Analytical Development, Formulation and Drug Delivery, Purification Sciences, and Fermentation and Cell Culture Sciences. Prior to joining Human Genome Sciences, Dr. Spitznagel was a Senior Scientist at Nabi from 1996-1998, and a Staff Engineer at Genetics Institute from 1992 to 1996. Dr. Spitznagel earned his S.B. in Chemical Engineering at MIT, and his Ph.D. in Chemical Engineering at the University of California, Berkeley.

Lynn Cilinski, Vice President, Controller and Treasurer, joined us in October 2003. Prior to joining us, Ms. Cilinski spent a year as a consultant to various companies providing services to the government. Prior to that, she spent more than 20 years with Covanta Energy Inc. (formerly Ogden Corporation) where she held the position of Corporate Controller for four subsidiary companies that provided services to the federal government. Ms. Cilinski holds a B.S. in Accounting from Strayer University.

Jeffrey Peters, Vice President, General Counsel, joined us in August 2015, and has over 20 years experience advising companies across the health care industry, including the life sciences sector. Before joining us, Mr. Peters served as Deputy General Counsel for the Biotechnology Innovation Organization. Prior to BIO, from 2005 to 2013, Mr. Peters was with MedImmune, the global biologics arm of AstraZeneca. During that time, Mr. Peters had positions of increasing responsibility in the MedImmune legal department, culminating as Vice President and Deputy General Counsel. Mr. Peters was in private practice for almost a decade, joining MedImmune from the life sciences practice group at Latham & Watkins LLP, in Washington, D.C. Mr. Peters holds a J.D. from the University of Pennsylvania Law School and a B.A. from Brandeis University.

Table of Contents

EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

Overview

The Compensation Discussion & Analysis considers the Company s executive compensation philosophy, the objectives and operation of the compensation program, how compensation was set for 2018 and the various elements of compensation paid to the named executive officers for services during 2018.

In 2018, MacroGenics named executive officers consisted of the following people:

Name	Position(s)
Scott Koenig, M.D., Ph.D	President, Chief Executive Officer and Director (principal executive officer)
James Karrels	Senior Vice President, Chief Financial Officer and Corporate Secretary (principal financial officer)
Ezio Bonvini, M.D.	Senior Vice President, Research and Chief Scientific Officer
Eric Risser	Senior Vice President, Business Development and Portfolio Management and Chief Business Officer
Jon Wigginton, M.D.	Senior Vice President, Clinical Development and Chief Medical Officer

Executive Compensation Philosophy

MacroGenics executive compensation program, overseen by the Compensation Committee of the Board, is designed to attract, retain and reward highly qualified talent at the senior executive level, in a very competitive market, while ensuring individual and corporate accountability to achieve the Company s mission, vision, and goals. This philosophy is reflected in the components of the Company s compensation program, and includes the following principles:

- pay for executives who are responsible for the success of MacroGenics should be linked to individual and corporate performance;
- compensation opportunities should be competitive with comparable biopharmaceutical companies, but also should be designed to be sufficiently flexible to attract talent as needed from other biopharmaceutical companies;
- the equity compensation program should align executives interests with those of stockholders; and
- supplemental benefits and perquisites should be limited and used selectively in specific circumstances to attract and retain executives.

Within this overall philosophy, the Compensation Committee s objectives regarding executive officer compensation are to:

offer a total compensation program that enables MacroGenics to attract, motivate, and retain individuals who are highly experienced with a proven track record of success, and to provide total compensation that is competitive with the Company s peers, as described in more detail below;

achieve an equitable balance in the compensation offered to the members of the executive team;

provide annual variable cash incentive awards based on the achievement of individual and corporate performance criteria; and

make a significant portion of named executive officers compensation dependent on MacroGenics long-term performance and on enhancing stockholder value by providing appropriate long-term, equity-based incentives and encouraging stock ownership.

Table of Contents

Attract, Motivate, and Retain Highly Qualified Executives

The Compensation Committee believes that the compensation for MacroGenics executive officers should be designed to attract, motivate and retain highly qualified executive officers responsible for the success of MacroGenics and should be determined within a framework that rewards performance and aligns the interests of the named executive officers with the interests of the Company s stockholders.

Balance Corporate and Individual Performance

The Compensation Committee believes that a significant portion of an executive officer s total compensation should be affected by overall Company performance as well as that individual s performance. Incentives are based on meeting criteria in each of these categories and reflect the named executive officer s overall contributions to the Company.

Reward Named Executive Officers for Meeting MacroGenics Strategic Goals and Objectives

The compensation program rewards the Company s named executive officers for achieving specified performance goals, building stockholder value, and long-term retention with MacroGenics. The compensation program is designed to reward these three aspects because the Compensation Committee believes it will motivate the executive team to make balanced operational and long-term strategic decisions resulting in strong financial performance, scientific and product development innovation, and the achievement of the Company s strategic business objectives.

Align Named Executive Officers Goals with MacroGenics Stockholders Goals

The Compensation Committee believes that MacroGenics long-term success depends upon aligning executives and stockholders interests. To support this objective, MacroGenics provides the executive officers with equity accumulation opportunities by awarding stock options and, in certain cases, restricted stock. Generally, stock option grants vest over four years, which supports long-term retention of our executive officers.

Align Named Executive Officers Compensation with Market Benchmarks

With the assistance of an independent compensation consultant, the Compensation Committee evaluates the compensation for each executive officer s current position against the compensation data from peer companies, as described below. The Compensation Committee uses competitive compensation data from the annual total compensation study of peer biopharmaceutical companies to inform its decisions about overall compensation opportunities and specific compensation elements. Additionally, the Compensation Committee uses multiple reference points when establishing targeted compensation levels for executive officers. The Compensation Committee does not benchmark specific compensation elements or total compensation to any specific percentile relative to peer companies or the broader U.S. market. Instead, the Compensation Committee applies judgment and discretion in establishing targeted pay levels, taking into account not only competitive market data but also factors such as overall Company, business, and individual performance, scope of responsibility, critical needs and skill sets, leadership potential, company constraints, succession planning, and other internal factors.

Use of Independent Compensation Consultant

The Compensation Committee retained Radford, a part of Aon plc, a national executive compensation consulting firm, to conduct market research and analysis to assist the committee in developing executive compensation levels for 2018, including appropriate base salaries, bonus percentages and equity awards for our executives. After consultation with Radford, the Compensation Committee determined that Radford was independent and that there was no conflict of

interest resulting from retaining Radford for this engagement. In reaching these conclusions, the Compensation Committee considered the factors set forth in the SEC rules and Nasdaq listing standards.

Table of Contents

Oversight and Operation of the Executive Compensation Program

The Compensation Committee is appointed by the Board to review and approve annually the compensation of the Company s executive officers, assist the Board with its responsibilities related to the compensation of the Company s directors, officers, and employees, and to oversee the development and administration of the Company s compensation plans. For details regarding the Compensation Committee s oversight of the executive compensation program, see the section titled Corporate Governance-Board Committees-Compensation Committee beginning on page 17 of this Proxy Statement.

Process for Setting Executive Compensation

In setting executive base salaries and bonuses and granting equity incentive awards, the Committee considers compensation for comparable positions in the market, the historical compensation levels of our executives, individual performance as compared to our expectations and objectives, internal pay equity, our desire to motivate our employees to achieve short- and long-term results that are in the best interests of our stockholders and to incentivize a long-term commitment to our Company. The Committee also considers stockholder advisory votes on executive compensation. In 2017 and 2018 such votes resulted in 98.8% and 98.3%, respectively, of the votes cast approving the compensation paid to the Company s named executive officers. The Compensation Committee believes these stockholder advisory votes indicate support for the Company s executive compensation program.

On an annual basis, the Compensation Committee schedules a series of meetings at which it reviews executive officer compensation. These meetings are used to establish a set of peer companies to use as a benchmark, review market compensation data from those companies as well as data from the biopharmaceutical sector more broadly, obtain input from the committee s independent compensation consultant and obtain input from the Chief Executive Officer and Vice President, Human Resources. The Compensation Committee reviews the peer group annually to ensure that each company remains reasonable and appropriate and makes changes to the constituent companies as necessary. Selection parameters are determined for each review of the peer group based on the Company s profile at the time of the review and all companies are evaluated against the selection criteria. Companies may be removed from the peer group based on falling outside of the selection parameters or due to being acquired while others may be added based on generally meeting the selection parameters and proximity to the Company in terms of business focus. Ultimately, the Compensation Committee strives to select a group of peer companies that is most closely aligned with the Company in terms of size, therapeutic focus and business profile.

The Compensation Committee s independent compensation consultant, Radford performs an analysis and presents a detailed report to our Compensation Committee and Chief Executive Officer, and makes recommendations for our executives compensation. The Chief Executive Officer and the Compensation Committee review and discuss compensation for all executives other than the Chief Executive Officer. The Chief Executive Officer evaluates and provides to the Compensation Committee performance assessments and compensation recommendations for each executive officer other than himself. Dr. Koenig is not present for any Compensation Committee discussions regarding his compensation. Based on those discussions and its discretion, the Compensation Committee then determines and approves the compensation for each executive officer. MacroGenics Vice President, Human Resources is present for a portion of these Compensation Committee discussions and, at the request of the Compensation Committee, supplements information provided by Radford.

Compensation packages for each executive officer are analyzed and discussed by the Compensation Committee at least annually. Prior to that review, Radford performs an analysis, considering the goal of market competitiveness. The results of this analysis are presented to the Compensation Committee. The Compensation Committee also considers the executive s performance and contribution to the Company, internal equity, and other factors. In addition,

at any time, the Compensation Committee may request additional information from the Vice President, Human Resources.

Table of Contents

Peer Group and Market Data

In conducting its analysis, the Compensation Committee directed Radford to assess the compensation practices of publicly-traded peer companies with a median profile that was substantially similar to that of the Company at the time of review. The peer group was used to set 2018 compensation, and was constructed from U.S.-based biopharmaceutical companies of a similar size to the Company, by market capitalization ($220M-$2.0B) and number of employees (110-950 headcount), with at least one product candidate in Phase 2 or Phase 3 of clinical development. As secondary considerations in selecting this peer group, the Compensation Committee also prioritized selecting companies that were focused on oncology therapeutics, those that had been public companies for a relatively shorter period of time and those that had similar levels of R&D expenses. This analysis was conducted in 2017 and resulted in the removal of the following companies from the prior year s peer group for purposes of establishing the 2018 compensation for our executive officers: Agios Pharmaceuticals, Kite Pharma, OncoMed Pharmaceuticals and Puma Biotechnology. In addition, based on this analysis, the following companies were added to the peer group for purposes of setting 2018 compensation: Athenex, Inc., Ignyta, Inc. and Karyopharm Therapeutics, Inc. The 2017 peer group analysis for purposes of establishing 2018 compensation resulted in the selection of the following companies:

Peer Group

Acceleron Pharma Inc.
Aduro BioTech, Inc.
Agenus, Inc.
Alder Biopharmaceuticals Inc.
Array BioPharma, Inc.
Athenex, Inc.
Celldex Therapeutics, Inc.
ChemoCentryx, Inc.
Curis, Inc.
Epizyme, Inc.
Five Prime Therapeutics, Inc.
Ignyta, Inc.
ImmunoGen, Inc.
Immunomedics, Inc.
Inovio Pharmaceuticals, Inc.
Karyopharm Therapeutics, Inc.
NewLink Genetics Corporation
Prothena Corporation plc
Xencor, Inc.

In addition, the Compensation Committee reviewed broader market compensation survey data from Radford s Global Life Sciences survey reflecting companies of similar size, both in terms of market capitalization and number of employees, operating in the biopharmaceutical industry. The analysis of the peer companies above and this additional market data were used in determining salary, non-equity compensation targets and equity awards for 2018, including in confirming that compensation was competitive both in terms of each element of compensation and total compensation. The Compensation Committee used the data from the 2017 peer companies to determine appropriate base salary increases and equity grants to award to executive officers who were promoted during that year.

Market data is used to determine whether a named executive officer s salary, bonus opportunity and equity incentives are competitive both in terms of each element of compensation and total compensation. When setting the

compensation for the named executive officers for 2018, Radford prepared an extensive analysis of compensation-related data specific to the life science industry and recommendations to review prior to making any compensation decisions.

Table of Contents

Internal Equity

The Compensation Committee considers internal equity for all employees including, but not limited to, its named executive officers when determining compensation to ensure that the Company is fair in its compensation practices across all levels and to ensure that there is no discrimination in compensation practices among the protected classes.

Individual Performance

In early 2019, the Chief Executive Officer reviewed and evaluated the performance of the other executive officers based on the Company s performance in 2018 and each individual s achievements in 2018 against their established objectives that had been set early in the year. Based on this evaluation, the Chief Executive Officer made recommendations to the Compensation Committee for each other executive officer regarding base salary adjustments, bonuses to be paid, adjustments to target bonus percentages and equity grants. The Compensation Committee discussed recommendations with the Chief Executive Officer and evaluated them in light of each individual s performance as well as benchmark data provided by the committee s compensation consultant.

In early 2019, the Compensation Committee also reviewed and evaluated the performance of the Chief Executive Officer, based on the Company s performance in 2018 against its objectives and the overall value of the Chief Executive Officer s contributions to that effort.

Based on the performance evaluations, each named executive officer received a performance rating for his or her 2018 performance. The performance rating was used to determine base salary adjustments, bonuses to be paid, adjustments to target bonus percentages and equity grants. For 2018, each named executive officer received a performance rating that reflected that they had exceeded their target individual performance.

Elements of Compensation

The Compensation Committee believes that the most effective compensation program is one that provides a competitive base salary, rewards the achievement of established annual and long-term goals and objectives and provides an incentive for retention. For this reason, the compensation program is comprised of three primary elements: base salary, a performance-based cash incentive bonus program and equity awards. The Compensation Committee believes that these three elements are the most effective combination to motivate and retain the named executive officers.

The Compensation Committee has not adopted any formal guidelines for allocating total compensation between equity compensation and cash compensation, but generally seeks to provide an overall executive compensation package designed to attract, motivate, and retain highly qualified executive officers, to reward them for performance over time, and to align the interests of the named executive officers with the interests of the stockholders.

Base Salary

The Compensation Committee s philosophy is to maintain base salaries at a competitive level sufficient to recruit and retain individuals possessing the skills and capabilities necessary to achieve the Company s goals over the long-term. The Company provides an annual salary to each named executive officer designed to reflect that person s level of responsibility, expertise, skills, knowledge, and experience. When determining base salaries, the Compensation Committee considered each named executive officer s performance in light of the individual s 2017 performance goals and achievement of Company objectives, as well as the peer group data described above, and made adjustments, as appropriate, to assist the Company in retaining this expertise, skill, and knowledge at the Company. These base salary

increases for fiscal year 2018 were effective as of March 1, 2018.

Table of Contents

The 2018 base salaries for the named executive officers as of December 31, 2018 were:

Executive	Base Salary ($)	Percentage Increase in Base Salary from December 31, 2017 (%)
Scott Koenig, M.D., Ph.D.	598,500	8
James Karrels	390,000	8
Ezio Bonvini, M.D.	425,000	5
Eric Risser	393,404	5
Jon Wigginton, M.D.	460,000	3

Annual Incentive Cash Bonus

Our bonus plan is designed to motivate and reward our executives for achievements relative to our goals and expectations for each fiscal year. Each executive officer has a target bonus opportunity, defined as a percentage of his or her earned base salary. Following the end of each year, our Compensation Committee, in its discretion, determines bonuses. Material considerations in determining bonuses include the overall performance of the Company, the level of achievement of the corporate objectives for the year and an executive officer s performance against his or her individual objectives for the year; and the executive s handling of unplanned events and opportunities. The Compensation Committee considers the Chief Executive Officer s input with respect to the Company s performance against our established corporate objectives. Based on these factors and the judgment of our Compensation Committee, we approved the bonuses in the table below for our named executive officers for the fiscal year ended December 31, 2018.

The target bonus is set at a percentage of the named executive officer s base salary, with such percentages being evaluated in the context of market data as described above. The Compensation Committee believes that the higher the individual s position within the Company, the more closely his or her bonus award should be tied to the Company s success. The Chief Executive Officer s bonus is based solely on the achievement of the 2018 corporate objectives described below and the discretion of the Compensation Committee. For each of the other named executive officers, 80% of the bonus for 2018 was based on corporate achievement and 20% of the bonus was based on individual performance. The Compensation Committee chose this allocation because it believed that this recognized the need for executive officers to have a substantial portion of their compensation tied to Company performance, while also recognizing the need to focus and incentivize executive officers to achieve their individual performance goals. In contrast, given his senior role at the Company, the Compensation Committee believed that 100% of Dr. Koenig s bonus compensation should be tied to Company performance, subject to discretionary adjustments by the committee, since he is ultimately responsible for the performance of all aspects of the Company s business. The Compensation Committee assesses this split between corporate achievement and individual performance on a periodic basis. The Compensation Committee retains the discretion to make adjustments to the calculated bonus based on unexpected or unplanned events, the overall financial condition of the Company, extraordinary performance or underperformance or other individual or corporate factors.

2018 Company Performance Objectives

With regard to evaluating Company performance, early in 2018, the Compensation Committee, with management s input and recommendation, reviewed and approved a set of Company objectives for 2018 and subsequently evaluated the Company s performance against those objectives. In setting the 2018 objectives, the Board sought to create targets for management that the Compensation Committee believed were consistent with the Company s long-term strategic plan and in the best interests of stockholders.

The 2018 company performance objectives were divided into three categories labeled as Clinical Pipeline, Pre-Clinical Pipeline and Infrastructure. The Clinical Pipeline objectives related to advancing clinical-stage

Table of Contents

programs with expected enrollment targets and timing for each ongoing clinical trial, anticipated initiation timing for each new clinical trial to be started in 2018, and the targeted submission date(s) of investigational new drug applications, or INDs to the U.S. Food and Drug Administration (the FDA), for new molecular entities entering clinical testing for the first time. The Pre-Clinical Pipeline objectives related to the identification and testing of potential new molecules expected to enter clinical testing in 2019 through 2021, consistent with the Company s long-term strategic objective to advance at least one IND for a new molecular entity per year. The Infrastructure objectives related to business development, compliance, the development of capabilities required for the long-term success of the organization and the management of the Company s cash and other resources against budget and the Company s strategic plan. In addition, while the Compensation Committee retains the discretion to recognize extraordinary performance, the 2018 objectives also included criteria for a transaction that would significantly accelerate the Company s long-term strategic plan by providing significant additional funding, or for receiving a breakthrough designation from the FDA for any product candidate. In evaluating overall performance, Clinical Pipeline objectives were given a 60% weighting, Pre-Clinical Pipeline objectives were given a 10% weighting, and Infrastructure objectives were given a 30% weighting. Further, if a significant transaction was completed or a breakthrough designation achieved, the executive officers could receive an increase in the overall performance weighting of up to 20%.

In making its assessments of performance at the end of the year, the Board determined that the Clinical Pipeline Pre-Clinical Pipeline and Infrastructure objectives had all been partially met given the weighting of each category, in the aggregate, the Board determined that the Company had achieved 94% of the 100% possible against these objectives.

2018 Individual Performance Objectives

The individual objectives for each of the named executive officers, other than the Chief Executive Officer, were established between each such named executive officer and the Chief Executive Officer during 2018. These objectives were established, in the Chief Executive Officer s judgment, to provide the greatest opportunity for the Company to meet its annual and long-term objectives. At the end of the year, the Chief Executive Officer evaluated the performance of each such named executive officer and assigned an achievement percentage against the individual objectives for each such named executive officer.

For 2018, the bonus targets for each named executive officer, each individual s achievement against those targets and the amount paid to those individuals were as follows:

Executive	Target Bonus Percentage (%) (1)	Target Bonus ($)	Performance Achievement for 2018 (%) (2)	Bonus Amount Paid ($) (3)
Scott Koenig, M.D., Ph.D. (4)	55	329,175	94	309,425
James Karrels	40	156,000	95	148,512
Ezio Bonvini, M.D.	40	170,000	94	160,140
Eric Risser	40	157,362	94	148,549
Jon Wigginton, M.D.	40	184,000	94	173,328

(1)

Target bonus percentages are set as a percentage of the named executive officer s base salary and remained flat year-over-year.

(2) Performance achievement percentage for 2018 reflects weighted combined 2018 company and individual performance, which includes Compensation Committee discretion based on factors as described above.

(3) Amounts paid in the first quarter of 2019.

(4) The Chief Executive Officer s annual incentive cash bonus is based solely on achievement of the 2018 Company performance objectives and the discretion of the Compensation Committee.

Table of Contents

Equity Awards

We typically grant stock option awards at the start of employment to each employee, including our named executive officers. In addition, employees, including named executive officers, have typically been granted stock option awards on an annual basis. According to our peer group analysis, as described above, stock option awards are the most prevalent long term incentive equity vehicle utilized by the Company s peer group. The Compensation Committee believes these equity awards encourage retention and align compensation for our named executive officers with the long-term objectives of the Company. As the option holder only receives value if our stock price appreciates, the Compensation Committee believes stock options promote pay for performance. The Compensation Committee also retains discretion to make additional targeted equity awards, in the form of options or other types of awards, in certain circumstances.

The annual stock option grants and any discretionary additional targeted equity awards to our executive officers are evaluated by the Compensation Committee in the context of each executive officer s total compensation and takes into account the market data provided by Radford in addition to the individual employment situation of each executive officer. In the case of executive officers other than the Chief Executive Officer, the Compensation Committee also takes into account the recommendations of the Chief Executive Officer with regards to appropriate grants and any particular individual circumstances. Our stock option grants to executive officers are typically awarded on the date that the Compensation Committee approves the grant. We set the option exercise price and grant date fair value based on our per-share closing-price valuation on the date of grant. Time vested stock option grants to our executives typically vest 12.5% six months after the date of grant with the remainder vesting in equal installments over the following 14 quarters. The Compensation Committee retains discretion to make adjustments to the vesting schedule and types of awards as may be necessary to meet the Company s long-term objectives.

The Company s 2013 Equity Incentive Plan also permits granting specified types of equity incentives other than stock options. The Compensation Committee retains the discretion to issue grants of other types of incentives under this plan based on market data provided by Radford, the individual employment situation of each named executive officer and the best interests of the Company.

Table of Contents

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the fiscal years ended December 31, 2018, 2017, and 2016 by the named executive officers.

Name and Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (2) (3)	Nonequity Incentive Plan Compensation ($) (4)	All Other Compensation ($) (5)	Total ($)
Scott Koenig, M.D., Ph.D.	2018	598,500			4,289,558	309,425	8,250	5,205,733
President, Chief Executive	2017	554,346			2,565,060	350,624	8,100	3,478,130
Officer and Director	2016	535,600				240,000	7,950	783,550
James Karrels	2018	390,000			1,334,529	148,512	8,250	1,881,291
Senior Vice President,	2017	360,000			705,392	160,700	8,100	1,234,192
Chief Financial Officer and	2016	344,400				105,111	7,950	457,461
Corporate Secretary								
Ezio Bonvini, M.D.	2018	425,000			1,334,529	160,140	8,250	1,927,919
Senior Vice President, Research	2017	404,685			865,708	179,700	8,100	1,458,193
and Chief Scientific Officer	2016	369,627			526,149	115,067	7,950	1,018,793
Eric Risser	2018	393,404			1,334,529	148,549	8,250	1,884,732
Senior Vice President, Business	2017	374,670			705,392	176,800	8,100	1,264,962
Development and Portfolio	2016	350,157			438,458	116,385	7,950	912,950
Management and Chief								
Business Officer								
Jon Wigginton, M.D.	2018	460,000			1,334,529	173,328	8,250	1,976,107
Senior Vice President,	2017	445,050			865,708	197,600	8,100	1,516,458
Clinical Development and Chief	2016	423,400		458,400		134,556	7,950	1,024,306
Medical Officer								

(1) The amounts reflect the grant date fair value for restricted stock units (RSUs) using the Company s closing stock price on the date of grant.

(2) The amounts reflect the grant date fair value for awards granted during the year indicated. The grant date fair value was computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation-Stock Compensation*. The assumptions used in the valuation of these awards are set forth in Note 6 to our financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

(3) For the year ended December 31, 2016, the Company shifted its performance review cycle and made equity grants to named executive officers in the first calendar quarter of 2017. Since these grants were not made prior to December 31, 2016, they are not included in this table as 2016 grants, but rather reflected in the year in which they were granted. Similarly, for the year ended December 31, 2017 and December 31, 2018, the Company made equity grants to named executive officers in the first calendar quarter of 2018 and 2019, respectively, stock and

option awards shown in the above table for the year ended December 31, 2016 for Drs. Bonvini and Wigginton and Mr. Risser reflect grants awarded in connection with their respective promotions in that year.

(4) All amounts shown represent earnings for services performed during the fiscal year under our annual incentive cash bonus plan described beginning on page 29. The amounts reflect the performance bonuses paid in 2019 for performance during 2018; the performance bonuses paid in 2018 for performance during 2017; and the performance bonuses paid in 2017 for performance during 2016.

(5) The amounts reflect $8,250, $8,100 and $7,950 in 401(k) matching in 2018, 2017 and 2016, respectively.

Table of Contents

Grants of Plan-Based Awards

The following table sets forth information with respect to all plan-based awards granted during the fiscal year ended December 31, 2018 to the Company s named executive officers:

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Target ($) (1)	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options (#) (2)	Exercise or Base Price of Option Awards (per share) (2)(3)	Grant Date Fair Value of Stock and Option Awards (2)(4)
Scott Koenig, M.D., Ph.D.		309,425				
	3/2/2018			225,000	$ 28.94	$ 4,289,558
James Karrels		148,512				
	3/2/2018			70,000	$ 28.94	$ 1,334,529
Ezio Bonvini, M.D.		160,140				
	3/2/2018			70,000	$ 28.94	$ 1,334,529
Eric Risser		148,549				
	3/2/2018			70,000	$ 28.94	$ 1,334,529
Jon Wigginton, M.D.		173,328				
	3/2/2018			70,000	$ 28.94	$ 1,334,529

(1) Reflects target awards under the Company s annual incentive cash plan. There are no threshold or maximum award levels under this plan. For information about the actual payouts under the plan, which were determined by the Compensation Committee on February 22, 2018, see Compensation Discussion and Analysis-Elements of Compensation-Annual Incentive Cash Bonus and the Summary Compensation Table.

(2) Equity grants made to named executive officers in the first quarter of 2018 in connection with the Compensation Committee s review of 2017 performance are described in footnote (3) of the Summary Compensation Table above.

(3) Exercise or base price represents the market closing stock price on the date of award.

(4) The amounts reflect the grant date fair value for awards granted during the year indicated. The grant date fair value was computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation-Stock Compensation*. The assumptions used in the valuation of these awards are set forth in Note 6 to our financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Table of Contents

Outstanding Equity Awards at Fiscal Year End

The following table sets forth certain information with respect to the value of all unexercised options previously awarded to the Company s named executive officers as of December 31, 2018:

		Option Awards			
Name	Grant Date (1)	Number of Securities Underlying Unexercised Options Exercisable (#)	Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date
Scott Koenig, M.D., Ph.D.	1/11/2009	39,897		0.94	1/10/2019
	3/14/2012	133,163		0.94	3/13/2022
	1/6/2013	53,265		1.51	1/5/2023
	10/9/2013	152,525		16.00	10/9/2023
	12/12/2014	140,000		29.68	12/12/2024
	12/18/2015	114,885	35,115	31.43	12/18/2025
	2/15/2017	91,761	108,239	20.53	2/15/2027
	3/2/2018	42,187	182,813	28.94	3/2/2028
James Karrels	1/11/2009	5,314		0.94	1/10/2019
	1/10/2010	5,326		0.94	1/9/2020
	1/9/2011	9,320		0.94	1/8/2021
	3/14/2012	10,653		0.94	3/13/2022
	1/6/2013	13,316		1.51	1/5/2023
	10/9/2013	48,791		16.00	10/9/2023
	12/12/2014	40,000		29.68	12/12/2024
	12/18/2015	36,135	8,865	31.43	12/18/2025
	2/15/2017	27,697	27,303	20.53	2/15/2027
	3/2/2018	13,125	56,875	28.94	3/2/2028
Ezio Bonvini, M.D.	10/9/2013	24,395		16.00	10/9/2023
	12/12/2014	50,000		29.68	12/12/2024
	12/18/2015	43,635	6,365	31.43	12/18/2025
	9/14/2016	18,817	31,183	28.94	9/14/2026
	2/15/2017	31,377	18,623	20.53	2/15/2027
	3/2/2018	13,125	36,875	28.94	3/2/2028
Eric Risser	3/24/2009	8,497		0.94	3/24/2019
	1/10/2010	2,662		0.94	1/9/2020
	1/9/2011	7,989		0.94	1/8/2021
	3/14/2012	10,653		0.94	3/13/2022
	1/6/2013	26,632		1.51	1/5/2023
	10/9/2013	24,395		16.00	10/9/2023
	12/12/2014	50,000		29.68	12/12/2024
	12/18/2015	36,135	8,865	31.43	12/18/2025
	9/14/2016	16,004	8,996	28.94	9/14/2026

	2/15/2017	25,567	29,433	20.53	2/15/2027
	3/2/2018	13,125	56,875	28.94	3/2/2028
Jon Wigginton, M.D.	7/19/2013	45,448		4.70	7/18/2023
	12/12/2014	40,000		29.68	12/12/2024
	12/18/2015	43,635	11,365	31.43	12/18/2025
	2/15/2017	33,507	33,993	20.53	2/15/2027
	3/2/2018	13,125	56,875	28.94	3/2/2028

(1) Options vest and become exercisable with respect to (a) 12.5 percent of the underlying shares six months after the grant date and (b) the remainder of the underlying shares in 14 equal quarterly installments.

Table of Contents

Options Exercised and Stock Vested Table

The following table sets forth certain information concerning the exercise of stock options and vesting of restricted stock units held by the named executive officers during the fiscal year ended December 31, 2018.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired on Vesting (#) (2)	Value Realized Vesting ($) (3)
Scott Koenig, M.D., Ph.D.	40,000	635,200		
James Karrels	14,516	230,722		
Eric Risser	23,000	453,394		
Jon Wigginton, M.D.	5,000	77,490	18,930	703,800

(1) This amount represents the difference between the closing market price of the Company s common stock, as reported on Nasdaq, on the date of exercise, and the exercise price per share exercised.
(2) Dr. Wigginton s 30,000 restricted stock units vested on February 25, 2018. Dr. Wigginton forfeited 11,070 shares upon vesting in payment of the ensuing taxes, resulting in possession of 18,930 shares of the Company s common stock upon vesting.
(3) Based on the closing price of the Company s common stock, as reported on Nasdaq on the date on which the stock vested, or, if the stock vested on a weekend or holiday, the closing price of the common stock on the next day the Company s common stock was traded.

Perquisites and Other Personal Benefits

All of the named executive officers are eligible to participate in the Company s employee benefit plans, including health, dental, and vision insurance, a prescription drug plan, flexible spending accounts, short and long-term disability, life insurance, and a 401(k) plan. These plans are offered to all employees and do not discriminate in favor of named executive officers.

Tax and Accounting Implications

In evaluating compensation program alternatives, the Compensation Committee considers the potential impact on the Company of Section 162(m) of the Internal Revenue Code. Section 162(m) eliminates the deductibility of compensation over $1 million paid to the chief executive officer and three other most highly-compensated named executive officers (other than the chief executive officer), excluding performance-based compensation. Compensation programs generally will qualify as performance-based if compensation is based on pre-established objective performance targets, the programs material features have been approved by stockholders, and there is no discretion to increase payments after the performance targets have been established for the performance period.

It should be noted that the Tax Cuts and Jobs Act signed on December 22, 2017 eliminates the exception for performance-based compensation beginning with the 2018 tax year.

To the extent a named executive officer would otherwise earn over $1 million in compensation in any calendar year, the Compensation Committee generally endeavors to maximize deductibility of compensation under Section 162(m) to the extent practicable while maintaining a competitive, performance-based compensation program. However, tax consequences are subject to many factors (such as changes in the tax laws and regulations or interpretations thereof and the timing and nature of various decisions by officers regarding stock options) that are beyond the control of either the Compensation Committee or the Company. In addition, the Compensation Committee believes that it is important for it to retain maximum flexibility in designing compensation programs that meet its stated objectives and fit within the Compensation Committee s guiding

principles. Also, the actual impact of the loss of deduction for compensation paid to the chief executive officer and the other three most highly compensated executives over the $1 million limitation may be small and have a *de minimis* impact on the Company s overall tax position. For these and other reasons, the Compensation Committee, while considering tax deductibility as a factor in determining compensation, will not limit compensation to those levels or types that will be deductible when it believes doing so is in the best interests of the Company and its stockholders.

Anti-Hedging and Anti-Pledging Policies

Our insider trading policy prohibits all directors and officers from pledging or engaging in hedging or similar transactions in our stock, including but not limited to prepaid variable forwards, equity swaps, collars, puts, calls and short sales.

Compensation Risk Assessment

Our compensation policies and programs are designed to encourage our employees to remain focused on both our short- and long-term goals. Our management assesses and discusses with our Compensation Committee our compensation policies and practices for our employees as they relate to our risk management and, based upon this assessment, we believe that any risks arising from such policies and practices are not reasonably likely to have a material adverse effect on the Company in the future. The Compensation Committee believes that the mix of long-term equity incentive, short-term cash incentive bonus and base salary appropriately balances both short- and long-term performance goals.

Overview of Employment and Change in Control Agreements

As of December 31, 2018, the Company had employment agreements in place with each of its named executive officers. The employment agreements provide for certain payments upon a named executive officer s termination, as described below. All of the named executive officers are at-will employees.

Dr. Koenig

In October 2013, we entered into an employment agreement with Dr. Koenig. Dr. Koenig is employed at-will, which means that he has no definitive term of employment.

Dr. Koenig s employment agreement includes non-competition and non-solicitation provisions that will prohibit him from competing with us, soliciting our customers or employees, or hiring our employees for a period of two years following the end of his employment with us for any reason and, with respect to the non- competition provisions, for the period during which he is receiving severance benefits. Under his employment, Dr. Koenig is also subject to confidentiality and invention disclosure and assignment obligations.

Dr. Koenig is eligible to receive severance benefits in specified circumstances. Under the terms of the agreement, upon execution and delivery of an irrevocable release of claims against the Company and subject to his continued compliance with the non-competition and non-solicitation, confidentiality and invention assignment provisions, Dr. Koenig will be entitled to severance benefits if we terminate his employment without Cause or if he terminates employment with us for Good Reason, absent or in connection with a Change of Control.

Table of Contents

The following table summarizes the schedule of severance benefits Dr. Koenig would receive in the event of such a qualifying termination.

Scenario	Salary Continuation	Continuation of Health Benefits	Acceleration of Unvested Equity
Absent a Change of Control	24 months of base salary and target bonus (55% of base salary)	12 months (or until Dr. Koenig obtains other employment which provides the same type of benefit, if earlier)	50% of the shares with respect to which the stock option is not vested
Termination occurs within Two Years Following a Change of Control	24 months of base salary and target bonus (55% of base salary)	12 months (or until Dr. Koenig obtains other employment which provides the same type of benefit, if earlier)	100% of the shares with respect to which the stock option is not vested

The following definitions are used in Dr. Koenig s employment agreement:

Cause means: (a) a failure to substantially perform the duties with us (if the failure to substantially perform is not cured, if curable, within thirty (30) days after receipt of written notice from the Board of Directors that specifies the conduct constituting Cause under this clause (a); (b) willful misconduct, or gross negligence in the performance of duties to us; (c) the conviction or entry of a guilty plea or plea of no contest with respect to, any crime that constitutes a felony or involves fraud, dishonesty or moral turpitude; (d) commission of an act of fraud, embezzlement or misappropriation against us; (e) a material breach of the fiduciary duty owed to us; (f) engaging in any improper conduct that has or is likely to have an adverse economic or reputational impact on us; or (g) a material breach of the employment agreement.

Change of Control means: (a) any person (excluding our employee benefit plans) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act directly or indirectly, of securities representing more than fifty percent (50%) of the combined voting power of our then outstanding securities; (b) we consummate a merger, consolidation, share exchange, division or other reorganization or transaction with any other corporation unless our outstanding securities immediately prior to the transaction continue to represent at least 50% of the combined voting power immediately after the transaction; or (c) stockholder approval of the liquidation or winding-up of our company or the consummation of the sale or disposition of all or substantially all of our assets; or (d) during any period of 24 consecutive months, individuals who at the beginning of such period constituted our Board (including for this purpose any new director whose election or nomination for election by the stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period or whose appointment, election or nomination was previously so approved or recommended) cease for any reason to constitute at least a majority of the Board of Directors.

Good Reason means the occurrence of any of the following events (without the executive s consent): (i) material adverse change in functions, duties, or responsibilities that would cause the executive s position to become one of materially lesser responsibility, importance, or scope or (ii) a material breach of the agreement by us. No resignation will be treated as good reason unless (a) the executive has given written notice of such event to us within ninety (90) days after the initial occurrence thereof, (b) we have failed to cure the condition constituting good reason within 30 days following the delivery of the notice, and (c) the executive terminates employment within thirty (30) days after expiration of such cure period.

Table of Contents

Mr. Karrels

In October 2013, we entered into an employment agreement with Mr. Karrels. Mr. Karrels is employed at-will, which means that he has no definitive term of employment.

Mr. Karrels employment agreement includes a non-competition provision that will prohibit him from competing with us for a period of 18 months following the end of his employment with us for any reason or for the period during which he is receiving severance benefits, as well as a non-solicitation provision that will prohibit him from soliciting our customers or employees, or hiring our employees for a period of two years following the end of his employment with us for any reason. Under his employment agreement, Mr. Karrels is also subject to confidentiality and invention disclosure and assignment obligations.

Mr. Karrels is eligible to receive severance benefits in specified circumstances. Under the terms of the agreement, upon execution and delivery of an irrevocable release of claims against the Company and subject to his continued compliance with the non-competition and non-solicitation, confidentiality and invention assignment provisions, Mr. Karrels will be entitled to severance benefits if we terminate his employment without Cause or if he terminates employment with us for Good Reason, absent or in connection with a Change of Control.

The following table summarizes the schedule of severance benefits Mr. Karrels would receive in the event of such a qualifying termination. Mr. Karrels employment agreement contains substantially similar definitions of the terms Cause, Change of Control, and Good Reason as those defined in Dr. Koenig s agreement, discussed above.

Scenario	Salary Continuation	Continuation of Health Benefits	Acceleration of Unvested Equity
Absent a Change of Control	12 months of base salary	12 months (or until Mr. Karrels obtains other employment which provides the same type of benefit, if earlier)	50% of the shares with respect to which the stock option is not vested
Termination occurs within Two Years Following a Change of Control	12 months of base salary and target bonus (35% of base salary)	12 months (or until Mr. Karrels obtains other employment which provides the same	100% of the shares with respect to which the stock option is not vested

type of benefit, if earlier)

Drs. Bonvini and Wigginton and Mr. Risser

In the first quarter of 2016, we entered into an employment agreement with each of Dr. Bonvini, Dr. Wigginton and Mr. Risser. Drs. Bonvini and Wigginton and Mr. Risser are each employed at-will, which means that each individual has no definitive term of employment.

Each of their employment agreements includes non-competition and non-solicitation provisions that will prohibit that individual from competing with us, soliciting our customers or employees, or hiring our employees for a period of 12 months following the end of his employment with us for any reason. Each individual is also subject to confidentiality and invention disclosure and assignment obligations.

Each of these individuals is also eligible to receive severance benefits in specified circumstances. Upon his death or termination for disability, each of Drs. Wigginton and Bonvini and Mr. Risser would be eligible to receive any earned but unpaid bonus obligation relating to the prior fiscal year and certain other accrued but

Table of Contents

unpaid obligations. Under the terms of each agreement, upon execution and delivery of an irrevocable release of claims against the Company and subject to his continued compliance with the non-competition and non- solicitation, confidentiality and invention assignment provisions, each such individual will be entitled to severance benefits if we terminate his employment without Cause or if he terminates employment with us for Good Reason, absent or in connection with a Change of Control.

The employment agreement for each of Drs. Bonvini and Wigginton and Mr. Risser contains substantially similar definitions of the terms Cause, Change of Control and Good reason as those defined in Dr. Koenig s agreement, discussed above, except that the definition of Good Reason in these individuals agreements includes a material change in geographic location of his employment of at least 50 miles from our Rockville, Maryland, headquarters with no ability to telecommute. The table below summarizes the schedule of severance benefits each of these individuals would receive in the event of a qualifying termination.

The definition of Disability in the employment agreement for each of Drs. Bonvini and Wigginton and Mr. Risser is as follows: (a) the executive being determined to be totally disabled as defined by guidelines of the then-existing Company disability insurance plan in which the executive is participating, or (b) a determination by the Social Security Administration that the executive is totally disabled or (c) the executive s inability to engage in comparable professional activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months.

Scenario	Salary Continuation	Continuation of Health Benefits	Acceleration of Unvested Equity
Absent a Change in Control	12 months of base salary plus a pro-rated bonus at target for the current year	12 months (or until the executive obtains other employment which provides the same type of benefit, if earlier)	None
Termination occurs within One Year Following a Change in Control	12 months of base salary plus bonus at target	12 months (or until the executive obtains other employment which provides the same type of benefit, if earlier)	100% of the shares with respect to which any stock options and any restricted stock units are not vested

Table of Contents

COMPENSATION COMMITTEE REPORT

The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing by MacroGenics under the Securities Act, or the Exchange Act.

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on our Committee s review of and the discussions with management with respect to the Compensation Discussion and Analysis, our Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company s 2018 Annual Report on Form 10-K.

Compensation Committee

Matthew Fust, Chair

Karen Ferrante, M.D.

Scott Jackson

Jay Siegel, M.D.

David Stump, M.D.

Table of Contents

CEO PAY RATIO DISCLOSURE

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, the Company is required to disclose the ratio of our principal executive officer s annual total compensation to the annual total compensation of our median employee. During fiscal year 2018, the principal executive officer of MacroGenics was our President and Chief Executive Officer, Scott Koenig, M.D., Ph.D. For 2018, the annual total compensation for Dr. Koenig was $5,205,733, and for our median employee was $116,298, resulting in an estimated pay ratio of 45:1.

In accordance with Item 402(u) of Regulation S-K, we identified the median employee by (i) aggregating for each applicable employee (A) annual base salary as of November 30, 2018, or hourly rate multiplied by target work schedule, for hourly employees; (B) the target bonus for 2018; and (C) equity received in 2018; and (ii) ranking this compensation measure for our employees from lowest to highest. This calculation was performed for all employees, excluding Dr. Koenig, whether employed on a full-time, part-time, or seasonal basis.

The pay ratio reported above is a reasonable estimate calculated in a manner consistent with SEC rules based on our internal records and the methodology described above. Because the SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee s annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios. In addition, we expect the Company s annually reported pay ratio may vary significantly year over year, given the size of the Company and the potential variability in Company employee compensation.

Table of Contents

INFORMATION ABOUT EQUITY COMPENSATION PLANS

The following table provides certain information as of December 31, 2018, with respect to all of our equity compensation plans in effect on that date.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Stockholders (1)(2)	5,273,964	$ 22.23	3,529,975
Equity Compensation Plans Not Approved by Stockholders			
Total	5,273,964		3,529,975

(1) Includes the MacroGenics, Inc. 2013 Equity Incentive Award Plan (the 2013 Plan) and 2003 Equity Incentive Plan.

(2) Includes 5,273,964 of equity available for issuance under the 2013 Plan. In addition to being available for future issuance upon exercise of stock options and vesting of restricted stock unit awards that have been or may be granted after December 31, 2018, the 2013 Plan provides for the issuance of restricted stock awards and other stock-based awards. The 2013 Plan contains an evergreen provision, pursuant to which the number of shares of common stock reserved for issuance or transfer pursuant to awards under the 2013 Plan shall be increased on the first day of each year beginning in 2014 and ending in 2023, equal to the lesser of (a) 1,960,168 shares, (b) 4.0% of the shares of common stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (c) such smaller number of shares of stock as determined by our Board. As of December 31, 2018, 3,529,975 shares were available for future issuance, which number increased by 1,694,132 shares as of January 1, 2019, due to the effect of this evergreen provision.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information as to the beneficial ownership of our common stock as of March 22, 2019 for:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all executive officers and directors as a group.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 48,804,476 shares of common stock outstanding as of March 22, 2019, except as otherwise noted. Unless otherwise indicated in the footnotes to the table, and subject to community property laws where applicable, to the best of our knowledge, the following persons have sole voting and investment control with respect to the shares beneficially owned by them. In accordance with SEC rules, if a person has a right to acquire beneficial ownership of any shares of common stock, on or within 60 days of March 22, 2019, upon exercise of outstanding options, vesting of restricted stock units or otherwise, the shares are deemed beneficially owned by that person and are deemed to be outstanding solely for the purpose of determining the percentage of our shares that person beneficially owns. These shares are not included in the computations of percentage ownership for any other person. Except as otherwise indicated, the address of each of the named executive officers and directors in this table is 9704 Medical Center Drive, Rockville, Maryland 20850.

Name of Beneficial Owner	Shares of Common Stock (1)	Shares of Common Stock Issuable within 60 Days (2)	Total Number of Shares of Common Stock Beneficially Owned	Beneficial Ownership%
Greater than 5% Stockholders				
Oppenheimer Funds, Inc. and affiliated persons (3)	4,446,841		4,446,841	9.11
BlackRock, Inc. and affiliated persons (4)	3,401,391		3,401,391	6.97
BB Biotech AG (5)	3,283,272		3,283,272	6.73
The Vanguard Group (6)	2,551,127		2,551,127	5.23
Named executive officers and Directors:				
Scott Koenig, M.D., Ph.D. (7)	1,084,255	774,459	1,858,714	3.81
James Karrels (8)	135,487	209,523	345,010	*
Jon Wigginton, M.D.	18,930	190,118	209,048	*
Ezio Bonvini, M.D. (9)	154,208	197,234	351,442	*

Eric Risser	30,806	226,819	257,625	*
Paulo Costa	59,435	79,110	138,545	*
Karen Ferrante, M.D.		40,000	40,000	*
Matthew Fust	7,424	50,849	58,273	*
Kenneth Galbraith	46,875	57,773	104,648	*
Edward Hurwitz	18,074	57,773	75,847	*
Scott Jackson		40,000	40,000	*
Jay Siegel, M.D.		30,000	30,000	*
David Stump, M.D.		57,773	57,773	*
All directors and executive officers as a group (16 persons)	1,557,619	2,287,642	3,845,261	7.88

* Represents beneficial ownership of less than one percent of the outstanding shares of common stock.

Table of Contents

(1) Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to shares of our common stock. The information set forth in the table above is not necessarily indicative of beneficial ownership for any other purpose, and the inclusion of any shares deemed beneficially owned in this table does not constitute an admission of beneficial ownership of those shares.

(2) Consists of shares of common stock subject to stock options exercisable as of, or within 60 days of March 22, 2019, and shares of common stock issuable under restricted stock unit awards that vest within 60 days of March 22, 2019.

(3) Oppenheimer Funds, Inc. and affiliated persons reported shared dispositive power with respect to 4,446,841 shares of our common stock as of December 31, 2018, in a Schedule 13G/A filed with the SEC on January 18, 2019. The address of Oppenheimer Funds Inc. and its affiliated persons is 2 World Financial Center, 225 Liberty Street, New York, NY 10281.

(4) BlackRock, Inc. and affiliated persons reported sole dispositive power with respect to 3,401,391 shares of our common stock as of December 31, 2018, in a Schedule 13G/A filed with the SEC on January 2, 2019. The address of BlackRock, Inc. and its affiliated persons is 55 East 52nd Street, New York, NY 10055.

(5) BB Biotech AG and its wholly-owned subsidiary, Biotech Target N.V. reported shared dispositive power with respect to 3,283,272 shares of our common stock as of December 31, 2018, in a Schedule 13G/A filed with the SEC on February 7, 2019. The address of BB Biotech AG is Schwertstrasse 6, CH-8200 Schaffhausen, Switzerland. The address of Biotech Target N.V. is Snipweg 26, Curacao.

(6) The Vanguard Group and affiliated persons reported sole dispositive power with respect to 2,551,127 shares of our common stock as of December 31,2018, in a Schedule 13G/A filed with the SEC on February 11, 2019. The address of The Vanguard Group and its affiliated persons is 100 Vanguard Blvd., Malvern, PA 19355.

(7) Consists of (i) 53,265 shares of common stock, (ii) 863,208 shares of common stock owned jointly by Dr. Koenig and his spouse, of which Dr. Koenig has shared voting and dispositive power and (iii) 167,782 shares of common stock held by the Scott Koenig Family Trust, an irrevocable trust, of which Dr. Koenig s spouse and brother-in-law are co-trustees, and of which Dr. Koenig may be deemed to have shared voting and dispositive power.

(8) Consists of 135,487 shares of common stock jointly owned by Mr. Karrels and his spouse.

(9) Consists of (i) 146,658 shares of common stock, and (ii) 7,550 shares of common stock held by the Bonvini Family 2015 Irrevocable Trust for the benefit of an immediate family member, of which is managed by a third-party trustee.

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company s directors and executive officers, and persons who own more than 10% of a registered class of the Company s equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended December 31, 2018, none of our officers, directors and greater than 10% beneficial owners failed to file on a timely basis reports required by Section 16(a) of the Exchange Act.

HOUSEHOLDING OF PROXY MATERIALS

In order to reduce printing costs and postage fees, we mail only one copy of the Notice of the Annual Meeting, which includes instructions on how to access our 2018 Annual Report and Proxy Statement on the internet, and the proxy card to any one address, unless we receive contrary instructions from any stockholder at that address (known as household ing).

We will deliver upon written or oral request a separate copy of the 2018 Annual Report and Proxy Statement to any stockholder at a shared address to which a single copy of the above mentioned materials was delivered. If you are a stockholder of record, you may contact us by writing c/o the Corporate Secretary at our corporate headquarters located at 9704 Medical Center Drive, Rockville, Maryland 20850, or by calling us at (301) 251-5172. If you are a beneficial but not record owner, you can request additional copies, or you can request householding, by notifying your broker, bank or other nominee.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public at the SEC s website at www.sec.gov or in the Financials & Filings section of our website at http://ir.macrogenics.com/financial-information.

It is important that your shares are represented at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, please vote your shares as described in this proxy statement, so your shares will be represented at the Annual Meeting.

The form of proxy and this proxy statement have been approved by the Board and are being mailed or delivered to stockholders by its authority.

By Order of the Board of Directors

James Karrels
Corporate Secretary

Rockville, Maryland

April 5, 2019

Table of Contents

Table of Contents

Table of Contents