

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2020

OR

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

Commission File Number 001-37587

CytomX Therapeutics, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-3521219
(I.R.S. Employer
Identification No.)

151 Oyster Point Blvd., Suite 400
South San Francisco, CA 94080
(Address of principal executive offices, including zip code)
(650) 515-3185
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.00001 par value per share	CTMX	Nasdaq Global Select Market

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

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

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

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

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

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

As of April 30, 2020, the registrant had 45,923,205 shares of common stock, \$0.00001 par value per share, outstanding.

CYTOMX THERAPEUTICS, INC.
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1.	Condensed Financial Statements (Unaudited)	5
	Condensed Balance Sheets	5
	Condensed Statements of Operations and Comprehensive Income (Loss)	6
	Condensed Statements of Stockholders' Equity	7
	Condensed Statements of Cash Flows	8
	Notes to Condensed Financial Statements (Unaudited)	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	37
Item 4	Controls and Procedures	38

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	39
Item 1A.	Risk Factors	39
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	82
Item 3.	Defaults Upon Senior Securities	82
Item 4.	Mine Safety Disclosures	82
Item 5.	Other Information	82
Item 6.	Exhibits	83
	Signatures	84

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements that involve risks and uncertainties. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as “may,” “might,” “should,” “could,” “predict,” “potential,” “believe,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “would,” “annualized” and “outlook,” or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those factors identified in “Risk Factors” or “Management’s Discussion and Analysis of Financial Condition and Results of Operations” or the following:

- the extent to which the COVID-19 coronavirus and related governmental regulations and restrictions may impact our business, including our research, clinical trials, manufacturing and financial condition;
- our expectations regarding the potential benefits, activity, effectiveness and safety of our product candidates and therapeutics developed utilizing our Probody® platform technology;
- the initiation, timing, progress and results of our ongoing clinical trials, research and development programs, preclinical studies, and regulatory submissions, including Investigational New Drug (“IND”) applications, Clinical Trial Applications, New Drug Applications (“NDA”) and, Biologics License Applications (“BLA”);
- the timing of the completion of our ongoing clinical trials and the timing and availability of clinical data from such clinical trials;
- our ability to identify and develop additional product candidates;
- our dependence on collaborators for developing, obtaining regulatory approval for and commercializing product candidates in the collaboration;
- our or a collaborator’s ability to obtain and maintain regulatory approval of any of our product candidates;
- our receipt and timing of any milestone payments or royalties under any research collaboration and license agreements or arrangements;
- our expectations and beliefs regarding the evolution of the market for cancer therapies and development of the oncology industry;
- the rate and degree of market acceptance of any approved product candidates;
- the commercialization of any approved product candidates;
- our ability to establish and maintain collaborations and retain commercial rights for our product candidates in such collaborations;
- the implementation of our business model and strategic plans for our business, technologies and product candidates;
- our estimates of our expenses, ongoing losses, future revenue and capital requirements;
- our ability to obtain additional funds for our operations;
- our or any collaborator’s ability to obtain and maintain intellectual property protection for our technologies and product candidates and our ability to operate our business without infringing, misappropriating or otherwise violating the intellectual property rights of others;
- our reliance on third parties to conduct our preclinical studies or any future clinical trials;
- our reliance on third-party supply and manufacturing partners to supply the materials and components for, and manufacture, our research and development, preclinical and clinical trial product supplies;
- our ability to attract and retain qualified key management and technical personnel;

- our ability to secure and maintain licenses of intellectual property to protect our technologies and product candidates;
- our financial performance; and
- developments relating to our competitors or our industry.

Any forward-looking statements in this Quarterly Report on Form 10-Q reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Part II, Item 1A. Risk Factors and discussed elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business and the markets for certain drugs and therapeutic biologics, including data regarding the estimated size of those markets, their projected growth rates and the incidence of certain medical conditions. Information that is based on estimates, forecasts, projections or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained these industry, business, market and other data from reports, research surveys, studies and similar data prepared by third parties, industry, medical and general publications, government data and similar sources. In some cases, we do not expressly refer to the sources from which these data are derived.

Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, “we,” “us,” “our” and the “Company” refer to CytomX Therapeutics, Inc.

Trademarks

This Quarterly Report on Form 10-Q includes trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included in this Quarterly Report on Form 10-Q are the property of their respective owners.

Item 1. Condensed Financial Statements (Unaudited)

CYTOMX THERAPEUTICS, INC.
CONDENSED BALANCE SHEETS
(in thousands, except share and per share data)

	March 31, 2020 (Unaudited)	December 31, 2019 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 143,286	\$ 188,425
Short-term investments	104,636	107,720
Accounts receivable	130,010	13
Income tax receivable	13,061	—
Prepaid expenses and other current assets	9,073	7,177
Total current assets	400,066	303,335
Property and equipment, net	7,393	7,372
Intangible assets, net	1,276	1,312
Goodwill	949	949
Restricted cash	917	917
Operating lease right-of-use asset	24,682	25,382
Other assets	1,379	2,015
Total assets	<u>\$ 436,662</u>	<u>\$ 341,282</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,782	\$ 4,158
Accrued liabilities	28,353	30,051
Deferred revenue, current portion	73,866	51,381
Total current liabilities	106,001	85,590
Deferred revenue, net of current portion	236,789	178,858
Operating lease liabilities - long term	24,105	24,871
Other long-term liabilities	—	850
Total liabilities	366,895	290,169
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Convertible preferred stock, \$0.00001 par value; 10,000,000 shares authorized; and no shares issued and outstanding at March 31, 2020 and December 31, 2019.	—	—
Common stock, \$0.00001 par value; 75,000,000 shares authorized; 45,918,616 and 45,523,088 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	1	1
Additional paid-in capital	474,455	468,285
Accumulated other comprehensive income	336	57
Accumulated deficit	(405,025)	(417,230)
Total stockholders' equity	69,767	51,113
Total liabilities and stockholders' equity	<u>\$ 436,662</u>	<u>\$ 341,282</u>

(1) The condensed balance sheet as of December 31, 2019 was derived from the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

See accompanying notes to condensed financial statements.

CYTOMX THERAPEUTICS, INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Revenues	\$ 49,593	\$ 29,485
Operating expenses:		
Research and development	42,814	36,376
General and administrative	9,572	9,674
Total operating expenses	52,386	46,050
Loss from operations	(2,793)	(16,565)
Interest income	1,075	2,496
Other income (expense)	12	(61)
Loss before income taxes	(1,706)	(14,130)
Benefit from income taxes	(13,911)	(6)
Net income (loss)	\$ 12,205	\$ (14,124)
Net income (loss) per share		
Basic	\$ 0.27	\$ (0.31)
Diluted	\$ 0.26	\$ (0.31)
Shares used to compute net income (loss) per share		
Basic	45,723,955	45,122,456
Diluted	47,044,774	45,122,456
Other comprehensive income:		
Unrealized gain on short-term investments, net of tax	\$ 279	\$ 155
Impact of adoption of new accounting pronouncement	—	11
Comprehensive income (loss)	\$ 12,484	\$ (13,958)

See accompanying notes to condensed financial statements.

CYTOMX THERAPEUTICS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2019	45,523,088	\$ 1	\$ 468,285	\$ 57	\$ (417,230)	\$ 51,113
Exercise of stock options	395,528	-	2,157	-	-	2,157
Stock-based compensation	-	-	4,013	-	-	4,013
Other comprehensive income	-	-	-	279	-	279
Net income	-	-	-	-	12,205	12,205
Balance at March 31, 2020	<u>45,918,616</u>	<u>\$ 1</u>	<u>\$ 474,455</u>	<u>\$ 336</u>	<u>\$ (405,025)</u>	<u>\$ 69,767</u>

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2018	45,083,209	\$ 1	\$ 445,956	\$ (93)	\$ (314,981)	\$ 130,883
Impact of adoption of new accounting pronouncement - ASU 2018-02	-	-	-	11	(11)	-
Exercise of stock options	74,443	-	465	-	-	465
Stock-based compensation	-	-	5,192	-	-	5,192
Other comprehensive income	-	-	-	155	-	155
Net loss	-	-	-	-	(14,124)	(14,124)
Balance at March 31, 2019	<u>45,157,652</u>	<u>\$ 1</u>	<u>\$ 451,613</u>	<u>\$ 73</u>	<u>\$ (329,116)</u>	<u>\$ 122,571</u>

See accompanying notes to condensed financial statements.

CYTOMX THERAPEUTICS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ 12,205	\$ (14,124)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of intangible assets	36	36
Depreciation and amortization	601	617
Accretion of discounts on investments	(127)	(713)
Stock-based compensation expense	4,013	5,192
Changes in operating assets and liabilities		
Accounts receivable	(129,997)	53
Prepaid expenses and other current assets	(14,957)	814
Other assets	636	-
Accounts payable	52	5,162
Accrued liabilities, income tax payable and other long-term liabilities	(2,615)	(6,605)
Deferred revenue	80,416	(29,461)
Net cash used in operating activities	<u>(49,737)</u>	<u>(39,029)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,049)	(1,835)
Purchases of short-term investments	(44,707)	(62,317)
Maturities of short-term investments	48,197	45,546
Net cash provided by (used in) investing activities	<u>2,441</u>	<u>(18,606)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,157	465
Net cash provided by financing activities	<u>2,157</u>	<u>465</u>
Net decrease in cash, cash equivalents and restricted cash	(45,139)	(57,170)
Cash, cash equivalents and restricted cash, beginning of period	189,342	248,494
Cash, cash equivalents and restricted cash, end of period	<u>\$ 144,203</u>	<u>\$ 191,324</u>
Supplemental disclosures of noncash investing and financing items:		
Purchases of property and equipment in accounts payable and accrued liabilities	\$ -	\$ 245
Right of use assets obtained in exchange for operating lease obligations	\$ -	\$ 28,054

See accompanying notes to condensed financial statements.

1. Description of the Business

CytomX Therapeutics, Inc. (the “Company”) is a clinical-stage, oncology-focused biopharmaceutical company with a vision of transforming lives with safer, more effective therapeutics. The Company is pioneering a novel class of investigational antibody therapeutics, based on its Probody® therapeutic technology platform for the treatment of cancer. The Probody therapeutic approach is designed to more specifically target antibody therapeutics to the tumor microenvironment and minimize drug activity in healthy tissue and in circulation. The Company is located in South San Francisco, California and was incorporated in the state of Delaware in September 2010.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting.

Unaudited Interim Financial Information

The accompanying interim condensed financial statements and related disclosures are unaudited, have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the results of operations for the periods presented.

The condensed balance sheet data, as of December 31, 2019, was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The condensed results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the full year or for any other future year or interim period. The accompanying condensed financial statements should be read in conjunction with the audited financial statements and the related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less at the date of purchase to be cash equivalents.

Restricted Cash

Restricted cash represents a standby letter of credit issued pursuant to an office lease entered in December 2015.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed balance sheets that sum to the total of the amounts shown in the condensed statements of cash flows.

	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
	(in thousands)			
Cash and cash equivalents	\$ 143,286	\$ 188,425	\$ 190,407	\$ 247,577
Restricted cash - non-current assets	917	917	917	917
Total	<u>\$ 144,203</u>	<u>\$ 189,342</u>	<u>\$ 191,324</u>	<u>\$ 248,494</u>

Short-term Investments

All investments have been classified as available-for-sale (“AFS”) and are carried at fair value as determined based upon quoted market prices or pricing models for similar securities at period end. Generally, those investments with contractual maturities less than 12 months are considered short-term investments. The amortized cost of securities is adjusted for amortization of premiums and accretion of discounts to maturity. Dividend and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

The Company assesses impairment of its AFS debt securities investments at each reporting period. Unrealized gains resulting from the excess of the fair value over the amortized cost basis of an investment are reported as a component of accumulated other comprehensive income (loss), net of tax. Unrealized losses or impairments resulting from the fair value of the AFS debt security being below the amortized cost basis are evaluated, using the discounted cash flow model, for identification of credit losses and non-credit related losses. Any credit losses are charged to earnings against the allowance for credit losses of the security, limited to the difference between the fair value and the amortized cost basis of the security. Any difference between the fair value of the security and the amortized cost basis, less the allowance for credit losses, are reported in other comprehensive income (loss). Expected cash inflows due to improvements in credit are recognized through a reversal of the allowance for credit losses subject to the total allowance previously recognized.

In the event of impairment of any security, if management (i) has the intent to sell such security or (ii) will more-likely-than-not be required to sell such security before recovery of its amortized cost basis, such AFS debt security’s amortized cost basis will be written down to its fair value through earnings along with any existing allowance for credit losses.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of tangible and identifiable intangible assets acquired in business combinations. Goodwill and other intangible assets with indefinite lives are not amortized, but are assigned to reporting units and tested for impairment annually, or whenever there is an impairment indicator. Intangible assets are comprised of in-process research and development. The Company assesses impairment indicators annually as of December 31 or more frequently, if a change in circumstances or the occurrence of events suggests the remaining value may not be recoverable. Intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives. The Company assessed impairment of goodwill and intangible assets triggered by the sudden significant decline in global economic activities caused by the COVID-19 pandemic and concluded that there was no impairment of goodwill or intangible assets during the three months ended March 31, 2020.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable and prior to any goodwill impairment test. An impairment loss is recognized when the total of estimated undiscounted future cash flows expected to result from the use of the asset (or asset group) and its eventual disposition is less than its carrying amount. Impairment, if any, would be assessed using discounted cash flows or other appropriate measures of fair value. The Company assessed impairment of long-lived assets triggered by the sudden significant decline in global economic activities caused by the COVID-19 pandemic and concluded that there was no impairment of long-lived assets during the three months ended March 31, 2020.

Comprehensive Income (Loss)

Comprehensive income (loss) represents all changes in stockholders’ equity except those resulting from distributions to stockholders. The Company’s non-credit related unrealized gains and losses on short-term investments and impact of adoption of new accounting pronouncements during the period represent the components of other comprehensive income (loss) that are excluded from the reported net loss.

Revenue Recognition

The Company’s revenues are primarily derived through its license, research, development and commercialization agreements. The terms of these types of agreements may include (i) licenses for the Company’s technology or programs, (ii) research and development services, and (iii) services or obligations in connection with participation in research or steering committees. Payments to the Company under these arrangements typically include one or more of the following: nonrefundable upfront and license fees, research funding, milestone and other contingent payments to the Company for the achievement of defined collaboration objectives and certain preclinical, clinical, regulatory and sales-based events, as well as royalties on sales of any commercialized products.

The Company assesses whether the promises in its arrangements with customers are considered as distinct performance obligations that should be accounted for separately. Judgment is required to determine whether the license to the Company's intellectual property is distinct from the research and development services or participation on steering committees.

The Company's collaboration and license agreements may include contingent payments related to specified research, development and regulatory milestones. Such milestone payments are typically payable under the collaborations when the collaboration partner claims or selects a target, or initiates or advances a covered product candidate in preclinical or clinical development, upon submission for marketing approval of a covered product with regulatory authorities, or upon receipt of actual marketing approvals of a covered product or for additional indications. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. At each reporting date, the Company re-evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price by using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price in such period of determination.

The Company's collaboration and license agreements may also include contingent payments related to sales-based milestones. Sales-based milestones are typically payable when annual sales of a covered product reach specified levels. Sales-based milestones are recognized at the later of when the associated performance obligation has been satisfied or when the sales occur. Unlike other contingency payments, such as regulatory milestones, sales-based milestones are not included in the transaction price based on estimates at the inception of the contract, but rather, are included when the sales or usage occur.

The transaction price in each arrangement is allocated to the identified performance obligations based on the relative standalone selling price ("SSP") of each distinct performance obligation, which requires judgment. In instances where SSP is not directly observable, such as when a license or service is not sold separately, SSP is determined using information that may include market conditions and other observable inputs. Due to the early stage of the Company's licensed technology, the license of such technology is typically combined with research and development services and steering committee participation as one performance obligation. In the event that the Company receives non-cash consideration such as consideration in the form of a research license and research support services from the counterparty, the transaction price of a non-monetary exchange that has commercial substance is estimated based on the fair value of the non-cash consideration received, which may be determined through a valuation analysis.

In certain cases, the Company's performance creates an asset that does not have an alternative use to the customer and the Company has an enforceable right to payment at all times for performance completed to date. In these cases, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

AbbVie Ireland Unlimited Company ("AbbVie"), one of the Company's collaboration partners, entered into a license agreement with Seattle Genetics, Inc. ("SGEN") to license certain intellectual property rights. As part of the Company's collaboration agreement with AbbVie, the Company was required to pay SGEN sublicense fees for certain milestone achievements. These sublicense fees are treated as reductions to the transaction price and combined with the performance obligation to which they relate.

Contract Balances

Customer payments are recorded as deferred revenue upon receipt or when due and may require deferral of revenue recognition to a future period until the Company satisfies its performance obligations under these arrangements. Amounts payable to the Company are recorded as accounts receivable when the Company's right to consideration is unconditional.

Research and Development Expenses

The Company records accrued liabilities for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical and clinical studies, and contract manufacturing activities. The Company records the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced, and includes these costs in accrued liabilities in the balance sheets and within research and development expense in the statements of operations. These costs are a significant component of the Company's research and development expenses. The Company accrues for these costs based on factors such as estimates of the work completed and in accordance with agreements established with its third-party service providers under the service agreements. The Company makes significant judgments and estimates in determining the accrued liabilities balance in each reporting period. As actual costs become known, the Company adjusts its accrued liabilities. The Company has not experienced any material differences between accrued costs and actual costs incurred. However, the status and timing of actual services performed may vary from the Company's estimates, resulting in adjustments to expense in future periods. Changes in these estimates that result in material changes to the Company's accruals could materially affect the Company's results of operations.

Research and development expenses include costs directly attributable to the conduct of research and development programs, including the cost of salaries, payroll taxes, employee benefits, materials, supplies, depreciation on and maintenance of research equipment, the cost of services provided by outside contractors, and the allocated portions of facility costs, such as rent, utilities, insurance, repairs and maintenance, depreciation, and general support services. All costs associated with research and development are expensed as incurred.

In January 2019, the Company acquired certain technology know-how that is complementary to the Company's proprietary Probody technology from a third party for \$5.0 million. The Company plans to use this technology in certain of the Company's discovery stage projects, and has concluded that the technology acquired does not have an alternative future use. Accordingly, the \$5.0 million has been recorded as research and development expense for the three months ended March 31, 2019.

Stock-based Compensation

The Company recognizes compensation costs related to stock options granted to employees based on the estimated fair value of the awards on the date of grant. The Company records forfeitures as they are incurred. The Company estimates the grant date fair value, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The grant date fair value of stock-based awards is expensed on a straight-line basis over the period during which the employee is required to provide service in exchange for the award (generally the vesting period).

The Company estimates the fair value of its stock-based awards using the Black-Scholes option-pricing model, which requires the input of assumptions. The assumptions are as follows:

- *Expected term.* The expected term of stock options represents the period that the stock options are expected to remain outstanding and is based on vesting terms, exercise term and contractual lives of the options. The expected term of the ESPP shares is equal to the six-month look-back period.
- *Expected volatility.* The expected stock price volatility for the Company's stock options was derived from the average historical volatilities of the Company's stock price and the stock price of several comparable publicly traded companies within the biotechnology and pharmaceutical industry. The Company will continue to apply this process until a sufficient amount of historical information on the Company's own stock price becomes available. Volatility for ESPP shares is equal to the Company's historical volatility over a six-month period.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield with a maturity equal to the expected term of the stock options in effect at the time of grant.
- *Dividend yield.* The expected dividend is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on its common stock.

Leases

The Company determines if an arrangement is or contains a lease at inception. Operating leases are recorded as operating lease right-of-use (“ROU”) assets and operating lease liabilities in the Company’s balance sheet. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses an implicit rate when readily available, or its incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease prepayments made and reduced by lease incentives. The Company’s lease terms may include options to extend the lease when it is reasonably certain that such option will be exercised. Lease expenses are recognized on a straight-line basis over the lease term. The Company elected the short-term lease recognition exemption. The Company’s operating lease arrangement includes lease and non-lease components which are generally accounted for separately.

Adopted Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new standard changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. This new standard also requires that credit losses related to available-for-sale debt securities be recorded as an allowance through net income rather than reducing the carrying amount under the previous other-than-temporary-impairment model. The Company adopted this standard on January 1, 2020 using a modified retrospective approach and there was no transition adjustment recorded to the Company’s beginning accumulated deficit as of January 1, 2020 as there was no incremental impairment loss needed to be recognized upon the adoption of this ASU.

Simplification of the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The new standard simplifies the measurement of goodwill by eliminating the Step 2 impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The Company adopted this standard on January 1, 2020 and there was no material impact on its financial statement.

Fair Value Measurement Disclosure Requirements Modification

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Various disclosure requirements have been removed, including the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation processes for Level 3 fair value measurements held at the end of the reporting period. The ASU also modified various disclosure requirements and added some disclosure requirements for Level 3 fair value measurements. The amendments in this ASU were effective for the Company on January 1, 2020 and there was no material impact on its financial statements upon adoption of this ASU.

Internal Use Software Guidance for Cloud Computing Arrangement

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40)*. The amendments in this ASU on the accounting for implementation, setup and other upfront costs (collectively “implementation costs”) apply to entities that are a customer in a hosting arrangement. The amendments under this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Accordingly, the amendments in this ASU require an entity in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to expense. They also require an entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The Company adopted this standard on January 1, 2020 and there was no material impact on its financial statement upon adoption of this ASU.

Collaborative Arrangements and Revenue Recognition

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the interaction between Topic 808 and Topic 606*. The amendments in this ASU targeted improvements to generally accepted accounting principles for collaborative arrangements by clarifying that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 when the collaborative arrangement participant is a customer in the context of a unit of account. In addition, unit-of-account guidance in Topic 808 was aligned with the guidance in Topic 606 (that is, a distinct good or service) when an entity is assessing whether the collaborative arrangement or a part of the arrangement is within the scope of Topic 606. The ASU was effective for the Company on January 1, 2020, and there was no material impact on its financial statements upon adoption of this ASU.

Share-Based Payment to Customer

In November 2019, the FASB issued ASU 2019-08, *Compensation - Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements – Share-Based Consideration Payable to a Customer*. The amendments in this ASU require that an entity measure and classify share-based payment awards granted to a customer by applying the guidance in Topic 718. Under ASC 606, these awards are considered a reduction of the transaction price, unless the awards are payment for a distinct good or service received from the customer and should be recorded as a reduction of the transaction price. However, the ASU requires these awards to be measured on the basis of the grant-date fair value of the share-based payment award in accordance with Topic 718 and should be recognized at the later of when the award is promised and when the entity recognizes revenue for the transfer of the related goods or services in accordance with ASC 606. The ASU is effective for the Company on January 1, 2020, and there was no material impact on its financial statements upon adoption of this ASU.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles of ASC 740 in order to reduce cost and complexity of its application. The ASU removes the exception related to the incremental approach for intraperiod tax allocation as well as two exceptions related to accounting for outside basis differences of equity method investments and foreign subsidiaries. The ASU also amends the scope of ASC 740 related to a franchise tax (or similar tax) that is partially based on income; clarifies when a step-up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction; specifies that an entity is not required to allocate income tax expense to a legal entity that is both not subject to tax and disregarded by the taxing authority; and clarifies that all tax effects, both deferred and current, should be accounted for in the interim period that includes the enactment date. The ASU is effective for the Company on January 1, 2021, and interim periods within those fiscal years. The Company does not expect the adoption of this ASU will have a material impact on its financial statements.

3. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding for the period. Diluted net income per share is calculated using the weighted-average number of common shares outstanding, plus potential dilutive common stock during the period. Diluted net loss per share, for the comparative period, is the same as basic net loss per share since the effect of the potentially dilutive securities is anti-dilutive.

The following table presents the calculation of basic and diluted net income (loss) per share:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Numerator:		
Net income (loss)	\$ 12,205	\$ (14,124)
Denominator:		
Basic		
Weighted-average common shares used to calculate net income (loss) per share	45,723,955	45,122,456
Diluted		
Weighted-average common shares used to calculate net income (loss) per share	45,723,955	45,122,456
Effect of potentially dilutive securities:		
Stock options and ESPP shares	1,320,819	-
	47,044,774	45,122,456
Net income (loss) per share		
Basic	\$ 0.27	\$ (0.31)
Diluted	\$ 0.26	\$ (0.31)

The following weighted-average outstanding shares of potentially dilutive securities were excluded from the computation of diluted net income (loss) per share for the periods presented, because including them would have been anti-dilutive:

	Three Months Ended March 31,	
	2020	2019
Options and ESPP to purchase common stock	8,234,298	8,962,799

4. Fair Value Measurements and Short-Term Investments

In accordance with Accounting Standards Codification (“ASC”) 820-10, Fair Value Measurements and Disclosures, the Company determines the fair value of financial and non-financial assets and liabilities using the fair value hierarchy, which establishes three levels of inputs that may be used to measure fair value, as follows:

- Level I: Inputs which include quoted prices in active markets for identical assets and liabilities.
- Level II: Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level III: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of the Company’s financial instruments, including restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities. The Company’s financial instruments consist of Level I assets which consist primarily of highly liquid money market funds, some of which are included in restricted cash, and U.S. government bonds that are included in short-term investments.

The following tables set forth the fair value of the Company's short-term investments subject to fair value measurements on a recurring basis and the level of inputs used in such measurements:

	Valuation Hierarchy	March 31, 2020				
		Amortized Cost	Allowance for Credit Losses	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
(in thousands)						
Assets						
Money market funds	Level I	\$ 120,229	\$ —	\$ —	\$ —	\$ 120,229
Restricted cash (money market funds)	Level I	917	—	—	—	917
U.S. Government bonds	Level I	104,247	—	389	—	104,636
Total		<u>\$ 225,393</u>	<u>\$ —</u>	<u>\$ 389</u>	<u>\$ —</u>	<u>\$ 225,782</u>

	Valuation Hierarchy	December 31, 2019				
		Amortized Cost	Allowance for Credit Losses	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
(in thousands)						
Assets						
Money market funds	Level I	\$ 170,757	\$ —	\$ —	\$ —	\$ 170,757
Restricted cash (money market funds)	Level I	917	—	—	—	917
U.S. Government bonds	Level I	107,610	—	110	—	107,720
Total		<u>\$ 279,284</u>	<u>\$ —</u>	<u>\$ 110</u>	<u>\$ —</u>	<u>\$ 279,394</u>

As of March 31, 2020, no securities have contractual maturities of greater than 12 months.

The unrealized gains on the Company's investment in US Government bonds were caused by interest rate decreases. The contractual terms of those investments are less than a year and do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments if held to maturity. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases.

5. Accrued Liabilities

Accrued liabilities consisted of the following:

	March 31, 2020	December 31, 2019
(in thousands)		
Research and clinical expenses	\$ 19,844	\$ 19,006
Payroll and related expenses	3,541	6,721
Legal and professional expenses	1,539	1,062
Operating lease liabilities - short term	2,903	2,810
Other accrued expenses	526	452
Total	<u>\$ 28,353</u>	<u>\$ 30,051</u>

6. Research and Collaboration Agreements

The following table summarizes the revenue by collaboration partners:

	Three Months Ended	
	March 31,	
	2020	2019
	(in thousands)	
AbbVie	\$ 30,096	\$ 2,948
Amgen	1,695	1,035
Astellas	387	-
Bristol Myers Squibb	17,415	25,502
Total Revenue	<u>\$ 49,593</u>	<u>\$ 29,485</u>

AbbVie Ireland Unlimited Company

In April 2016, the Company and AbbVie entered into two agreements, a CD71 Co-Development and Licensing Agreement (the “CD71 Agreement”) and a Discovery Collaboration and Licensing Agreement (as amended and restated in June 2019, the “Discovery Agreement” and together with the CD71 Agreement the “AbbVie Agreements”). Under the terms of the CD71 Agreement, the Company and AbbVie will co-develop a Probody Drug Conjugate (“PDC”) against CD71, with the Company responsible for pre-clinical and early clinical development. AbbVie will be responsible for later development and commercialization, with global late-stage development costs shared between the two companies. The Company will assume 35% of the net profits or net losses related to later development unless it opts-out. If the Company opts-out from participation of co-development of the CD71 PDC, which includes CX-2029, AbbVie will have sole right and responsibility for the further development, manufacturing and commercialization of such CD71 PDC.

Under the CD71 Agreement, the Company received an upfront payment of \$20.0 million in April 2016, and is eligible to receive up to \$470.0 million in development, regulatory and commercial milestone payments, a 35% profit split on U.S. sales, and royalties on ex-U.S. sales in the high teens to low twenties percentage if the Company participates in the co-development of the CD71 PDC subject to a reversion to a royalty on U.S. sales, and reduction in royalties on ex-U.S. sales, if the Company opts-out from the co-development of the CD71 PDC. The Company’s share of later stage co-development costs for each CD71 PDC are capped, provided that AbbVie may offset the Company’s co-development cost above the capped amounts from future payments such as milestone payments and royalties. In July 2017, the Company received a milestone payment of \$14.0 million (net of payment of an associated sublicense fee of \$1.0 million to SGEN under the Seattle Genetics Agreement) from AbbVie for achieving certain milestones required to be met to begin GLP toxicology studies under the CD71 Agreement. In May 2018, the United States Food and Drug Administration (“FDA”) cleared the IND application for CX-2029. As a result, the Company achieved the IND success criteria under the CD71 Agreement and received a \$21.0 million milestone payment (net of the payment of an associated sublicense fee of \$4.0 million to SGEN). In March 2020, the Company earned a \$40.0 million milestone payment for satisfying the CD71 dose escalation success criteria under the CD71 Agreement.

Under the terms of the Discovery Agreement, AbbVie receives exclusive worldwide rights to develop and commercialize PDCs against up to two targets, one of which was selected in March 2017. The Company shall perform research services to discover the Probody therapeutics and create PDCs for the nominated collaboration targets. From that point, AbbVie shall have sole right and responsibility for development and commercialization of products comprising or containing such PDCs (“Discovery Licensed Products”).

Under the Discovery Agreement, the Company received an upfront payment of \$10.0 million in April 2016 and subsequently earned an additional \$10.0 million milestone payment triggered by selection of the second target by AbbVie in June 2019. The Company is also eligible to receive up to \$275.0 million in development, regulatory and commercial milestone payments and royalties in the high single to low teens percentage from commercial sales of any resulting PDCs. The second target was selected under the Discovery Agreement that allows AbbVie to select a target for developing a PDC or a Probody.

The Company has determined that the AbbVie Agreements should be combined and evaluated as a single arrangement in determining revenue recognition, because both agreements were concurrently negotiated and executed.

The Company identified the following performance obligations at the inception of the AbbVie Agreements:

- (1) the research, development and commercialization license for CD71 Probody therapeutic,
- (2) the research services related to CD71 Probody therapeutic,
- (3) the obligation to participate in the CD71 Agreement joint research committee,
- (4) the research services related to the first discovery target
- (5) the research, development and commercialization license for the first discovery target, and
- (6) the obligation to participate in the Discovery Agreement joint research committee.

The Company concluded that AbbVie's option for the second discovery target was not a material right and was therefore not a performance obligation at the inception of the AbbVie Agreements. However, it was subsequently included in the total transaction price in June 2019 as a performance obligation upon AbbVie's selection of such second target as further discussed below.

The Company determined that the research, development and commercialization licenses for CD71 and discovery targets are not distinct from the Company's respective research services and expertise. The Company considered factors such as novelty of the Probody therapeutic and PDC technology and lack of other parties' expertise in this space, the Company's rights to technology relating to a proprietary platform to enable the Probody therapeutic development and AbbVie's contractual obligation to use the Company's research services. The Company determined that the CD71 Agreement research, development and commercialization license, related research service and participation in the joint research committee were a combined performance obligation and were distinct from the Discovery Agreement research, development and commercialization license, related research service and participation in the joint research committee. Therefore, the Company concluded that there are two distinct performance obligations:

- (1) the CD71 Agreement performance obligation consisting of the CD71 Agreement research, development and commercialization license, related research service and participation in the joint research committee, and
- (2) the Discovery Agreement performance obligation consisting of the Discovery Agreement research, development and commercialization license, related research service and participation in the joint research committee.

The total transaction price for the Discovery Agreement and CD71 Agreement, collectively, upon adoption of ASC 606 on January 1, 2018 of \$39.8 million consists of \$30.0 million in upfront payments, and a \$14.0 million milestone payment received under the CD71 Agreement (net of the payment of an associated sublicense fee of \$1.0 million to SGEN), less \$4.2 million of estimated sublicense fees. The upfront payments under the AbbVie Agreements are allocated between the two performance obligations based on the estimated relative standalone selling prices. The \$30.0 million of upfront payments is allocated \$20.0 million to the CD71 Agreement, with the remaining \$10.0 million allocated to the Discovery Agreement. The \$14.0 million milestone payment received (net of the payment of an associated sublicense fee of \$1.0 million to SGEN) and the estimated sublicense fees of \$4.2 million are allocated to the CD71 Agreement performance obligation as they are directly related to the development of the CX-2029.

In May 2018, the Company earned a \$21.0 million milestone payment (net of the payment of an associated sublicense fee of \$4.0 million to SGEN) under the CD71 Agreement. The \$21.0 million milestone payment was included as part of the transaction price in May 2018 and a revenue adjustment of \$9.9 million was recognized in the second quarter of 2018 reflecting the percentage completed to-date on the project related to this milestone.

Therefore, of the \$39.8 million total initial transaction price discussed above, the Company allocated \$29.8 million to the CD71 Agreement performance obligation and recognized revenue using a cost-based input measure, the common measure of progress for the performance obligation. In applying the cost-based input method, revenue is recognized based on actual full-time employee ("FTE") hours incurred as a percentage of total estimated FTE hours for completing its combined performance obligation over the estimated service period. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. During 2019, as a result of ongoing dose escalation in the continued development program, there has been a change in estimates of the research service period as well as an increase in the projected FTE hours-to-completion. The research service period for the CD71 Agreement performance obligation was extended from April 2021 to March 2022 in 2019.

The remaining \$10.0 million of the total initial transaction price of \$39.8 million allocated to the Discovery Agreement performance obligation represents an obligation to continuously make the Company's Probody therapeutic technology platform available to AbbVie. The \$10.0 million is recognized using the common measure of progress for the entire performance obligation over the estimated research service period of five years through April 2021.

In June 2019, the Company earned a \$10.0 million milestone payment for the second target selected by AbbVie under the Discovery Agreement. It is recognized also using the time-elapse measure of progress of the related obligation and straight line over the estimated research service period of five years through June 2024.

The \$40.0 million milestone payment earned in March 2020 for satisfying the CD71 dose escalation success criteria under the CD71 Agreement was included as part of the transaction price as it was unconstrained during the first quarter of 2020 and \$26.6 million was recognized as revenue related to this milestone, which reflected the percentage completed to date on the project. The remaining \$13.4 million will be recognized over the remaining research service period through March 2022.

The Company is obligated to make sublicense payments under the license agreement with the Regents of the University of California, acting through its Santa Barbara campus ("UCSB"), as amended, equal to up to 7.5% of certain upfront and milestone payments owed to or received by the Company. As of March 31, 2020 and December 31, 2019, the Company recorded accrued sublicense fees of \$1.4 million and \$0, respectively, under the UCSB Agreement.

The Company determined that the remaining potential milestone payments of both agreements are probable of significant revenue reversal as their achievement is highly dependent on factors outside the Company's control. Therefore, these payments have been fully constrained and were not included in the transaction price as of March 31, 2020.

The Company recognized revenue of \$30.1 million and \$2.9 million for the three months ended March 31, 2020 and 2019, respectively related to the AbbVie Agreements. As of March 31, 2020 and December 31, 2019, deferred revenue related to the CD71 Agreement performance obligation was \$30.9 million and \$20.0 million, respectively, and deferred revenue related to the Discovery Agreement performance obligation was \$10.7 million and \$11.6 million, respectively. As of March 31, 2020 and December 31, 2019, \$40.0 million and \$0 was due from AbbVie under the AbbVie Agreements, respectively.

Amgen, Inc.

On September 29, 2017, the Company and Amgen, Inc. ("Amgen") entered into a Collaboration and License Agreement (the "Amgen Agreement"). Pursuant to the Amgen Agreement, the Company received an upfront payment of \$40.0 million in October 2017. Concurrent with the entry into the Amgen Agreement, the Company and Amgen entered into a Share Purchase Agreement (the "Purchase Agreement") pursuant to which Amgen purchased 1,156,069 shares of the Company's common stock at a price of \$17.30 per share (calculated based on a 20-day volume-weighted average price), for total proceeds of \$20.0 million, which the Company received on October 6, 2017, the closing date of the transaction. The Company estimated a premium on the stock sold to Amgen of \$0.5 million, which takes into account a discount due to the lack of marketability resulting from the six-month lockup period.

Under the terms of the Amgen Agreement, the Company and Amgen will co-develop a Probody T-cell engaging bi-specific therapeutic targeting epidermal growth factor receptor (the "EGFR Products"). The Company is responsible for early-stage development of EGFR Products and all related costs up to certain pre-set costs and certain limits based on clinical trial size. Amgen will be responsible for late-stage development, commercialization, and all related costs of EGFR Products. Following early-stage development, the Company will have the right to elect to participate financially in the global co-development of EGFR Products with Amgen, during which the Company would bear certain of the worldwide development costs for EGFR Products and Amgen would bear the rest of such costs (the "EGFR Co-Development Option"). If the Company exercises its EGFR Co-Development Option, the Company will share in somewhat less than 50% of the profit and losses from sales of such EGFR Products in the U.S., subject to certain caps, offsets, and deferrals. If the Company chooses not to exercise its EGFR Co-Development Option, the Company will not bear any costs of later stage development. The Company is eligible to receive up to \$455.0 million in development, regulatory, and commercial milestone payments for EGFR Products, and royalties in the low-double-digit to mid-teen percentage of worldwide commercial sales, provided that if the Company exercises its EGFR Co-Development option, it shall receive a profit and loss split of sales in the United States and royalties in the low-double-digit to mid-teen percentage of commercial sales outside of the United States.

Amgen also has the right to select a total of up to three targets, including the two additional targets discussed below. The Company and Amgen collaborate in the research and development of Probody T-cell engaging bi-specifics products directed against such targets. Amgen has selected one such target (the “Amgen Other Product”). If Amgen exercises its option within a specified period of time, it can select two such additional targets (the “Amgen Option Products” and, together with the Amgen Other Product, the “Amgen Products”). Except with respect to preclinical activities to be conducted by CytomX, Amgen will be responsible, at its expense, for the development, manufacture, and commercialization of all Amgen Products. If Amgen exercises all of its options and advances all three of the Amgen Products, CytomX is eligible to receive up to \$950.0 million in upfront, development, regulatory, and commercial milestones and tiered high single-digit to low-teen percentage royalties. The Company concluded that, at the inception of the agreement, Amgen’s option to select the two additional targets is not a material right and does not represent a performance obligation of the agreement.

At the initiation of the collaboration, CytomX had the option to select, from programs specified in the Amgen Agreement, an existing pre-clinical stage T-cell engaging bispecific product from the Amgen pre-clinical pipeline. In March 2018, CytomX selected the program. CytomX is responsible, at its expense, for converting this program to a Probody T-cell engaging bispecific product, and thereafter, will be responsible for development, manufacturing, and commercialization of the product (“CytomX Product”). Amgen is eligible to receive up to \$203.0 million in development, regulatory, and commercial milestone payments for the CytomX Product, and tiered mid-single digit to low double-digit percentage royalties.

The Company considered the criteria for combining contracts in ASC 606 and determined that the Amgen Agreement and the Purchase Agreement should be combined into one contract. The Company accounted for the Amgen Agreement based on the fair values of the assets and services exchanged. The Company identified the following performance obligations at the inception of the Amgen Agreement:

- (1) the research, development and commercialization license,
- (2) the research and development services for the EGFR Products and the Amgen Other Product, and
- (3) the obligation to participate in the joint steering committee (“JSC”) and the joint research committee (“JRC”).

The Company determined that research, development and commercialization license and the participation in the JSC and JRC are not distinct from the research and development services and therefore those performance obligations were combined into one combined performance obligation. The Amgen Other Products are accounted for as a separate performance obligation from the EGFR Products as the nature of the services being performed is not the same and the value that Amgen can derive from one program is not dependent on the success of the other. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Concurrent with the execution of the Amgen Agreement, the Company entered into a sublicense agreement whereby the Company granted Amgen a sublicense of its rights to one patent family that it co-owns with UCSB, that is exclusively licensed to the Company under the UCSB Agreement covering Probody antibodies and other pro-proteins in the fields of therapeutics, in vivo diagnostics and prophylactics. This sublicense was incremental to the patents, patent applications and know-how covering T-cell engaging bispecific Probody molecules that were developed and owned by the Company and licensed to Amgen. Under the UCSB Agreement, as amended, the Company is obligated to make a sublicense payment to UCSB equal to up to 7.5% of certain upfront and milestone payments owed to or received by the Company. As of both March 31, 2020 and December 31, 2019, the Company recorded no sublicense fee payable to UCSB.

The total transaction price of \$51.2 million, consisting of the \$40.0 million upfront payment, an estimated fair value of \$10.7 million for the CytomX Product and \$0.5 million of premium on the sale of the Company’s common stock, was allocated between the two performance obligations based on the relative standalone selling price of each performance obligation. To determine the standalone selling price, the Company used the discounted cash flow method by calculating risk-adjusted net present values of estimated cash flows. The Company determined that the remaining potential milestone payments were probable of significant revenue reversal as their achievement was highly dependent on factors outside the Company’s control. As a result, these payments were fully constrained and were not included in the transaction price as of January 1, 2018, the adoption date of ASC 606.

Of the \$51.2 million total transaction price, the Company allocated \$46.4 million to the EGFR Products performance obligation and \$4.8 million to the Amgen Other Product performance obligations. The transaction price of the EGFR Product performance obligation was recognized using a cost-based input measure. In applying the cost-based input method of revenue recognition, the Company uses actual FTE hours incurred relative to estimated total FTE hours expected to be incurred for the combined performance obligation over the research service period. At the end of the second quarter of 2019, the Company determined that it will undertake additional testing and assessment of the molecules being evaluated under the EGFR project. As a result, the estimated FTE hours-to-completion and research service period were increased to eight years.

The \$4.8 million transaction price allocated to the Amgen Other Product performance obligation represents an obligation to continuously make the Probody therapeutic technology platform available to Amgen, which is recognized over the common measure of progress for the entire performance obligation over the estimated research service period of six years.

The Company recognized revenue of \$1.7 million and \$1.0 million for the three months ended March 31, 2020 and 2019, respectively, related to the Amgen Agreement. As of March 31, 2020 and December 31, 2019, deferred revenue related to the EGFR Products performance obligation was \$36.1 million and \$37.6 million, respectively. As of March 31, 2020 and December 31, 2019, deferred revenue related to the Amgen Other Products performance obligation was \$2.8 million and \$3.0 million, respectively. As of March 31, 2020 and December 31, 2019, no amount was due from Amgen under the Amgen Agreement.

Astellas Pharma Inc.

The Company and Astellas Pharma, Inc. (“Astellas”) entered into a Collaboration and License Agreement (the “Astellas Agreement”) on March 23, 2020, the effective date, to collaborate on preclinical research activities to discover and develop certain antibody compounds for the treatment of cancer using the Company’s Probody therapeutic technology.

Under the terms of the Astellas Agreement, the Company granted Astellas an exclusive, worldwide, rights to develop and commercialize Probody therapeutics for up to four collaboration targets including one initial target and three additional targets (“Additional Targets”). In addition, Astellas has the right to expand the number of Additional Targets from three up to five (the “Expansion Option”) before the third anniversary of the effective date. Furthermore, for a specified number of targets, at a pre-specified time prior to the initiation of the first pivotal study of a product against such target, the Company may elect to participate in certain development costs and share in the profits generated in the United States with respect to such product (“Cost Share Option”). The Cost Share Option, if exercised, will also provide the option for the Company to co-commercialize such product in the United States. The Company does not consider the Cost Share Option as a performance obligation at the inception of the agreement as the participation is at the Company’s discretion.

Pursuant to the Astellas Agreement, the consideration from Astellas is comprised of an upfront fee of \$80.0 million and contingent payments for development, regulatory and sales milestones of up to an aggregate of approximately \$1.6 billion. If Astellas exercises its Expansion Option for the two Additional Targets, the Company would be eligible to receive additional upfront and milestone payments of up to approximately \$0.9 billion. The Company is also entitled to tiered royalties from high-single digit to mid-teen percentage royalties from potential future sales. Astellas is responsible for all preclinical research costs incurred by either party as set forth in the preclinical research plan and the Company will receive research and development service fees based on a prescribed FTE rate.

The Company identified the following performance obligations at the inception of the Astellas Agreement:

- (1) the exclusive research, development and commercialization license;
- (2) the research and development services; and
- (3) the obligation to participate in the joint research committee.

The Company determined that the license, the research services and expertise related to the development of the product candidates should be combined with the research services and participation in the joint research committee as one combined performance obligation. The Company concluded, that at the inception of the agreement, Astellas’ Expansion Option for two Additional Targets were not material rights and therefore not considered performance obligations. As such, each option will be accounted for as a separate arrangement upon exercise.

The initial transaction price of \$90.0 million consists of the upfront fee of \$80.0 million and research and development service fees of \$10.0 million. The Company determined that the potential development and regulatory milestone payments were probable of significant revenue reversal as their achievement was highly dependent on factors outside the Company's control. Therefore, the potential development and regulatory milestone payments are fully constrained and are not included in the initial transaction price and continued to be fully constrained as of March 31, 2020. The Company will re-evaluate the transaction price at each reporting date or as uncertain events are resolved or other changes in circumstances occur.

The upfront fee of \$80.0 million for the combined obligation to continuously make the Probody therapeutic technology platform available to Astellas is recognized on a straight-line basis for the entire performance obligation over the estimated research service period of five years, which ends in March 2025. The research and development service fees, estimated to be \$10.0 million, will be recognized when services are provided based on the prescribed FTE rate.

Under the UCSB Agreement, as amended, the Company is obligated to make a sublicense payment to UCSB equal to up to 7.5% of certain upfront and milestone payments owed to or received by the Company. As of March 31, 2020, the Company recorded a liability of \$6.0 million, representing 7.5% of the \$80.0 million upfront payment, as a sublicense fee payable to UCSB.

The Company recognized revenue of \$0.4 million for the three months ended March 31, 2020. As of March 31, 2020, deferred revenue relating to the Astellas Agreement was \$79.6 million and the amount due from Astellas under the Astellas Agreement was \$80.0 million, which was received in April 2020.

Bristol Myers Squibb Company

On May 23, 2014, the Company and Bristol Myers Squibb Company ("Bristol Myers Squibb") entered into a Collaboration and License Agreement (the "BMS Agreement") to discover and develop compounds for use in human therapeutics aimed at multiple immuno-oncology targets using the Company's Probody therapeutic technology. The effective date of the BMS Agreement was July 7, 2014.

Under the terms of the BMS Agreement, the Company granted Bristol Myers Squibb exclusive worldwide rights to develop and commercialize Probody therapeutics for up to four oncology targets. Bristol Myers Squibb had additional rights to substitute up to two collaboration targets within three years of the effective date of the BMS Agreement. These rights expired in May 2017. Each collaboration target had a two-year research term and the two additional targets had to be nominated by Bristol Myers Squibb within five years of the effective date of the BMS Agreement. The research term for each collaboration target could be extended in one year increments up to three times.

Pursuant to the BMS Agreement, the financial consideration from Bristol Myers Squibb was comprised of an upfront payment of \$50.0 million and the Company was initially entitled to receive contingent payments of up to an aggregate of \$1,217.0 million as follows: (i) up to \$25.0 million for additional targets; (ii) up to \$114.0 million in development milestone payments per research target program or up to \$456.0 million if the maximum of four research targets are selected; (iii) up to \$124.0 million in milestone payments for the first commercial sale in various territories for up to three indications per research target program or up to \$496.0 million if the maximum of four research targets are selected, and (iv) up to \$60.0 million in sales milestones payments per research target program or up to \$240.0 million if maximum of four research targets are selected. The Company is entitled to royalty payments in the mid-single digits to low double-digit percentages from potential future sales. The Company also receives research and development service fees based on a prescribed FTE rate that is capped.

The Company identified the following performance obligations at the inception of the BMS Agreement:

- (1) the exclusive research, development and commercialization license,
- (2) the research and development services and
- (3) the obligation to participate in the joint research committee.

The Company determined that the license, the Company's research services and expertise related to the development of the product candidates should be combined with the research services and participation in the joint research committee as one combined performance obligation. The Company concluded that, at the inception of the agreement, Bristol Myers Squibb's options for the third and fourth targets were not material rights and not performance obligations. As such, each option was accounted for as a separate arrangement upon exercise. Additionally, the Company considered whether the services performed for each target should be considered as separate performance obligations and concluded that all targets should be accounted for as one combined performance obligation.

The Company received an upfront payment of \$50.0 million from Bristol Myers Squibb in July 2014. In January and December 2016, Bristol Myers Squibb selected the third and fourth targets, respectively, and paid the Company \$10.0 million and \$15.0 million, respectively, pursuant to the terms of the BMS Agreement. In December 2016, Bristol Myers Squibb selected a clinical candidate pursuant to the BMS Agreement, which triggered a \$2.0 million pre-clinical milestone payment to the Company. In November 2017, the Company recognized a \$10.0 million milestone payment from Bristol Myers Squibb upon approval of the investigational new drug application for the CTLA-4-directed Probody therapeutic.

On March 17, 2017, the Company and Bristol Myers Squibb entered into Amendment Number 1 to Extend Collaboration and License Agreement (the "BMS Amendment"). The BMS Amendment grants Bristol Myers Squibb exclusive worldwide rights to develop and commercialize Probody therapeutics for up to six additional oncology targets and two non-oncology targets. The effective date of the BMS Amendment was April 25, 2017 ("Amendment Effective Date"). Under the terms of the BMS Amendment, the Company continues to collaborate with Bristol Myers Squibb to discover and conduct preclinical development of Probody therapeutics against targets selected by Bristol Myers Squibb under the terms of the BMS Amendment.

Pursuant to the BMS Amendment, the financial consideration from Bristol Myers Squibb is comprised of an upfront payment of \$200.0 million and the Company is eligible to receive up to an aggregate of \$3,586.0 million as follows:

- (i) up to \$116.0 million in development milestone payments per target or up to \$928.0 million if the maximum of eight targets are selected for the first product modality;
- (ii) up to \$124.0 million in milestone payments for the first commercial sale in various territories for up to three indications per target program or up to \$992.0 million if the maximum of eight targets are selected for the first product modality;
- (iii) up to \$60.0 million in sales milestone payments per target or up to \$480.0 million if maximum of eight targets are selected for the first product modality; and
- (iv) up to \$56.3 million in development milestone payments or up to \$450.0 million if the maximum of eight targets are selected for the second product modality;
- (v) up to \$62.0 million in milestone payments for the first commercial sale in various territories for up to three indications per target program or up to \$496.0 million if the maximum of eight targets are selected for the second product modality;
- (vi) up to \$30.0 million in sales milestone payments per target or up to \$240.0 million if maximum of eight targets are selected for the second product modality.

The Company is also entitled to tiered mid-single to low double-digit percentage royalties from potential future sales. The BMS Amendment does not change the term of the Bristol Myers Squibb's royalty obligation under the BMS Agreement. Bristol Myers Squibb's royalty obligation continues on a licensed-product by licensed-product basis until the later of (i) the expiration of the last claim of the licensed patents covering the licensed products in the country, (ii) the twelfth anniversary of the first commercial sale of a licensed product in a country, or (iii) the expiration of any applicable regulatory, pediatric, orphan drug or data exclusivity with respect to such product.

The initial transaction price is \$272.8 million consisting of the upfront fees of \$250.0 million, research and development service fees of \$10.8 million and milestone payments received to date of \$12.0 million. The Company determined that the remaining potential milestone payments were probable of significant revenue reversal as their achievement was highly dependent on factors outside the Company's control. Therefore, these payments were fully constrained and were not included in the transaction price upon the adoption of ASC 606 on January 1, 2018. The BMS Agreement represents an obligation to continuously make the Probody therapeutic technology platform available to Bristol Myers Squibb. Therefore, the initial transaction price is recognized over the estimated research service period, which ends on April 25, 2025.

During the first quarter of 2019, Bristol Myers Squibb terminated pre-clinical activities on three of the first four collaboration targets selected under the original 2014 BMS Agreement. The first and second targets under the BMS Agreement were combined into a single performance obligation. The Company determined that termination of pre-clinical activities on the second target does not impact the Company's continuing obligation to Bristol Myers Squibb for the first target, CTLA-4, as it is still being actively developed by Bristol Myers Squibb. Therefore, the Company concluded that it will continue to amortize the related deferred revenue over the original performance period. The Company has determined that upon the termination of pre-clinical activities on the third and the fourth collaboration targets selected by Bristol Myers Squibb in January and December of 2016, respectively, under the BMS Agreement, it has no further obligations and is no longer eligible to receive any further proceeds from milestones, royalties or research and development fees for such targets. As a result, the Company accelerated recognition of all of the related deferred revenue of the third and the fourth targets upon the effective date of termination and recognized \$17.4 million in the first quarter of 2019. Research work under the BMS Amendment executed in March 2017 continues.

In February 2020, Bristol Myers Squibb dosed the first patient in the Part 2 cohort expansion portion of its ongoing BMS-986249 clinical study for the CTLA-4 program, which triggered a \$10.0 million milestone payment to the Company pursuant to the terms of the BMS Agreement. The \$10.0 million milestone payment was recognized as revenue in the first quarter of 2020. The Company reevaluated the remaining potential milestone payments and determined that significant revenue reversal was still probable as the achievement of such milestones was highly dependent on factors outside the Company's control. As a result, these payments were fully constrained and were not included in the transaction price on March 31, 2020.

Under the UCSB Agreement, as amended, the Company is obligated to make a sublicense payment to UCSB equal to up to 7.5% of certain upfront and milestone payments owed to or received by the Company. As of March 31, 2020, the Company recorded a liability of \$0.8 million, representing 7.5% of the \$10.0 million milestone payment earned in February 2020, as sublicense fee payable to UCSB.

The Company recognized revenue of \$17.4 million and \$25.5 million for the three months ended March 31, 2020 and 2019, respectively. As of March 31, 2020 and December 31, 2019, deferred revenue relating to the BMS Agreement was \$150.6 million and \$158.0 million, respectively. The amount due from Bristol Myers Squibb under the BMS Agreement was \$10.0 million and \$13,000 as of March 31, 2020 and December 31, 2019, respectively.

ImmunoGen, Inc.

In January 2014, the Company and ImmunoGen, Inc. ("ImmunoGen") entered into the Research Collaboration Agreement (the "ImmunoGen Research Agreement"). The ImmunoGen Research Agreement provided the Company with the right to use ImmunoGen's Antibody Drug Conjugate ("ADC") technology in combination with the Company's Probody therapeutic technology to create a PDC directed at one specified target under a research license, and to subsequently obtain an exclusive, worldwide development and commercialization license to use ImmunoGen's ADC technology to develop and commercialize such PDCs. The Company made no upfront cash payment in connection with the execution of the agreement. Instead, the Company provided ImmunoGen with the rights to CytomX's Probody therapeutic technology to create PDCs directed at two targets under the ImmunoGen Research Agreement and to subsequently obtain exclusive, worldwide development and commercialization licenses to develop and commercialize such PDCs. In February 2016, the Company exercised its option to obtain a development and commercialization license for CX-2009 pursuant to the terms of the ImmunoGen Research Agreement (the "CX-2009 License").

In February 2017, ImmunoGen exercised its first option to obtain a development and commercialization license for one of the two targets. Substitution rights for this first target selection program terminated in February 2017 and ImmunoGen discontinued the program in July 2017. The Company recognized the remaining deferred revenue related to the discontinued program upon the termination of the program. ImmunoGen exercised its second option to obtain a development and commercialization license pursuant to the ImmunoGen Research Agreement (the "ImmunoGen 2017 License") for a target in December 2017. In December 2019, the parties entered into a license agreement (the "ImmunoGen 2019 License") pursuant to which the ImmunoGen 2017 License was terminated and ImmunoGen granted a license for all of ImmunoGen's rights under the ImmunoGen 2017 License to the Company. See Note 7. License Agreements, for more information.

Under the terms of the ImmunoGen Research Agreement, both the Company and ImmunoGen performed research activities on behalf of the other party for no monetary consideration through January 2018. In December 2017, the Company entered into the ImmunoGen 2017 License arrangement and extended the Company's obligation to provide research services under the ImmunoGen Research Agreement to June 30, 2018. The estimated fair value of the consideration of \$13.2 million for the performance obligation to ImmunoGen was recognized as revenue over the research period that ended on June 30, 2018. No further research services were provided by the Company after June 20, 2018 under the ImmunoGen 2017 License arrangement.

In February 2020, the Company initiated the first dosing of a patient in the CX-2009 Phase 2 clinical trial and triggered a \$3.0 million milestone payment to ImmunoGen pursuant to the CX-2009 License which continued to remain in effect following the termination of the ImmunoGen 2017 License in December 2019. The Company recorded a \$3.0 million charge to research and development expense for the three months ended March 31, 2020, in connection with this milestone payment to ImmunoGen.

Contract Liabilities

The following table presents changes in the Company's total contract liabilities for the three months ended March 31, 2020:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
	(in thousands)			
Contract liabilities:				
Deferred revenue	\$ 230,239	\$ 120,000	\$ (39,584)	\$ 310,655

There were \$120.0 million additions to deferred revenue during the first quarter of 2020. Of such amount, \$40.0 million was related to the milestone payment triggered by AbbVie's CD71 dose escalation success criteria which was achieved in March 2020, and \$80.0 million addition was related to the upfront fee payable under the Astellas Agreement entered into in March 2020. Deductions of \$39.6 million related to revenue recognized included in the contract liability balance at the beginning of the period plus the revenue recognized related to the \$120.0 million additions during the three months ended March 31, 2020.

The Company expects that the \$310.7 million of deferred revenue related to the following contracts as of March 31, 2020 will be recognized as revenue as set forth below. However, the timing of revenue recognition could differ from the estimates depending on facts and circumstances impacting the various contracts, including progress of research and development, resources assigned to the contracts by the Company or its collaboration partners, or other factors outside of the Company's control.

- The \$30.9 million of deferred revenue related to the CD71 Agreement with AbbVie as of March 31, 2020 is expected to be recognized based on actual FTE effort and program progress until approximately March 2022.
- The \$2.2 million of deferred revenue related to the first target under the Discovery Agreement with AbbVie as of March 31, 2020 is expected to be recognized ratably until approximately April 2021. The \$8.5 million of deferred revenue related to the second target under the Discovery Agreement as of March 31, 2020 is expected to be recognized ratably until approximately June 2024.
- The \$36.1 million of deferred revenue related to the Amgen EGFR Products as of March 31, 2020 is expected to be recognized based on actual FTE effort and program progress until approximately September 2025.
- The \$2.8 million of deferred revenue related to the Amgen Other Products as of March 31, 2020 is expected to be recognized ratably until approximately September 2023.
- The \$79.6 million of deferred revenue related to the Astellas Agreement as of March 31, 2020 is expected to be recognized ratably until approximately March 2025.
- The \$150.6 million of deferred revenue related to the BMS Agreement as of March 31, 2020 is expected to be recognized ratably until approximately April 2025.

7. License Agreements

UCSB

The Company has an exclusive, worldwide license agreement with UCSB (the “UCSB Agreement”), relating to the use of certain patents and technology relating to its core technology, including its therapeutic antibodies, and to certain patent rights the Company co-owns with UCSB covering Probody antibodies and other pro-proteins.

Pursuant to the UCSB Agreement, the Company is obligated to (i) make royalty payments to UCSB on net sales of its products covered under the agreement, subject to annual minimum amounts, (ii) make milestone payments to UCSB upon the occurrence of certain events, (iii) make a milestone payment to UCSB upon occurrence of an IPO or change of control, and (iv) reimburse UCSB for prosecution and maintenance of the licensed patents. If the Company sublicenses its rights under the UCSB Agreement, it is obligated to pay UCSB a percentage of the total sublicense revenue received, which total amount would be first reduced by the aggregate amount of certain research and development related expenses incurred by the Company and other permitted deductions. As part of the UCSB Agreement, the Company has annual minimum royalty obligations of \$0.2 million under the terms of certain exclusive licensed patent rights. The royalty obligations are cancellable any time by giving notice to the licensor, with the termination being effective 60 days after giving notice.

In 2013, the Company amended the UCSB Agreement to reduce certain amounts due to UCSB upon receipt by the Company of upfront payments, milestone payments and royalties from sublicensees. In exchange for this amendment, the Company issued to UCSB 157,332 shares of common stock. The UCSB Agreement, as amended, will remain in effect until the expiration or abandonment of the last to expire of the licensed patents.

In April 2019, the Company entered into Amendment No.3 to the UCSB Agreement to adjust and clarify certain sublicense terms (“Amendment No.3”). In connection with the amendment, the Company issued to UCSB 150,000 shares of CytomX common stock with a fair value of \$10.68 per share. Under the terms of Amendment No.3, the Company and UCSB agreed to modify the determination of sublicense revenues payable by the Company to UCSB on certain existing collaboration agreements and on collaboration agreements executed subsequent to Amendment No.3. In exchange, the Company agreed to make an upfront payment of \$1.0 million as well as additional annual license maintenance fees of \$0.8 million through 2031. In the event that the Company terminates the agreement due to material concern of the safety or efficacy of the related technology, 50% of all remaining maintenance fees will become due immediately. Otherwise, all remaining maintenance fees will become due immediately upon early termination of the agreement unless there is a material breach by UCSB. Pursuant to Amendment No.3, the Company recorded in research and development expense a charge of \$3.4 million relating to sublicense and maintenance fees representing the 150,000 shares issued with a fair value of \$1.6 million, the upfront payment of \$1.0 million and the additional annual maintenance fee of \$0.8 million during the second quarter of 2019.

In June 2019, the Company incurred an additional \$0.8 million of sublicense fees related to the \$10.0 million milestone payment for the second target selected by AbbVie under the Discovery Agreement.

During the three months ended March 31, 2020, the Company incurred sublicense expenses of \$9.1 million and during the three months ended March 31, 2019, the Company incurred no material sublicense fee under the provisions of the UCSB Agreement. As of March 31, 2020 and December 31, 2019, the Company recorded a liability of \$8.2 million and \$0.2 million, representing sublicense fee payable to UCSB, respectively.

ImmunoGen

In December 2019, the Company entered into the ImmunoGen 2019 License with ImmunoGen to obtain an exclusive license with respect to epithelial cell adhesion molecule (“EpCAM”). Under the ImmunoGen 2019 License, ImmunoGen agreed to transfer its know-how, patents, intellectual property rights, and technology transfer materials and information related to its EpCAM program and the ImmunoGen 2017 license from the Company to ImmunoGen was terminated. The ImmunoGen 2019 License gives the Company the exclusive right to develop, manufacture, use and commercialize any licensed product that incorporates, is comprised of, or otherwise derived from a Probody drug conjugate that targets EpCAM in any human therapeutic field on a worldwide basis. In exchange, the Company agreed to make non-refundable and non-creditable payments including an upfront license payment of \$7.5 million and certain clinical development, approval and commercialization milestone payments, if achieved and royalties on product sales. The upfront license fee of \$7.5 million was recorded as research and development expense in December 2019 and was paid in January 2020.

8. Common Stock

In February 2020, the Company entered into an Open Market Sale Agreement (the “Sales Agreement”) with Jefferies LLC (“Jefferies”), to sell shares of the Company’s common stock, par value \$0.00001 per share, with aggregate gross sales proceeds of up to \$75,000,000, from time to time upon the Company’s request, through an at the market offering under which Jefferies will act as sales agent. Pursuant to the Sales Agreement, Jefferies as the sales agent will receive a commission of 3.0% of the gross sales price for shares of common stock sold under the Sales Agreement. There were no shares sold during the first quarter of 2020.

9. Stock-Based Compensation

Stock Options

Activities under the Company’s stock option plans for the three months ended March 31, 2020 were as follows:

	Options Outstanding	
	Number of Options	Weighted-Average Exercise Price Per Share
Balances at December 31, 2019	9,936,168	\$ 12.26
Options granted	2,803,644	6.85
Options exercised	(395,528)	5.45
Option forfeited/expired	(436,962)	12.97
Balances at March 31, 2020	<u>11,907,322</u>	<u>\$ 11.19</u>
Options exercisable at March 31, 2020	<u>6,057,239</u>	<u>\$ 11.14</u>

Stock-based Compensation

Total stock-based compensation recorded related to options granted to employees and non-employees and employee stock purchase plan was as follows:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Stock-based compensation expense:		
Research and development	\$ 1,919	\$ 2,642
General and administrative	2,094	2,550
Total stock-based compensation expense	<u>\$ 4,013</u>	<u>\$ 5,192</u>

10. Leases

Operating Lease

On December 10, 2015, the Company entered into a lease (the “2016 Lease”) with HCP Oyster Point III LLC (the “Landlord”) to lease approximately 76,000 rentable square feet of office and laboratory space located in South San Francisco, California for the Company’s new corporate headquarters.

The term of the Lease commenced on October 1, 2016. The 2016 Lease has an initial term of ten years from the commencement date, and the Company has an option to extend the initial term for an additional five years at the then fair rental value as determined pursuant to the 2016 Lease.

The Lease provided for annual base rent of approximately \$3.1 million in the first year of the lease term. The annual base rent for the second twelve months was approximately \$4.3 million, which will increase on an annual basis beginning from the 25th month to approximately \$5.5 million for the tenth year of the lease. The Company utilized the full amount of the one-time improvement allowance of \$12.6 million, of which \$2.3 million is recoverable by the landlord through an increased rent which continues through the expiration of the initial lease term.

In addition, the Company obtained a standby letter of credit (the “Letter of Credit”) in an amount of approximately \$0.9 million, which may be drawn by the Landlord to be applied for certain purposes upon the Company’s breach of any provisions under the 2016 Lease. The Company has recorded the \$0.9 million Letter of Credit in restricted cash as non-current on its balance sheet at March 31, 2020 and December 31, 2019, respectively.

Rent expense is recognized on a straight-line basis over the term of the lease and accordingly the Company records the difference between cash rent payments and the recognition of rent expense against the operating lease ROU asset. Rent expense for both the three months ended March 31, 2020 and 2019 was \$1.3 million.

Supplemental information related to leases are as follows:

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,239	\$ 1,205
	(in thousands)	
	March 31, 2020	December 31, 2019
Supplemental balance sheet information related to leases:		
Operating lease right-of-use assets	\$ 24,682	\$ 25,382
Current operating lease liabilities	2,903	2,810
Non-current operating lease liabilities	24,105	24,871
Total operating lease liabilities	\$ 27,008	\$ 27,681
Weighted-average remaining lease term (in years)		
Operating lease	6.59	6.85
Weighted-average discount rate		
Operating lease	8.25%	8.25%
	(in thousands)	
Maturity of operating lease liabilities		
2020		\$ 3,751
2021		5,129
2022		5,273
2023		5,420
2024 and beyond		15,689
Total lease payments		35,262
Less imputed interest		(8,254)
Present value of lease liabilities		\$ 27,008

11. Commitments and Contingencies

Legal Proceedings

On March 4, 2020, Vytacera Bio, LLC filed a patent infringement lawsuit against the Company in the U.S. District Court for the District of Delaware. The lawsuit alleges that the Company's use, offers to sell, and/or sales of the Probody® technology platform for basic research applications constitutes infringement. The complaint seeks unspecified monetary damages. The Company's response to the complaint is due on May 26, 2020. The Company believes that the lawsuit is without merit and intends to vigorously defend itself and has not recorded any amount for claims associated with this lawsuit as of March 31, 2020.

12. Income Taxes

The Company recorded an income tax benefit of \$13.9 million and \$6,000 during the three months ended March 31, 2020 and 2019, respectively.

The Company records the effect of an enacted change in a tax law in the period that includes the enactment date in accordance with ASC 740. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The tax relief measures under the CARES Act for businesses include a five-year net operating loss carryback, suspension of annual deduction limitation of 80% of taxable income from net operating losses generated in a tax year beginning after December 31, 2017, changes in the deductibility of interest, acceleration of alternative minimum tax credit refunds, payroll tax relief, and a technical correction to allow accelerated deductions for qualified improvement property.

The income tax benefit during the three months ended March 31, 2020 was generated as a result of the recognition of net operating loss carryback under the CARES Act which generated a refund of income taxes paid for 2018. The income tax benefit for the three months ended March 31, 2019 was as a result of an unrealized gain on the available for sale securities recorded in other comprehensive income during the period. The Company maintains a full valuation allowance against its net deferred tax assets due to the Company's history of losses as of March 31, 2020.

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

You should read the following management’s discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2019, included in our Annual Report on Forms 10-K as filed with the U.S. Securities and Exchange Commission (“SEC”) on February 27, 2020. This discussion and other parts of this report contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section of this report titled “Risk Factors.” Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements.

Overview

We are a clinical-stage, oncology-focused biopharmaceutical company with a vision of transforming lives with safer, more effective therapies. We are developing a novel class of investigational antibody therapeutics, based on our Probody® technology platform, for the treatment of cancer. Our innovative technology is designed to turn previously undruggable targets into druggable targets and to enable more effective combination therapies. Our clinical stage pipeline includes first-in-class product candidates against previously undruggable targets, including a CD166-targeting Probody drug conjugate wholly owned by CytomX (CX-2009) and a CD71-targeting Probody drug conjugate partnered with AbbVie (CX-2029). CD166 and CD71 are among cancer targets that are considered to be inaccessible to conventional antibody drug conjugates due to their presence on many healthy tissues. Our clinical stage pipeline also includes cancer immunotherapeutic candidates against validated targets such as the CTLA-4-targeting Probody therapeutics, and BMS-986249 and BMS-986288, partnered with Bristol Myers Squibb. We, in partnership with Amgen, have also recently advanced CX-904, a lead T-cell engaging bispecific Probody candidate against Epidermal Growth Factor Receptor (EGFR) and CD3, into IND-enabling studies. We are responsible for the IND filing, targeted for late 2021, and for early clinical development. We have strategic drug discovery and development collaborations with AbbVie, Amgen, Astellas and Bristol Myers Squibb. Our Probody therapeutic approach is designed to enable “conditional activation” of antibody-based drugs within cancer tissue to more specifically target the tumor microenvironment and minimize drug activity in healthy tissue and in circulation. We achieve conditional activation of antibodies by modifying them with a mask which is designed to block the binding of the antibody to its target until the mask is removed. Mask removal is designed to occur in cancer tissue when proteases, enzymes that have higher activity in cancer than in normal tissue, selectively cleave the mask from the antibody, potentially resulting in enrichment of antibody activity in the tumor compared to normal tissue. We believe this approach has the potential to develop clinically meaningful therapeutics and improve patient outcomes in three ways: 1) by enhancing the “therapeutic window” for drug candidates, that is, the balance between their tolerability and activity, 2) by pursuing tumor targets that were previously considered ‘undruggable’ due to their expression on normal tissues, and 3) by pursuing novel combination therapies that have been poorly tolerated without using our Probody platform. We are leveraging our Probody platform to develop a robust product pipeline of potential best-in-class immunotherapies against clinically validated targets and potential first-in-class therapeutics against novel, difficult-to-drug targets.

In December 2019, a strain of novel coronavirus-caused disease (now commonly known as COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada and countries in Europe and Asia, have imposed unprecedented restrictions on travel, business operations and public gatherings, and there have been business closures and limitations on business operations, which have resulted in a substantial reduction in economic activity.

In assessing the evolving COVID-19 pandemic and related governmental restrictions, the emerging challenges for clinical trial execution within our studies and across the industry, and the need of healthcare providers and settings to prioritize resources for management of the pandemic, we have made the decision to temporarily pause new patient enrollment and new site activation in the PROCLAIM-CX-2009-001 study evaluating the CD166-targeting Probody drug conjugate CX-2009. This study includes the Phase 2 expansion study evaluating CX-2009 as monotherapy in patients with hormone receptor (ER, PR) positive, HER2 negative breast cancer. We continue to closely monitor emerging health authority guidance and IRB/ethics committee recommendations and intend to resume the CX-2009 clinical program as soon as practicable.

We have also made the strategic decision to terminate the PROCLAIM-CX-072-002 study evaluating the anti-PD-L1 Probody CX-072 in combination with ipilimumab in melanoma. This decision follows a re-evaluation of the evolving clinical, competitive and commercial landscapes in immuno-oncology, along with impact of the COVID-19 pandemic. This decision allows for resources to be redirected towards our potential first-in-class assets, including a combination of CX-072 and CX-2009, and to the generation of additional clinical candidates for advancement to IND filing and clinical trials.

The COVID-19 outbreak and any preventative or protective actions that we or our collaboration partners may take in respect of this virus may result in a period of further disruption for our clinical trials, manufacturing, research, financial reporting capabilities and operations generally and could potentially impact our patients, partners, employees and third parties. Any resulting financial impact cannot be reasonably estimated at this time, but may materially affect the business and our financial condition and results of operations. The extent to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions necessary to contain the virus or treat its impact, among others. Although our operations have been modified, they are continuing at a reduced operational rate. Currently, it is not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to its prior levels. We do not yet know the full extent of any impact on our business or our operations, however, we will continue to monitor the COVID-19 situation closely, and intend to follow all relevant health and safety guidelines as they evolve.

We do not have any product candidates approved for sale, and we continue to incur significant research and development and general administrative expenses related to our operations. We are not profitable and have incurred losses in each year since our founding in 2008. Our net income was \$12.2 million and net loss was \$14.1 million for the three months ended March 31, 2020 and 2019, respectively. The net income for the three months ended March 31, 2020 was a result of an income tax benefit generated as a result of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which was enacted on March 27, 2020 in response to the COVID-19 pandemic, which allows us to carryback net operating losses to generate a refund of income taxes paid for 2018. As of March 31, 2020 and December 31, 2019, we had an accumulated deficit of \$405.0 million and \$ 417.2 million, respectively. We expect to continue to incur significant losses for the foreseeable future.

On February 27, 2020, we entered into an Open Market Sale Agreement (the “Sales Agreement”) with Jefferies LLC (“Jefferies”), to sell shares of our common stock, par value \$0.00001 per share, with aggregate gross sales proceeds of up to \$75,000,000, from time to time, through an at the market offering under which Jefferies will act as sales agent. Pursuant to the Sales Agreement, Jefferies, as sales agent, will receive a commission of 3.0% of the gross sales price for shares of common stock sold under the Sales Agreement. There were no shares sold during the first quarter of 2020.

Regulatory agencies, including the FDA, regulate many aspects of a product candidate’s life cycle, including research and development and preclinical and clinical testing. We will need to commit significant time, resources, and funding to develop our wholly owned and partnered product candidates in clinical trials, including CX-072, CX-2009 and CX-2029 as well as any additional product candidates for which we initiate clinical trials in the future. We are unable to provide the nature, timing, and estimated costs of the efforts necessary to complete the development of our product candidates because, among other reasons, of regulatory uncertainty, manufacturing limitations and the pace of enrollment of our clinical trials, which is a function of many factors, including the availability and proximity of patients with the relevant condition.

We currently have no manufacturing capabilities and do not intend to establish any such capabilities in the near term. As such, we are dependent on third parties to supply our product candidates according to our specifications, in sufficient quantities, on time, in compliance with appropriate regulatory standards and at competitive prices.

Critical Accounting Policies and Estimates

The preparation of our Condensed Financial Statements requires us to make estimates and judgments that affect the reported amounts in the financial statements and related disclosures. On an ongoing basis, management evaluates its significant accounting policies and estimates. We base our estimates on historical experience and on various market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates. Estimates are assessed each period and updated to reflect current information. A summary of our critical accounting policies and estimates is presented in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes to our critical accounting policies and estimates during the three months ended March 31, 2020.

Components of Results of Operations

Revenue

Our revenue to date has been primarily derived from non-refundable license payments, milestone payments and reimbursements for research and development expenses under our research, collaboration, and license agreements. We recognize revenue from upfront payments over the term of our estimated period of performance under the agreement using a cost-based input method or a common measure of progress for the entire performance obligation. In addition to receiving upfront payments, we may also be entitled to milestone and other contingent payments upon achieving predefined objectives. Revenue from milestones and other contingent payments, when it is probable that there will not be a significant revenue reversal, is also recognized over the performance period based on a similar method. Reimbursements from Astellas and Bristol Myers Squibb for research and development costs when incurred under our research, collaboration and license agreements with them are classified as revenue.

For the foreseeable future, we do not expect to generate any revenue from the sale of products unless and until such time as our product candidates have advanced through clinical development and obtained regulatory approval. We expect that any revenue we generate in the foreseeable future will fluctuate from year to year as a result of the timing and amount of milestones and other payments from our collaboration agreements with AbbVie, Amgen, Astellas, Bristol Myers Squibb and any other collaboration partners, and as a result of the fluctuations in the research and development expenses we incur in the performance of assigned activities under these agreements.

AbbVie, one of our collaboration partners, entered into a license agreement with Seattle Genetics, Inc. (“SGEN”) to license certain intellectual property rights. As part of our collaboration agreement with AbbVie, we received a sublicense to these intellectual property rights and therefore pay SGEN sublicense fees. These sublicense fees are treated as reductions to the transaction price and combined with the performance obligation to which they relate. Milestone payments, when considered probable of being reached and when a significant revenue reversal would not be probable of occurring, are also recorded net of the associated sublicense fees and included in the transaction price.

Research and Development Expenses

Our research and development expenses consist primarily of costs incurred to conduct research, such as the discovery and development of our product candidates, clinical development including activities with third parties, such as contract research organizations (“CRO”) and contract development and manufacturing organizations (“CMO”), the manufacture of drug products used in clinical trials, as well as the development of product candidates pursuant to our research, collaboration and license agreements. Research and development expenses include personnel costs, including stock-based compensation expense, contractor services, laboratory materials and supplies, depreciation and maintenance of research equipment, and an allocation of related facilities costs. We expense research and development costs as incurred.

We expect our research and development expenses to increase substantially in absolute dollars in the future as we advance our product candidates through clinical trials, initiate additional clinical trials, and pursue regulatory approval of our product candidates. Examples include our Phase 2 clinical trial for CX-2009, the continuation of our ongoing Phase 1/2 clinical trials evaluating CX-072, CX-2009 and CX-2029 and potential future clinical trials for CX-2029 and for CX-2009 in combination with CX-072. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming. The actual probability of success for our product candidates may be affected by a variety of factors including: the safety and efficacy of our product candidates, early clinical data, investment in our clinical program, the ability of collaborators to successfully develop our licensed product candidates, competition, manufacturing capability and commercial viability. We may never succeed in achieving regulatory approval for any of our product candidates. As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of our product candidates.

General and Administrative Expenses

General and administrative expenses include personnel costs, expenses for outside professional services and other allocated expenses. Personnel costs consist of salaries, bonuses, benefits and stock-based compensation. Outside professional services consist of accounting and audit services, legal and other consulting fees. Allocated expenses primarily consist of rent expense related to our office and information technology related costs.

Interest Income

Interest income primarily consists of interest income from our cash equivalents and short-term investments, and accretion of discounts or amortization of premiums on our short-term investments.

Other Income (Expense), Net

Other income (expense), net consists primarily of income (expense) resulting from changes to currency exchange rates.

Provision for (Benefit from) Income Taxes

Income taxes are recorded in accordance with ASC 740, Accounting for Income Taxes, or ASC 740, which provides for deferred taxes using an asset and liability approach. We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. We determine our deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities, which are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We also account for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, we recognize the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The tax relief measures under the CARES Act for businesses include a five-year net operating loss carryback, suspension of annual deduction limitation of 80% of taxable income from net operating losses generated in a tax year beginning after December 31, 2017, changes in the deductibility of interest, acceleration of alternative minimum tax credit refunds, payroll tax relief, and a technical correction to allow accelerated deductions for qualified improvement property. We record the effect of an enacted change in a tax law in the period that includes the enactment date in accordance with ASC 740.

Results of Operations

For the Three Months Ended March 31, 2020 and 2019

Revenues

	Three Months Ended March 31,		
	2020	2019	Change
	(in thousands)		
Total revenues	\$ 49,593	\$ 29,485	\$ 20,108

The following table summarizes our revenue by collaboration partner during the respective periods:

	Three Months Ended March 31,		
	2020	2019	Change
	(in thousands)		
AbbVie	\$ 30,096	\$ 2,948	\$ 27,148
Amgen	1,695	1,035	660
Astellas	387	—	387
Bristol Myers Squibb	17,415	25,502	(8,087)
Total Revenue	\$ 49,593	\$ 29,485	\$ 20,108

The increase in revenue of \$20.1 million for the three months ended March 31, 2020 compared to the corresponding period of 2019 was primarily due to:

- an increase in revenue of \$27.1 million from AbbVie primarily due to the \$40.0 million milestone payment earned in the three months ended March 31, 2020 for satisfying the CD71 dose escalation success criteria milestone under the CD71 Co-Development and Licensing Agreement (the “CD71 Agreement”), of which \$26.6 million was recognized in the three months ended March 31, 2020 reflecting the percentage completed to-date of the project;
- an increase in revenue from Amgen of \$0.7 million primarily due to a higher percentage of completion progress in the first quarter of 2020, which resulted from increased full-time employee (“FTE”) hours incurred for programs under the Collaboration and License Agreement with Amgen (the “Amgen Agreement”);
- an increase in revenue from Astellas of \$0.4 million due to recognition of the \$80.0 million upfront payment over the estimated research service period of five years under the Collaboration and License Agreement with Astellas (the “Astellas Agreement”) entered into in March 2020; and
- a decrease in revenue from Bristol Myers Squibb of \$8.1 million primarily due to the accelerated recognition of revenue of \$17.4 million related to the termination of certain targets under the Collaboration and License Agreement with Bristol Myers Squibb (the “BMS Agreement”) in the first quarter of 2019; partially offset by the recognition in full of the \$10.0 million milestone payment earned for achieving the dosing of first patient in the Part 2 cohort expansion of the ongoing CTLA-4 program by Bristol Myers Squibb in February 2020.

Operating Costs and Expenses

Research and Development Expenses

	Three Months Ended March 31,		
	2020	2019	Change
	(in thousands)		
Research and development expenses	\$ 42,814	\$ 36,376	\$ 6,438

Research and development expenses increased by \$6.4 million during the three months ended March 31, 2020 compared to the corresponding period in 2019. The increase was attributable to the following:

- an increase of \$12.2 million in licensing expenses, consisting of \$9.1 million to UCSB, which included \$0.8 million for an annual maintenance fee payable to UCSB and a total of \$8.3 million in sublicense fees incurred on payments to us from various collaboration partners upon the achievements of certain milestones as well as the upfront payment from Astellas pursuant to the Astellas Agreement; and \$3.0 million to ImmunoGen pursuant to the CX-2009 License as we initiated the first dosing of a patient in the CX-2009 Phase 2 clinical trial;
- an increase of \$0.6 million in personnel-related expenses due to an increase in headcount;

The above increases were offset by the following:

- a decrease of \$5.0 million due to a \$5.0 million charge in the first quarter of 2019 for an acquired technical know-how related to drug conjugate linker-toxin and CD3-based bispecific technologies;
- a decrease of \$1.0 million in laboratory contracts and services expenses due to reduction and timing of manufacturing activities; and
- a decrease of \$0.4 million in consulting expenses as a result of reduced consulting activities.

The following table summarizes our research and development expenses by program incurred during the respective periods:

	Three Months Ended March 31,		
	2020	2019	Change
	(in thousands)		
External costs incurred by product candidate (target):			
CX-072 (PD-L1)	\$ 7,562	\$ 4,786	\$ 2,776
CX-2009 (CD166)	6,339	5,443	896
CX-2029 (CD71)	3,066	3,099	(33)
Other wholly owned and partnered programs	9,048	2,479	6,569
General research and development expenses	3,672	8,122	(4,450)
	<u>29,687</u>	<u>23,929</u>	<u>5,758</u>
Internal Costs	13,127	12,447	680
Total research and development expenses	<u>\$ 42,814</u>	<u>\$ 36,376</u>	<u>\$ 6,438</u>

The increase in CX-072 and CX-2009 costs for the three months ended March 31, 2020 compared to the corresponding period of 2019 was due primarily to increases in related laboratory contracts and services and clinical trial expenses related to Phase 1/2 clinical development as well as the \$3.0 million licensing payment to ImmunoGen for achieving the milestone of the first dosing of a patient in the CX-2009 Phase 2 clinical trial. The increase in “Other wholly owned and partnered programs” for the three months ended 2020 compared to the corresponding period of 2019 was primarily due to a \$6.0 million sublicense fee expense to UCSB related to the \$80.0 million upfront payment under the Astellas Agreement. The decrease in general research and development expenses for the three months ended March 31, 2020 was primarily due to a \$5.0 million charge for an acquired technical know-how related to drug conjugate linker-toxin and CD3-based bispecific technologies during the prior year period. The increase in internal costs for the current period was primarily due to increase in personnel-related expenses.

General and Administrative Expenses

	Three Months Ended March 31,		
	2020	2019	Change
		(in thousands)	
General and administrative expenses	\$ 9,572	\$ 9,674	\$ (102)

General and administrative expense decreased by \$0.1 million during the three months ended March 31, 2020 compared to the corresponding period in 2019. The decrease was primarily attributable to a decrease of \$0.8 million in personnel-related expense due to a decrease in headcount, which amount was partially offset by an increase of \$0.6 million in consulting and professional services expenses primarily due to an increase in legal services, including patent maintenance and filing activities.

Interest Income and Other Income (Expense)

	Three Months Ended March 31,		
	2020	2019	Change
		(in thousands)	
Interest income	\$ 1,075	\$ 2,496	\$ (1,421)
Other income (expense)	12	(61)	73
Total Interest income and other income (expense)	<u>\$ 1,087</u>	<u>\$ 2,435</u>	<u>\$ (1,348)</u>

Interest Income

Interest income decreased \$1.4 million during the three months ended March 31, 2020 compared to the corresponding period in 2019. The decrease was primarily attributable to a decrease in interest earned on our short-term investments due to an overall decrease in our average cash, cash equivalents and short-term investments position in 2020.

Other Income (Expense)

Other income increased \$0.1 million during the three months ended March 31, 2020 compared to the corresponding period in 2019. The increase was primarily attributable to a decrease in foreign currency losses resulting from the strengthening of the U.S. dollar against the Euro and British Pound Sterling.

Benefit from Income Taxes

	Three Months Ended March 31,		
	2020	2019	Change
		(in thousands)	
Benefit from income taxes	\$ (13,911)	\$ (6)	\$ (13,905)

Income tax benefit increased by \$13.9 million during the three months ended March 31, 2020, compared to the corresponding period in 2019. The income tax benefit of \$13.9 million for the three months ended March 31, 2020, was generated due to the recognition of net operating loss carrybacks under the CARES Act, which generated a tax refund of taxes paid for 2018. The income tax benefit of \$6,000 for the three months ended March 31, 2019, resulted from an unrealized-gain on the available for sale securities recorded in other comprehensive income during the period.

Liquidity and Capital Expenditures

Sources of Liquidity

As of March 31, 2020, we had cash, cash equivalents and short-term investments of \$247.9 million and an accumulated deficit of \$405.0 million, compared to cash, cash equivalents and short-term investments of \$296.1 million and an accumulated deficit of \$417.2 million as of December 31, 2019. To date, we have financed our operations primarily through sales of our common stock in conjunction with the IPO and a subsequent stock offering, sales of our convertible preferred securities prior to our IPO and payments received under our collaboration agreements.

Based upon our current operating plan, we expect our existing capital resources will be sufficient to fund operations for a period of at least twelve months from the date the financial statements included in this report are issued. However, if the anticipated operating results and future financing are not achieved in future periods, our planned expenditures may need to be reduced in order to extend the time period over which the then-available resources would be able to fund the operations. The amounts and timing of our actual expenditures depend on numerous factors, including the progress of our preclinical and clinical development efforts, the results of any clinical trials and other studies, our operating costs and expenditures and other factors described under the caption “Risk Factors” in this Quarterly Report on Form 10-Q. The cost and timing of developing our products, including CX-072, CX-2009 and CX-2029 are highly uncertain, are subject to substantial risks and many changes. As such, we may alter our expenditures as a result of contingencies such as the failure of one or all of our product candidates currently in clinical development, the acceleration of one or all of our product candidates in clinical development, the initiating of clinical trials for additional product candidates, the identification of more promising product candidates in our research efforts or unexpected operating costs and expenditures. We will need to raise additional funds in the future. There can be no assurance, however, that such efforts will be successful or that, in the event that they are successful, the terms and conditions of such financing will be favorable to us.

Summary Statement of Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Net cash used in operating activities	\$ (49,737)	\$ (39,029)
Net cash provided by (used in) investing activities	2,441	(18,606)
Net cash provided by financing activities	2,157	465
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (45,139)</u>	<u>\$ (57,170)</u>

Cash Flows from Operating Activities

During the three months ended March 31, 2020, cash used in operating activities was \$49.7 million, which consisted of a net income of \$12.2 million, adjusted by non-cash charges of \$4.5 million and a net decrease of \$66.4 million relating to the change of our net operating assets and liabilities. The non-cash charges primarily consisted of \$4.0 million in stock-based compensation and \$0.6 million in depreciation and amortization, which amounts were partially offset by \$0.1 million in accretion of discounts on our short-term investments.

The change in our net operating assets and liabilities was primarily due to:

- a decrease in cashflow of \$130.0 million from accounts receivable related to the \$80.0 million upfront payment due from Astellas pursuant to the Astellas Agreement, the \$40.0 million milestone payment due from AbbVie for satisfying the CD71 dose escalation success criteria milestone under the CD71 Agreement and the \$10.0 million milestone payment due from Bristol Myers Squibb for achieving the first patient dosing in Phase 2 clinical study for the CTLA-4 program under the BMS Agreement;
- a decrease of \$14.9 million in cash flows from prepaid expenses and other current assets, which included \$13.1 million income tax receivable resulted from a carryback of net operating loss incurred in 2019 to the preceding years as permitted by the CARES Act;
- a decrease of \$2.6 million in accrued liabilities;
- a net increase of \$80.4 million in deferred revenue resulting primarily from the \$80.0 million upfront payment due from Astellas as well as the \$40.0 million milestone payment due from AbbVie, partially offset by the \$26.6 million revenue recognized related to such milestone payment, which reflected the percentage completed to-date on the project, as well as the continued recognition of deferred revenue from existing and new customers; and
- an increase of \$0.7 million in cash flows from other assets and accounts payable.

During the three months ended March 31, 2019, cash used in operating activities was \$39.0 million, which consisted of a net loss of \$14.1 million, adjusted by non-cash charges of \$5.1 million and a net decrease of \$30.0 million in our net operating assets. The non-cash charges primarily consist of \$5.2 million in stock-based compensation and \$0.6 million in depreciation and amortization, partially offset by \$0.7 million in accretion of discounts on our short-term investments.

The change in our net operating assets and liabilities was primarily due to:

- a net decrease of \$29.5 million in deferred revenue resulting primarily from the accelerated recognition of revenue of \$17.4 million related to the termination of certain targets under the BMS Agreement and recognition of upfront fees and milestone payments under ASC606 pursuant to our collaborative agreements;
- a decrease of \$6.6 million in accrued liabilities;
- an increase in cash flows of \$5.2 million from accounts payable due to the timing of certain payments and \$0.8 million from prepaid expenses and other current assets.

Cash Flows from Investing Activities

During the three months ended March 31, 2020, cash provided by investing activities was \$2.4 million, which consisted of \$48.2 million in proceeds received upon the maturity of marketable securities, partially offset by \$44.7 million used in the purchase of short-term investments and \$1.1 million of capital expenditures used to purchase property and equipment.

During the three months ended March 31, 2019, cash used in investing activities was \$18.6 million, which consisted of \$62.3 million used in the purchase of short-term investments and \$1.8 million of capital expenditures used to purchase property and equipment. Such uses were partially offset by \$45.5 million in proceeds received upon the maturity of marketable securities.

Cash Flows from Financing Activities

During the three months ended March 31, 2020 and 2019, cash provided by financing activities consisted of proceeds from the exercise of stock options.

Contractual Obligations

During the three months ended March 31, 2020, there were no material changes in contractual obligations from the amounts disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

Segment Information

We have one primary business activity and operate as one reportable segment.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rate risks. We had cash, cash equivalents and short-term investments of \$247.9 million as of March 31, 2020 and cash, cash equivalents and short-term investments of \$296.1 million as of December 31, 2019, which consists of bank deposits, money market funds and U.S. government bonds. Such interest-bearing instruments carry a degree of interest rate risk; however, historical fluctuations of interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate exposure. We have not historically been exposed to material risks due to changes in interest rates. Based on our investment positions as of March 31, 2020, a hypothetical 100 basis point change in interest rates would not have material effect in the fair value of the portfolio.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the “Exchange Act”) refers to controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2020, the end of the period covered by this Quarterly Report on Form 10-Q. Management’s assessment of internal control over financial reporting was conducted using the criteria defined in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Changes in Internal Controls Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to claims and assessments from time to time in the ordinary course of business but are not aware of any such matters, individually or in the aggregate, that will have a material adverse effect on our financial position, results of operations or cash flows.

On March 4, 2020, Vytacera Bio, LLC filed a patent infringement lawsuit against the Company in the U.S. District Court for the District of Delaware. The lawsuit alleges that our use, offers to sell, and/or sales of the Probody® technology platform for basic research applications constitutes infringement. The complaint seeks unspecified monetary damages. Our answer to the complaint is due on May 26, 2020. We believe that the lawsuit is without merit and intend to vigorously defend ourselves. Accordingly, we cannot reasonably estimate any range of potential future charges, and we have not recorded any accrual for a contingent liability associated with these legal proceedings.

Item 1A. Risk Factors

You should consider carefully the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” If any of the following risks are realized, our business, financial condition, results of operations and prospects could be materially and adversely affected. The risks described below are not the only risks facing the Company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, results of operations and/or prospects.

Risks Related to Our Business

The COVID-19 pandemic or any future pandemic could adversely impact our business, including our research, clinical trials, and financial condition.

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China. Since then, the COVID-19 coronavirus has spread to multiple countries, including the United States and European and Asia-Pacific countries, including countries in which we have planned or active clinical trial sites, including for CX-2009. As the COVID-19 coronavirus continues to spread around the globe, we will likely experience disruptions that could severely impact our business, research, including research for our partners or research of our partners, and clinical trials, including ongoing or planned clinical trials for CX-2009, CX-2029 and clinical trials of our partners, including Bristol Myers Squibb. These disruptions and impacts may include:

- delays or difficulties in enrolling patients in our clinical trials or the clinical trials of our partners;
- delays or difficulties in clinical site initiation for CX-2009, CX-2029 or any other clinical trials we or our partners decide to initiate, including difficulties in recruiting clinical site investigators and clinical site staff;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our or our partners’ clinical trial sites and hospital staff supporting the conduct of our or our partners’ clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- difficulty in interpreting clinical data due to patients being infected by COVID-19;
- limitations in employee resources that would otherwise be focused on the conduct of our clinical trials or the clinical trials of our partners, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;
- delays in receiving approval from local regulatory authorities to initiate our or our partners’ planned clinical trials;
- delays in clinical sites receiving the supplies and materials needed to conduct our or our partners’ clinical trials;
- interruption in manufacturing or global shipping that may affect the timely delivery or transport of research materials or clinical trial materials, such as investigational drug product used in our or our partners’ clinical trials;
- changes in local regulations as part of a response to the COVID-19 coronavirus outbreak which may require us or our partners to change the ways in which clinical trials are conducted, which may result in unexpected costs, or cause us or our partners to discontinue the clinical trials altogether;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees; and

- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States.

For example, in March 2020, we announced the temporary pause in new patient enrollment and new site activation in our Phase 2 clinical trial of CX-2009 as a result of the COVID-19 pandemic, primarily due to delays in patient enrollment and clinical site initiations, and the termination of the Phase 2 clinical trial of CX-072 after a re-evaluation of the evolving clinical, competitive and commercial landscapes in immuno-oncology, taken together with impact of the COVID-19 pandemic.

Furthermore, the COVID-19 pandemic and government limitations on activities may impact our ability to conduct research, including limiting our ability to obtain research materials and equipment, limiting access to our laboratories to conduct research, limiting the ability or willingness of employees to work at our facilities and limiting our ability to complete research and experiments in a timely basis or at all. The COVID-19 pandemic and government limitations could impact our ability to conduct business generally, including making timely payments, filing timely governmental and other business reports and filings, and otherwise comply with our obligations.

Any of the potential business, research and clinical impacts arising as a result of the COVID-19 pandemic could cause us to default on our obligations to our collaborative partners, including our specific research and development obligations, potentially resulting in termination of one or more collaborations, and could materially and adversely affect our business, financial condition, results of operation and prospects.

In addition, the spread of COVID-19 coronavirus may negatively impact the trading price of shares of our common stock and could further severely impact our ability to raise additional capital on a timely basis or at all.

The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact our business, including our clinical trials, research and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

We are a clinical-stage biopharmaceutical company with a limited operating history and have not generated any revenue from product sales. We have a history of losses, expect to continue to incur significant losses for the foreseeable future and may never achieve or maintain profitability, which could result in a decline in the market value of our common stock.

We are a clinical-stage biopharmaceutical company with a limited operating history, developing a novel class of therapeutic antibody product candidates, based on our proprietary biologic Probody technology platform. Since our inception, we have devoted our resources to the development of Probody therapeutics. We have had significant operating losses since our inception. As of March 31, 2020 and December 31, 2019, we had an accumulated deficit of \$405.0 million and \$417.2 million, respectively. Substantially all of our losses have resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

Though we have developed our Probody platform, our technologies and product candidates are in early stages of development, and we are subject to the risks of failure inherent in the development of product candidates based on novel technologies. We have not yet demonstrated our ability to successfully complete any clinical trials, including large-scale, pivotal clinical trials, obtain regulatory approvals, arrange for a third party to manufacture a commercial scale product candidate, or conduct sales and marketing activities necessary for successful commercialization. Typically, it takes many years to develop one product candidate from the time it enters initial preclinical studies to when it is available for treating patients. Consequently, any predictions made about our future success or viability may not be as accurate as they could be if we had a longer operating history. We will need to transition from a company with a research and development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

Furthermore, we have never generated any revenue from product sales, and have not obtained regulatory approval for any of our product candidates. We also do not expect to generate any revenue from product sales for the foreseeable future, and we expect to continue to incur significant operating losses for the foreseeable future due to the cost of research and development, preclinical studies and clinical trials and the regulatory approval process for our product candidates. We expect our net losses to increase substantially as we continue clinical development of our lead programs and advance additional programs into clinical development. In particular, we expect our losses to increase substantially as we begin to enroll patients in our temporarily paused Phase 2 clinical trial of CX-2009, our PDC candidate directed against CD166 in patients with hormone receptor (ER, PR) positive, HER2 negative breast cancer, as we continue our other ongoing or planned clinical trials of CX-072, our candidate directed against PD-L1, CX-2009, and CX-2029, our PDC candidate directed against CD71 in collaboration with AbbVie Inc., and as we advance into later trials and new trials for other programs, including a Phase 2 clinical trial of CX-2029 and a Phase 1 clinical trial of CX-2009 in combination with CX-072. However, the amount of our future losses is uncertain. Our ability to achieve profitability, if ever, will depend on, among other things, our, or our collaborators, successfully developing product candidates, obtaining regulatory approvals to market and commercialize product candidates, manufacturing any approved products on commercially reasonable terms, establishing a sales and marketing organization or suitable third-party alternatives for any approved product and raising sufficient funds to finance business activities. If we, or our collaborators, are unable to develop our technologies and commercialize one or more of our product candidates or if sales revenue from any product candidate that receives approval is insufficient, we will not achieve profitability, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We expect that we will need to raise substantial additional funds to advance development of our product candidates and we cannot guarantee that this additional funding will be available on acceptable terms or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development and commercialization of our current or future product candidates.

The development of biopharmaceutical product candidates is capital-intensive. To date we have used substantial funds to develop our technology and product candidates and will require significant funds to conduct our ongoing clinical trials as well as to further our research and development, preclinical testing and future clinical trials of additional product candidates, to seek regulatory approvals for our product candidates and to manufacture and market any products that are approved for commercial sale. In addition, we have incurred and will continue to incur additional costs associated with operating as a public company.

As of March 31, 2020, we had \$247.9 million in cash, cash equivalents and short-term investments. We believe that our existing capital resources will be sufficient to fund our planned operations at least for the next twelve months from the date the financial statements included in this report are issued. Our future capital requirements and the period for which we expect our existing resources to support our operations may vary significantly from what we expect. Our monthly spending levels vary based on our ongoing clinical trials, new and ongoing research and development and other corporate activities. For example, we expect our monthly spending to increase substantially as we begin to enroll patients in our temporarily paused Phase 2 clinical trial of CX-2009 in patients with hormone receptor (ER, PR) positive, HER2 negative breast cancer, as we continue our other ongoing Phase 1/2 clinical trials of CX-072, CX-2009, and CX-2029, and as we advance into later trials and new trials for other programs, including a Phase 2 clinical trial for CX-2029 and a clinical trial of CX-2009 in combination with CX-072. Because the length of time and activities associated with conducting our clinical trials and successfully researching and developing our product candidates is highly uncertain, we are unable to estimate the actual funds we will require for development and, once any product candidate is approved, any subsequent marketing and commercialization activities.

The timing and amount of our operating expenditures will depend largely on:

- the scope, timing and progress of our ongoing clinical trials as well as any other preclinical and clinical development activities which may be affected by, among other things, the COVID-19 pandemic
- the number, size and type of clinical trials and preclinical studies that we may be required to complete for our product candidates, as well as the cost and time of such studies and trials;
- the number, scope and prioritization of preclinical and clinical programs we decide to pursue;
- the time and cost necessary to produce clinical supplies of our product candidates;
- the time and cost necessary to scale our manufacturing capabilities following regulatory approval and commercial launch of any product candidates.
- the progress of the development efforts of parties with whom we have entered or may in the future enter into collaborations and research and development agreements;
- the timing and amount of payments we may receive or are obligated to pay under our collaboration agreements and license agreements;
- our ability to maintain our current licenses and research and development programs and to establish new collaboration arrangements;

- the costs involved in prosecuting and enforcing patent and other intellectual property claims, including our ongoing litigation;
- the cost of any future litigation to which we may become a party;
- the cost and timing of regulatory approvals; and
- our efforts to enhance operational systems and hire additional personnel, including personnel to support development and commercialization of our product candidates and satisfy our obligations as a public company.

If we are unable to obtain funding on a timely basis or on acceptable terms, we may have to delay, reduce or terminate our research and development programs and preclinical studies or clinical trials, limit strategic opportunities or undergo reductions in our workforce or other corporate restructuring activities. We also could be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to some of our technologies or product candidates that we would otherwise pursue on our own. We do not expect to realize revenue from sales of products or royalties from licensed products in the foreseeable future, if at all, and unless and until our product candidates are clinically tested, approved for commercialization and successfully marketed. To date, we have financed our operations primarily through sales of our common stock, sale of our convertible preferred securities prior to our IPO and payments received under our collaboration agreements, including, most recently, the Collaboration and License Agreement that we entered into with Astellas in March 2020. We will be required to seek additional funding in the future and currently intend to do so through additional collaborations, public or private equity offerings or debt financings, credit or loan facilities or a combination of one or more of these funding sources. Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control, including the COVID-19 pandemic. Additional funds may not be available to us on acceptable terms or at all. If we raise additional funds by issuing equity securities, our stockholders will suffer dilution and the terms of any financing may adversely affect the rights of our stockholders. In addition, as a condition to providing additional funds to us, future investors may demand, and may be granted, rights superior to those of existing stockholders. Debt financing, if available, is likely to involve restrictive covenants limiting our flexibility in conducting future business activities, and, in the event of insolvency, debt holders would be repaid before holders of our equity securities received any distribution of our corporate assets.

Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

As is the case with all oncology drugs, our product candidates in clinical development or preclinical development have a high risk of failure. In 2019, we initiated a Phase 2 clinical trial of CX-2009 in patients with hormone receptor (ER, PR) positive, HER2 negative breast cancer, and we continued our Phase 1/2 clinical trials of CX-072 and CX-2009, which we initiated in 2017. We also initiated our Phase 1/2 clinical trial of CX-2029, our PDC candidate directed against CD71 in collaboration with AbbVie, for the treatment of cancer in June 2018. Each of these clinical trials is ongoing. In addition, in 2019 Bristol Myers Squibb initiated enrollment in a randomized Phase 2 cohort expansion in its ongoing Phase 1/2 clinical trial for BMS-986249, an anti-CTLA-4 Probody and initiated a Phase 1/2 trial for BMS-986288, a second anti-CTLA-4 Probody. It is impossible to predict when or if any of our or our partner's product candidates will prove effective and safe in humans or will receive regulatory approval. Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, we or our partners must complete extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Commencement of clinical trials for programs beyond CX-072, CX-2009, CX-2029, BMS-986249 and BMS-986288 is subject to finalizing the trial design and filing an IND or similar filing with the FDA or similar foreign regulatory authority. In addition, even if we file our IND or comparable submissions in other jurisdictions for these or other product candidates, the FDA or other regulatory authorities could disagree that we have satisfied their requirements to commence our clinical trials or disagree with our study design, which may require us to complete additional preclinical studies or amend our protocols or impose stricter conditions on the commencement of clinical trials and may delay our ability to begin Phase 1 clinical trials, causing an increase in the amount of time and expense required to develop our product candidates. As a result of the foregoing, the research and development, preclinical studies and clinical testing of any product candidate is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the development process.

Further, we or our collaborators may also experience delays in completing ongoing clinical trials, completing preclinical studies or initiating further clinical trials of our product candidates, including, for example, among other things, as a result of the COVID-19 pandemic. We do not know whether our or our collaborators' ongoing clinical trials or preclinical studies will be completed on schedule or at all, or whether planned clinical trials or preclinical studies will begin on time, need to be redesigned, enroll patients on time or be completed on schedule, if at all. We or our collaborators may have insufficient internal resources to complete ongoing clinical trials or initiate clinical trials for our other product candidates. The development programs for our product candidates may also be delayed for a variety of reasons, including delays related to:

- recruiting suitable patients to participate in a clinical trial, particularly in light of the COVID-19 pandemic;

- developing and validating any companion diagnostic to be used in a clinical trial;
- the FDA or other regulatory authorities requiring us to submit additional data or imposing other requirements before permitting us to initiate a clinical trial;
- obtaining regulatory clearance to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organization (“CROs”) and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical trial sites;
- obtaining institutional review board (“IRB”) approval at each clinical trial site;
- having patients complete a clinical trial or return for post-treatment follow-up;
- clinical trial sites deviating from trial protocol or dropping out of a trial;
- adding new clinical trial sites;
- manufacturing our product candidates in sufficient quality and quantity for use in clinical trials; or
- collaborators electing to not pursue development and commercialization of our product candidates.

In addition, the results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or safety profiles, notwithstanding promising results in earlier trials.

Our product candidates are in early stages of development and may fail or suffer delays that materially and adversely affect their commercial viability. If we are unable to advance our product candidates through clinical development, obtain regulatory approval and ultimately commercialize such product candidates, or experience significant delays in doing so, our business will be materially harmed.

We are very early in our development efforts, with only three product candidates, CX-072, CX-2009 and CX-2029, currently in early stage clinical development. In addition, Bristol Myers Squibb is currently evaluating BMS-986249, a CTLA-4-directed Probody therapeutic in a randomized cohort expansion trial of a Phase 1/2 clinical trial that it initiated in January 2018 and BMS-986288, a second anti-CTLA-4 Probody, in a Phase 1/2 trial it initiated in 2019. We have no products on the market and our ability to achieve and sustain profitability depends on obtaining regulatory approvals for and successfully commercializing our product candidates, either alone or with third parties. Before obtaining regulatory approval for the commercial distribution of our product candidates, we or our collaborator must conduct extensive preclinical tests and clinical trials to demonstrate sufficient safety and efficacy of our product candidates in patients.

As a result, we may not have the financial resources to continue development of, or to modify existing or enter into new collaborations for, a product candidate if we experience any issues that delay or prevent regulatory approval of, or our ability to commercialize, product candidates, including:

- negative or inconclusive results from our clinical trials, the clinical trials of our collaborators or the clinical trials of others for product candidates similar to ours, leading to a decision or requirement to conduct additional preclinical testing or clinical trials or abandon a program;
- product-related side effects experienced by participants in our clinical trials, the clinical trials of our collaborators or by individuals using drugs or therapeutic biologics similar to our product candidates;
- delays in submitting INDs or comparable foreign applications or delays or failure in obtaining the necessary approvals from regulators to commence a clinical trial, or a suspension or termination of a clinical trial once commenced;
- conditions imposed by the FDA or comparable foreign authorities regarding the scope or design of our clinical trials;
- delays in enrolling research subjects in clinical trials;
- high drop-out rates of research subjects;
- inadequate supply or quality of product candidate components or materials or other supplies necessary for the conduct of our clinical trials or the clinical trials of our collaborators;
- greater than anticipated clinical trial costs;
- delay in the development or approval of companion diagnostic tests for our product candidates;

- unfavorable FDA or other regulatory agency inspection and review of a clinical trial site;
- failure of our third-party contractors or investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner, or at all;
- delays and changes in regulatory requirements, policy and guidelines, including the imposition of additional regulatory oversight around clinical testing generally or with respect to our technology in particular; or
- varying interpretations of data by the FDA and similar foreign regulatory agencies.

We could find that the therapeutics we or our collaborators pursue are not safe or efficacious. Further, a clinical trial may be suspended or terminated by us, our collaborators, the IRBs of the institutions in which such trials are being conducted, the Data Safety Monitoring Board for such trial or by the FDA or other regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug or therapeutic biologic, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. Furthermore, we expect to rely on our collaborators, CROs and clinical trial sites to ensure proper and timely conduct of our clinical trials and while we expect to enter into agreements governing their committed activities, we have limited influence over their actual performance.

If we or our collaborators experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues or receive royalties from any of these product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product development and approval process and jeopardize our ability to commence product sales and generate revenues. Furthermore, if one or more of our product candidates or our Probody therapeutic technology generally prove to be ineffective, unsafe or commercially unviable, the development of our entire platform and pipeline could be delayed, potentially permanently. Any of these occurrences may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

For example, in March 2020, we made the strategic decision to terminate our Phase 2 clinical trial evaluating CX-072 in combination ipilimumab in melanoma. This decision followed a re-evaluation of the evolving clinical, competitive and commercial landscapes in immuno-oncology, taken together with impact of the COVID-19 pandemic.

Interim, “top-line,” and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose preliminary or top-line data from our preclinical studies and clinical trials, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. For example, we have reported preliminary data from our ongoing clinical trials of CX-072 and CX-2009 at various meetings and at our CytomX 2019 R&D Day. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. Further, as a result of the COVID-19 or for other reasons, we may not be able to collect accurate or complete data at the time we collect such preliminary data, including as a result of the inability of sites to properly record data due to staffing limitations or the inability of patients to visit sites at scheduled times, the inability of CROs to access site data or for other reasons. As a result, the top-line or preliminary results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Top-line data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, top-line data should be viewed with caution until the final data are available.

From time to time, we may also disclose interim data from our preclinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available or as patients from our clinical trials continue other treatments for their disease. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure.

Our product candidates may cause undesirable side effects at any time during or after the clinical trial process that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any, including withdrawal from the market.

Undesirable side effects caused by our product candidates could cause us, our collaborators or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other regulatory authorities. As is the case with all oncology drugs, there may be immediate or late side effects associated with the use of our product candidates (e.g. CX-072, CX-2009 and CX-2029). There can be no assurance that unexpected adverse events will not occur in our ongoing trials or in future trials involving our product candidates or the product candidates of our collaborators. Undesirable side effects may appear in later trials that were not observed in our earlier trials or may be more severe in later trials than earlier trials.

In June 2019, we reported that the administration of monotherapy CX-072 has been generally well tolerated with the majority of treatment-related adverse events (“TRAEs”) as Grade 1/2. At that time, we also reported that of the 72 monotherapy patients treated with 10mg/kg every two weeks and who were evaluable for safety, 6% of patients experienced a grade ≥ 3 TRAE, and 3% experienced grade ≥ 3 immune related adverse events (irAEs), with no (0%) TRAEs leading to treatment discontinuation. We have also reported that at the 10 mg/kg dose the anti-drug antibody (“ADA”) rate was approximately 62%. While we do not believe this ADA is impacting our ability to reach targeted drug exposures, we cannot provide assurance that the rate will not change or that it will not later limit drug exposure or cause severe adverse events. We also cannot provide assurance that the rates and the types of adverse events will not increase with time as more patients are treated in ongoing or future studies.

Administration of CX-072 in combination with ipilimumab has been generally well tolerated with the majority of TRAEs as Grade 1/2. In October 2019, we reported that of the 27 patients treated across all combination doses, Grade 3/4 TRAEs were reported in nine (33%) patients and Grade 3/4 irAEs were reported in six (22%) patients. Of the 20 patients treated with ipilimumab at 3 mg/kg at varying doses of CX-072, Grade 3/4 TRAEs were reported in five (25%) patients and Grade 3/4 irAEs were reported in three (15%) patients. We cannot provide assurance that these rates and the types of adverse events will not increase over time with more patients being treated in ongoing or future studies of our product candidates.

Administration of CX-2009 has also been generally well tolerated with most reported TRAEs being Grade 1/2. In February 2019 we announced that 23/76 (30.3%) patients experienced a Grade 3/4 TRAE. The most common adverse event observed was ocular toxicity, an anticipated toxicity associated with the DM4 payload. Other Grade 3/4 TRAEs included liver function test abnormalities, gastrointestinal disorders and nervous system disorders. We cannot guarantee that these rates and the types of adverse events will not increase over time with more patients being treated in ongoing or future studies.

The results of our future clinical trials or the clinical trials of our collaborators could reveal a high and unacceptable severity of adverse side effects including immune system related adverse events or increased toxicity, and it is possible that patients enrolled in such clinical trials could respond in unexpected ways or otherwise have unexpected adverse events. For example, in October 2019, we announced the initiation of our first Phase 2 clinical trial of CX-072 at a dose level of 10 mg/kg in combination with ipilimumab at a dose level of 3mg/kg. This dose of ipilimumab in combination with another PD agent, Opdivo® (nivolumab), is often not tolerated by patients. While we believe our Phase 1 clinical data supports this combination, only further clinical testing will determine whether such a combination is tolerable for patients. However, in March 2020, we made the strategic decision to terminate the Phase 2 study evaluating CX-072 in combination with ipilimumab. This decision followed a re-evaluation of the evolving clinical, competitive and commercial landscapes in immuno-oncology, taken together with impact of the COVID-19 pandemic.

Additionally, the Phase 2 clinical trial of BMS-986249 being conducted by Bristol Myers Squibb includes the administration of the product candidate at relatively high dosage levels, which could further exacerbate such risks. In our Phase 2 clinical trial with CX-2009 and CX-2029, we are targeting CD166 and CD71, respectively, targets that are broadly expressed on normal tissue, which could create unacceptable toxicity or fail to result in anti-tumor activity. For instance, CD71 is a metabolic protein with high levels of expression in healthy tissues, and the consequences of targeting such protein in humans are unknown. Any future clinical trials of our product candidates could face similar or heightened risks depending on the modality.

In the event that our clinical trials or the clinical trials of our collaborators reveal severe adverse side effects, our trials or the clinical trials of our collaborators could be suspended or terminated and the FDA or comparable foreign regulatory authorities could impose a clinical hold, order us to cease further development of or deny approval of our product candidates for any or all targeted indications. Such side effects could also affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. For example, in our Phase 1/2 clinical trial of CX-2009, some patients have stopped treatment due to ocular toxicity. While we are using ocular toxicity prophylactic measures in our dose optimization phase and our Phase 2 clinical trial, we cannot be assured that such measures will be effective. In addition, any of these occurrences with respect to one of our product candidates could negatively affect our or any collaborator's ability to enroll patients and seek regulatory approval for other product candidates that we have developed using our Probody platform, which could also result in a collaborator terminating any program utilizing our Probody platform and the termination of such collaborative relationship. Any of these occurrences may materially and adversely affect our business, financial condition, results of operations and prospects. Further, clinical trials by their nature utilize a sample of the potential patient population. With a limited number of patients and limited duration of exposure, rare and severe side effects of our product candidates may only be uncovered with a significantly larger number of patients exposed to the product candidate.

In the event that any of our product candidates receives regulatory approval and we, our collaborators or others identify undesirable side effects caused by such product or any other Probody therapeutics, any of the following adverse events could occur, which could result in the loss of significant revenue to us and materially and adversely affect our results of operations and business:

- regulatory authorities may withdraw their approval of the product or seize the product;
- we or our collaborators may be required to recall the product or change the way the product is administered to patients;
- additional restrictions may be imposed on the marketing of the particular product or the manufacturing processes for the product or any component thereof;
- we may be subject to fines, injunctions or the imposition of civil or criminal penalties;
- regulatory authorities may require the addition of labeling statements, such as a "black box" warning or a contraindication;
- we may be required to create a Medication Guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation may suffer.

In addition, adverse side effects caused by any drugs of other companies utilizing the same or similar anti-bodies of our product candidates, or that are similar in nature to our product candidates could delay or prevent regulatory approval of our product candidates, limit the commercial profile of an approved label for our product candidates, or result in significant negative consequences following marketing approval.

We believe that any of these events could prevent us from achieving or maintaining market acceptance of our product candidates and could substantially increase the costs of commercializing our product candidates, if approved, and significantly impact our ability to successfully commercialize our product candidates and generate revenues.

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

We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States. Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors, including:

- the ongoing COVID-19 pandemic;
- the size and nature of the target patient population;
- the eligibility criteria for the clinical trial;
- the design of the clinical trial;
- the availability of an appropriate genomic screening test;
- the perceived risks and benefits of the product candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;

- the patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

For example, in March 2020, we announced the temporary pause in new patient enrollment and new site activation in our Phase 2 clinical trial of CX-2009 as a result of the COVID-19 pandemic and there can be no assurances that the COVID-19 pandemic will not continue to have a significant impact on our ability to complete our ongoing clinical trials and enroll patients in any planned or future clinical trials.

In addition, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any new drugs or therapeutic biologics that may be approved for the indications we are investigating, could affect our ability to enroll a sufficient number of eligible patients in our clinical trials. For example, in our Phase 1/2 clinical trial of CX-072, which is directed against PD-L1, we were only permitted to enroll patients with cancer types for which there are no PD inhibitors available for sale. As there are currently several PD-1 and/or PD-L1 agents approved for a growing list of cancer types along with hundreds of clinical trials exploring the use of PD-1 and PD-L1 agents, there was no assurance that patients would choose to enroll in our clinical trial. While that trial is fully enrolled, there can be no assurance that further trials with CX-072 or our other drug candidates will not be adversely affected by a limited patient population. Our clinical trials of CX-2009 and CX-2029 study patients who have one or a select number of specific tumor types rather than patients suffering from any cancer, which limits the rate of enrollment of the trial. In addition, some of our clinical trials seek to treat indications with small population sizes which could be particularly difficult to enroll. Our clinical trials of CX-2009 and CX-2029 are also competing with hundreds of clinical trials with alternative anti-cancer drugs in a similar class (e.g. antibody drug conjugates), and certain arms of the clinical trials may be difficult to enroll due to the emerging standard of care for such indications in certain jurisdictions, including the United States. Any clinical trials of our product candidates initiated by our collaborators, including Bristol Myers Squibb's ongoing Phase 2 clinical trial, face similar and additional risks relating to enrollment. We or our collaborators could also encounter delays in the development of any of our product candidates if prescribing physicians encounter unresolved ethical issues associated with enrolling patients in clinical trials of our product candidates in lieu of prescribing existing treatments that have established safety and efficacy profiles. Any delays relating to patient enrollment could cause significant delays in the timing of our clinical trials or the clinical trials of our collaborators, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Our approach to the discovery and development of our therapeutic treatments is based on novel technologies that are unproven and may not result in marketable products.

We plan to continue to develop a pipeline of product candidates using our proprietary Probody platform. We believe that product candidates (including cancer immunotherapies, PDCs and bispecific antibodies) identified with our product discovery platform may offer an improved therapeutic approach by taking advantage of unique conditions in the tumor microenvironment, thereby reducing the dose-limiting toxic effects associated with traditional antibody products, which can also attack healthy tissue. However, the scientific research that forms the basis of our efforts to develop product candidates based on our Probody platform is ongoing, including the research resulting from our ongoing clinical trials for CX-072, CX-2009 and CX-2029.

We may ultimately discover that our Probody platform and any product candidates resulting from it do not possess certain properties required for therapeutic effectiveness or protection from toxicity. For example, when Probody therapeutics are administered to human subjects, protease levels in tumors may not be sufficient and the peptide mask may not be cleaved, which would limit the potential efficacy of the antibody. In addition, if the peptide mask is inappropriately released, for example, due to an inflammatory disease, it may reduce the potential to limit toxicity of the anti-cancer agent or result in unforeseen events when administered in humans. Binding of the peptide mask to the antigen binding domain of the Probody may not be constant, which could lead to intermittent periods when the antigen binding domain or antibody portion is unmasked. Furthermore, Probody product candidates may not remain stable in the human body for the period of time required for the drug to reach and to bind to the target tissue. In addition, product candidates based on our Probody platform may demonstrate different chemical and pharmacological properties in patients than they do in laboratory studies. Although our Probody platform and certain product candidates have demonstrated successful results in animal studies, they may not demonstrate the same chemical and pharmacological properties in humans and may interact with human biological systems in unforeseen, ineffective or harmful ways. Our understanding of the molecular pharmacology of Probody therapeutics, that is, the precise manner and sequence in which they are activated and behave in vivo, is incomplete. Probody therapeutics are complex biological molecules and we are evaluating the performance of this new technology in cancer patients for the first time. Many specific elements of Probody therapeutic function may contribute to their overall safety and efficacy profile including, but not limited to, the removal of only one mask from the dually masked antibody, the removal of both masks from the dually masked antibody, the binding strength of masks for the underlying antibody, and the binding strength of the underlying antibody for its target. We have no direct structural evidence for how masks interact with antibodies. It may take many years before we develop a full understanding of Probody pharmacology, and we may never know precisely how they function in vivo. As with any new biologic or product developed on a novel platform, we have a limited understanding of the immunogenicity profile of Probody therapeutics. As a result, our Probody product candidates may trigger immune responses, such as ADA, that may inhibit the ability of the antibody to reach the target tissue,

inhibit the ability of the antibody to bind to its target, cause adverse side effects in humans or cause hypersensitivity reactions. For example, we reported in February 2019 that in our CX-072 trial at the 10 mg/kg dose, the anti-drug antibody (“ADA”) rate was approximately 62%. We do not believe the ADA rate is impacting our ability to reach targeted drug exposures. However, we cannot provide assurance that it will not later limit drug exposure or cause severe adverse events. Problems that are specific to our Probody platform may have an unfavorable impact on all of our product candidates. As a result, we may never succeed in developing a marketable product and we may never become profitable, which would cause the value of our common stock to decline.

In addition, the scientific evidence to support the feasibility of developing product candidates against novel, difficult to drug targets, is both preliminary and limited. For example, our understanding of the expression of CD166 in both healthy and diseased tissues is still developing. As a result, we cannot provide any assurance that we will be able to successfully identify and advance any product candidates to target novel, difficult to drug targets.

We believe the only clinical experience that the FDA and foreign regulatory authorities have with Probody-based therapeutics in oncology comes from CX-072, CX-2009, CX-2029 and BMS-986249. We believe that the FDA and foreign regulatory authorities, have no clinical experience in other disease areas, and such limited experience may increase the complexity, uncertainty and length of the regulatory approval process for our product candidates and may keep us from commencing first-in-human trials in certain countries. As there is limited historical precedent for the regulatory clearance of Probody-based therapeutics in oncology, there is a higher degree of risk that the FDA or other regulatory authorities could disagree that we or our collaborators have satisfied their requirements to commence clinical trials for some product candidates or disagree with our study designs, which may require us to complete additional preclinical studies or amend our protocols or impose stricter conditions on the commencement of clinical trials. In addition, local clinical practice in other countries may affect whether we or our collaborators are able to initiate a clinical trial there. As a result, we and our collaborators may never receive approval to market and commercialize any product candidate. Even if we or our collaborators obtain regulatory approval, the approval may be for targets, disease indications or patient populations that are not as broad as we or they intended or desired or may require labeling that includes significant use or distribution restrictions or safety warnings. We or our collaborators may be required to perform additional or unanticipated clinical trials to obtain approval or be subject to post-marketing testing requirements to maintain regulatory approval. If one or more of our product candidates or our Probody technology generally prove to be ineffective, unsafe or commercially unviable, our entire platform and pipeline may have little, if any, value, which would have a material and adverse effect on our business, financial condition, results of operations and prospects.

The market may not be receptive to our product candidates based on a novel therapeutic modality, and we may not generate any future revenue from the sale or licensing of product candidates.

Even if regulatory approval is obtained for a product candidate, we may not generate or sustain revenue from sales of the product due to factors such as whether the product can be sold at a competitive cost and whether it will otherwise be accepted in the market. The product candidates that we are developing are based on our Probody platform, which is a new technology and therapeutic approach. Market participants with significant influence over acceptance of new treatments, such as physicians and third-party payors, may not adopt a product or treatment based on our Probody platform and technologies, and we may not be able to convince the medical community and third-party payors to accept and use, or to provide favorable reimbursement for, any product candidates developed by us or our collaborators. This may be particularly true for any of our product candidates (including CX-072, BMS-986249 and BMS-986288) for which there are existing approved therapies, such as approved agents targeting PD-L1, PD-1, or CTLA-4. Market acceptance of our product candidates will depend on, among other factors:

- the timing of our receipt of any marketing and commercialization approvals;
- the terms of any approvals and the countries in which approvals are obtained;
- the safety and efficacy of our product candidates, including those being developed by our collaborators;
- the prevalence and severity of any adverse side effects associated with our product candidates;
- limitations or warnings contained in any labeling approved by the FDA or other regulatory authority;
- the availability of effective companion diagnostics;
- relative convenience and ease of administration of our product candidates;

- the willingness of patients to accept any new methods of administration;
- the success of our physician education programs;
- the availability of coverage and adequate reimbursement from government and third-party payors;
- the pricing of our products, particularly as compared to alternative treatments; and
- the availability of alternative effective treatments for the disease indications our product candidates are intended to treat and the relative risks, benefits and costs of those treatments.

If any product candidate we commercialize fails to achieve market acceptance, it could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We have entered, and may in the future seek to enter, into collaborations with third parties for the development and commercialization of our product candidates using our Probody platform. If we fail to enter into such collaborations, or such collaborations are not successful, we may not be able to capitalize on the market potential of our Probody platform and resulting product candidates.

Since 2013, we have entered into collaborations with AbbVie, Amgen, Astellas, Bristol Myers Squibb, ImmunoGen, Pfizer and others to develop certain Probody therapeutics. We may in the future seek third-party collaborators for development and commercialization of other therapeutic technologies or product candidates. Biopharmaceutical companies are our prior and likely future collaborators for any marketing, distribution, development, licensing or broader collaboration arrangements. With respect to our existing collaboration agreements, and what we expect will be the case with any future collaboration agreements, we have and would expect to have limited control over whether such collaborations pursue the development of our product candidates or the amount and timing of resources that such collaborators dedicate to the development or commercialization of our product candidates. For instance, in March 2018, Pfizer terminated the collaboration agreement we had entered into with them in May 2013. Such collaboration agreement had entitled Pfizer to nominate up to four research targets and since 2013, we had collaborated with Pfizer on three of such targets. However, no program was ever advanced beyond the lead optimization stage pursuant to the agreement, and Pfizer had previously elected not to select a fourth target and had decided to discontinue its epidermal growth factor receptor Probody Drug Conjugate. In July 2017, ImmunoGen discontinued the preclinical evaluation of one of its two programs being developed under our collaboration and in December 2019, licensed the other program to us, terminating their license agreement from us. In addition, in January 2019, Bristol Myers Squibb terminated its programs for three targets it had selected under our agreement with them. As a result, there can be no assurances that any of the programs covered by our existing or future collaborations will be developed further. Further, our ability to generate revenues from our existing and future arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements. Additionally, some of our collaborations may require us to share in certain development and commercialization expenses. If we cannot afford to share such expenses when required, our rights under such collaborations may be adversely affected, including potentially that our collaborator may terminate the relevant agreement.

Overall, collaborations involving our product candidates currently pose, and will continue to pose, the following risks to us:

- collaborators have significant discretion in determining the amount and timing of efforts and resources that they will apply to these collaborations, including, with respect to Bristol Myers Squibb, BMS-986249 and BMS-986288;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on preclinical or clinical trial results, changes in the collaborators' strategic focus or available funding or resources, or external factors such as an acquisition that diverts resources or creates competing priorities;
- collaborators have significant discretion in designing any clinical trials they operate pursuant to our collaboration agreements, including Bristol Myers Squibb's ongoing Phase 2 cohort expansion of BMS-986249 and its Phase 1/2 clinical trial of BMS-986288, and may release data from such clinical trials, including with respect to our Probody therapeutics, without consulting us;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing and are not necessarily required to give us information about their clinical data;
- collaborators may independently develop, or develop with third parties, products that compete directly or indirectly with our product candidate if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;

- collaborators with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to litigation or potential liability;
- collaborators may infringe, misappropriate or otherwise violate the intellectual property rights of third parties, which may expose us to litigation and potential liability;
- disputes may arise between the collaborators and us that result in the delay or termination of the research, development or commercialization of our product candidate or that result in costly litigation or arbitration that diverts management attention and resources; and
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.

As a result of the foregoing, our current and any future collaboration agreements may not lead to development or commercialization of our product candidates in the most efficient manner or at all and may not result in the realization of the benefits we expected to achieve upon our entry into such agreements. Any failure to successfully develop or commercialize our product candidates pursuant to our current or any future collaboration agreements could have a material and adverse effect on our business, financial condition, results of operations and prospects.

If our collaborators cease development efforts under our collaboration agreements, or if any of those agreements are terminated, these collaborations may fail to lead to commercial products and we may never receive milestone payments or future royalties under these agreements.

Substantially all of our revenue to date has been derived from our existing collaboration agreements, including, most recently, the agreement that we entered into with Astellas in March 2020, and a significant portion of our future revenue and cash resources is expected to be derived from these agreements or other similar agreements we may enter into in the future. Revenue from research and development collaborations depend upon continuation of the collaborations, reimbursement of development costs, the achievement of milestones and royalties, if any, derived from future products developed from our research. If we are unable to successfully advance the development of our product candidates or achieve milestones, revenue and cash resources from milestone payments under our collaboration agreements will be substantially less than expected.

In addition, to the extent that any of our collaborators were to terminate a collaboration agreement, we may decide to independently develop these product candidates to the extent we retain development rights. Such development could include funding preclinical or clinical trials, assuming marketing and distribution costs and defending intellectual property rights. Alternatively, in certain instances, we may choose to abandon product candidates altogether. For instance, in March 2018, Pfizer terminated our 2013 collaboration agreement with them, and in January 2019, Bristol Myers Squibb terminated its programs for three targets it had selected under our agreement with them. The termination of any of our collaboration agreements or individual programs within a collaboration agreement could result in a change to our business plan and may have a material adverse effect on our business, financial condition, results of operations and prospects. If a collaboration is terminated, we would not be eligible to receive the milestone, royalty or other payments that would have been payable under the collaboration agreement. For example, as a result of ImmunoGen's decision to out-license the EpCAM program and our licensing of the program from them in 2019, their license for the program from us ended and we will not receive milestone or other payments from them.

If we do not achieve our projected development and commercialization goals in the timeframes we announce and expect, the commercialization of any of our product candidates may be delayed, and our business will be harmed.

For planning purposes, we sometimes estimate the timing of the accomplishment of various scientific, clinical, regulatory and other product development objectives. These milestones may include our expectations regarding the commencement or completion of scientific studies and clinical trials, the submission of regulatory filings, or commercialization objectives. From time to time, we may publicly announce the expected timing of some of these milestones, such as the completion of an ongoing clinical trial, the initiation of other clinical programs, receipt of marketing approval, or a commercial launch of a product. The achievement of many of these milestones may be outside of our control. All of these milestones are based on a variety of assumptions which may cause the timing of achievement of the milestones to vary considerably from our estimates, including:

- our available capital resources or capital constraints we experience;
- the rate of progress, costs and results of our clinical trials and research and development activities, including the extent of scheduling conflicts with participating clinicians and collaborators;
- our ability to identify and enroll patients who meet clinical trial eligibility criteria;
- our receipt of approvals by the FDA and other regulatory authorities and the timing thereof;
- other actions, decisions or rules issued by regulators;
- our ability to access sufficient, reliable and affordable supplies of materials used in the manufacture of our product candidates;
- our ability to manufacture and supply clinical trial materials to our clinical sites on a timely basis;
- the efforts of our collaborators with respect to the commercialization of our products; and
- the securing of, costs related to, and timing issues associated with, product manufacturing as well as sales and marketing activities.

For example, in March 2020, we announced the temporary pause in new patient enrollment and new site activation in our Phase 2 clinical trial of CX-2009 as a result of the COVID-19 pandemic and the termination of the Phase 2 clinical trial of CX-072 in combination with ipilimumab after a re-evaluation of the evolving clinical, competitive and commercial landscapes in immuno-oncology, taken together with impact of the COVID-19 pandemic.

If we fail to achieve announced milestones in the timeframes we expect, the commercialization of any of our product candidates may be delayed, and our business and results of operations may be harmed.

We may not successfully engage in strategic transactions, including any additional collaborations we seek, which could adversely affect our ability to develop and commercialize product candidates, impact our cash position, increase our expense and present significant distractions to our management.

Since commencing operations, we have entered into several collaboration agreements, including the agreement that we entered into with Astellas in March 2020. From time to time, we may consider strategic transactions, such as additional collaborations, acquisitions of companies, asset purchases and out- or in-licensing of product candidates or technologies. In particular, we will evaluate and, if strategically attractive, seek to enter into additional collaborations, including with major biotechnology or biopharmaceutical companies. The competition for collaborators is intense, and the negotiation process is time-consuming and complex. Any new collaboration may be on terms that are not optimal for us, and we may not be able to maintain any new collaboration if, for example, development or approval of a product candidate is delayed, sales of an approved product candidate do not meet expectations or the collaborator terminates the collaboration. Any such collaboration, or other strategic transaction, may require us to incur non-recurring or other charges, increase our near- and long-term expenditures and pose significant integration or implementation challenges or disrupt our management or business. These transactions would entail numerous operational and financial risks, including exposure to unknown liabilities, disruption of our business and diversion of our management's time and attention in order to manage a collaboration or develop acquired products, product candidates or technologies, incurrence of substantial debt or dilutive issuances of equity securities to pay transaction consideration or costs, higher than expected collaboration, acquisition or integration costs, write-downs of assets or goodwill or impairment charges, increased amortization expenses, difficulty and cost in facilitating the collaboration or combining the operations and personnel of any acquired business, impairment of relationships with key suppliers, manufacturers or customers of any acquired business due to changes in management and ownership and the inability to retain key employees of any acquired business. Accordingly, although there can be no assurance that we will undertake or successfully complete any transactions of the nature described above, any transactions that we do complete may be subject to the foregoing or other risks and have a material and adverse effect on our business, financial condition, results of operations and prospects. The termination by a collaborator of a collaboration may cause a decrease in the price of our stock. Conversely, any failure to enter any additional collaboration or other strategic transaction that would be beneficial to us could delay the development and potential commercialization of our product candidates and have a negative impact on the competitiveness of any product candidate that reaches market.

If we are unable to successfully develop companion diagnostic tests for certain of our product candidates, or experience significant delays in doing so, we may not realize the full commercial potential of our product candidates.

Because we are focused on precision medicine, in which predictive biomarkers will be used to identify the right patients for our product candidates, we believe that our success may depend, in part, on the development of companion diagnostic tests. To successfully develop a companion diagnostic test, we would need to address a number of scientific, technical and logistical challenges. However, we have little experience in the development of companion diagnostic tests and may not be successful in developing appropriate tests to pair with any of our product candidates. Companion diagnostic tests are subject to regulation by the FDA and similar regulatory authorities outside the United States as medical devices and require separate regulatory approval prior to commercialization. Given our limited experience in developing companion diagnostic tests, we could seek to rely on third parties to design, manufacture, obtain regulatory approval for any companion diagnostic tests for our product candidates. However, we and such collaborators may encounter difficulties in developing and obtaining approval for the companion diagnostic tests, including issues relating to selectivity/specificity, analytical validation, reproducibility, or clinical validation. Any delay or failure by us or our collaborators to develop or obtain regulatory approval of the companion diagnostic tests could delay or prevent approval of our product candidates. As a result, our business would be harmed, possibly materially.

We rely on third parties to conduct all of our clinical trials and certain of our preclinical studies and intend to continue to do so, and if such third parties do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, our development programs could be delayed with material and adverse effects on our business, financial condition, results of operations and prospects.

We do not have the ability to independently conduct clinical trials. As such, we currently rely and intend to continue to rely on third-party clinical investigators, CROs, clinical data management organizations and consultants to help us design, conduct, supervise and monitor clinical trials of our product candidates. As a result, we will have less control over the timing, quality and other aspects of our clinical trials than we would have had we conducted them on our own. These investigators, CROs and consultants are not our employees and we have limited control over the amount of time and resources that they dedicate to our programs. These third parties may have contractual relationships with other entities, some of which may be our competitors, which may draw time and resources from our programs. The third parties with which we contract might not be diligent, careful or timely in conducting our preclinical studies or clinical trials, resulting in the preclinical studies or clinical trials being delayed or unsuccessful. Furthermore, our third-party contractors, including CROs are being and may continue to be impacted in their ability to conduct our work as a result of the COVID-19 pandemic.

If we cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of preclinical studies or clinical trials or meet expected deadlines, our clinical development programs could be delayed and otherwise adversely affected. In all events, we will be responsible for ensuring that each of our preclinical studies and clinical trials are conducted in accordance with the general investigational plan and protocols for the trial. The FDA requires preclinical studies to be conducted in accordance with good laboratory practices (“GLPs”) and clinical trials to be conducted in accordance with good clinical practices (“GCPs”), including for designing, conducting, recording and reporting the results of preclinical studies and clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. Our reliance on third parties that we do not control will not relieve us of these responsibilities and requirements. Any adverse development or delay in our clinical trials could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are currently conducting and will continue to conduct clinical trials and will contract with third-party manufacturers in foreign countries, which could expose us to risks that could have a material adverse effect on the success of our business.

We have enrolled or are planning to enroll patients in our clinical trials outside the United States, including in Europe, Australia and South Korea. Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of this data is subject to certain conditions imposed by the FDA. For example, such clinical trials must be conducted in accordance with GCPs, and the FDA must be able to validate the data through an on-site inspection if deemed necessary. Conducting clinical trials outside the United States also exposes us to additional risks, including risks associated with additional foreign regulatory requirements; foreign exchange fluctuations; patient monitoring and compliance; compliance with foreign manufacturing, customs, shipment and storage requirements; the severity of the COVID-19 pandemic in such jurisdictions; and cultural differences in medical practice and clinical research. We are also subject to risks associated with doing business globally, including commercial, political, and financial risks. In addition, we are subject to potential disruption caused by military conflicts; potentially unstable governments or legal systems; civil or political upheaval or unrest; local labor policies and conditions; possible expropriation, nationalization, or confiscation of assets; problems with repatriation of foreign earnings; economic or trade sanctions; closure of markets to imports; anti-American sentiment; terrorism or other types of violence in or outside the United States; health pandemics; and a significant reduction in global travel. For example, pandemics and public health emergencies, such as the COVID-19 pandemic, have disrupted and delayed and could in the future disrupt or delay enrollment in our clinical trials in Europe, South Korea and elsewhere. Our success will depend, in part, on our ability to overcome the challenges we encounter with respect to these risks and other factors affecting U.S. companies with global operations. If our global clinical trials or foreign third-party suppliers were to experience significant disruption due to these risks or for other reasons, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

Because we have no long-term contracts with and rely on third-party manufacturing and supply partners, most of which are sole source suppliers, our supply of research and development, preclinical and clinical development materials may become limited or interrupted or may not be of satisfactory quantity or quality.

We rely on third-party contract manufacturers to manufacture our clinical trial and preclinical study product supplies which, in addition to having other issues, could be adversely impacted by the COVID-19 pandemic. Most of our clinical trial manufacturing contractors and suppliers are our sole source for their respective manufacturing and supplies. Failure of any of these contractors could put our ability to have clinical trial material available when needed. This could result in a substantial delay of our clinical trials. For each of CX-072 CX-2009 and CX-2029, our manufacturing supply chain includes several contract manufacturers, and failure by any of these manufacturers could result in interruptions of our clinical studies. For example, in November 2019, one of our contract manufacturers that manufactures CX-072 experienced a production failure. If we had not been able to assure sufficient supplies of

clinical trial drug product after the production failure, we may have been required to suspend any ongoing trials and postpone future trials. Although we have taken sufficient steps to assure our current supply of CX-072 clinical trial drug product for our ongoing clinical trial and planned clinical trials, there can be no assurance that we will not have future production failures, which could affect our ability to conduct our trials for CX-072, CX-2009, CX-2029 or any other clinical trial drug candidates on our planned timeline or at all. We do not own manufacturing facilities for producing such supplies and do not have any long-term contracts and we do not currently have an alternative to any of our third-party contract manufacturers. There can be no assurance that our preclinical and clinical development product supplies will not be limited, interrupted, or of satisfactory quality or continue to be available at acceptable prices. In particular, any replacement of any of our third-party contract manufacturers could require significant effort and expertise because there may be a limited number of qualified replacements. In addition, we may encounter issues with transferring technology to a new third-party manufacturer, and we may encounter regulatory delays if we need to move the manufacturing of our products from one third-party manufacturer to another. For example, we were dependent on ImmunoGen under our collaboration for certain steps in the manufacturing of clinical quantities of CX-2009. At the end of 2018, ImmunoGen closed their clinical manufacturing facility in Norwood, MA. This site provided clinical manufacturing support for the CX-2009 program. We completed transfer of the drug substance manufacturing process from ImmunoGen to a CMO, where we have an existing relationship and which has expertise in the manufacture of antibody drug conjugates at a clinical and commercial scale. While the manufacturing transfer process has been completed, there can be no assurance that we will not experience a disruption in the supply of CX-2009 as a result of such transfer or that we will not experience any other disruption in the manufacture of CX-2009.

The manufacturing process for a product candidate is subject to FDA and foreign regulatory authority review. Suppliers and manufacturers must meet applicable manufacturing requirements and undergo rigorous facility and process validation tests required by regulatory authorities in order to comply with regulatory standards, such as current Good Manufacturing Practices (“cGMPs”). In the event that any of our manufacturers fails to comply with such requirements or to perform its obligations to us in relation to quality, timing or otherwise, such as the CX-072 manufacturing production failure our contract manufacturer experienced in November 2019, or if our supply of components or other materials becomes limited or interrupted for other reasons, such as one of our manufacturers going out of business, we may be forced to manufacture the materials ourselves, for which we currently do not have the capabilities or resources, or enter into an agreement with another third party, which we may not be able to do on reasonable terms, if at all. In some cases, the technical skills or technology required to manufacture our product candidates may be unique or proprietary to the original manufacturer and we may have difficulty transferring such skills or technology to another third party and a feasible alternative may not exist. These factors would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third party manufacture our product candidates. If we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates in a timely manner or within budget.

We expect to continue to rely on third-party manufacturers if we receive regulatory approval for any product candidate. To the extent that we have existing, or enter into future, manufacturing arrangements with third parties, we will depend on these third parties to perform their obligations in a timely manner consistent with contractual and regulatory requirements, including those related to quality control and assurance. If we are unable to obtain or maintain third-party manufacturing for product candidates, or to do so on commercially reasonable terms, we may not be able to develop and commercialize our product candidates successfully. We may find that our third-party manufacturer is unable to scale up the process in order to produce commercial quantities of our products. Our or a third party’s failure to execute on our manufacturing requirements and comply with cGMPs could adversely affect our business in a number of ways, including:

- an inability to initiate or continue clinical trials of product candidates under development;
- delay in submitting regulatory applications, or receiving regulatory approvals, for product candidates;
- loss of the cooperation of a collaborator;
- subjecting third-party manufacturing facilities or our manufacturing facilities to additional inspections by regulatory authorities;
- requirements to cease distribution or to recall batches of our product candidates; and
- in the event of approval to market and commercialize a product candidate, an inability to meet commercial demands for our products.

The supply chain for the manufacturing of our product candidates is complicated and can involve many parties. This is especially the case for our clinical stage Probody Drug Conjugates, CX-2009 and CX-2029. If we were to experience any supply chain issues, our product supply could be seriously disrupted. In addition, we expect the logistical challenges associated with our supply chain to grow more complex as additional product candidates commence any clinical trials.

We, or third-party manufacturers, may be unable to successfully scale-up manufacturing of our product candidates in sufficient quality and quantity, which would delay or prevent us from developing our product candidates and commercializing approved products, if any.

It may prove more challenging than we anticipate to manufacture products that incorporate our Probody therapeutic technology. In order to conduct clinical trials of our product candidates, including our clinical trials for CX-072, CX-2009 and CX-2029, we will need to manufacture them in large quantities. To date we have generally been able to successfully manufacture CX-072, CX-2009 and CX-2029 for our ongoing early stage clinical trials. However, in November 2019, we had a production failure at one of our contract manufacturers that manufactures CX-072 for our ongoing Phase 1 clinical trial and for our Phase 2 clinical trial. If we had not been able to assure sufficient supplies of clinical trial drug product after the production failure, we may have been required to suspend any ongoing trials and postpone future trials. Although we have taken sufficient steps to assure our current supply of CX-072 clinical trial drug product for our ongoing clinical trial and planned clinical trials, there can be no assurance that we will not have future production failures, which could affect our ability to conduct our trials for CX-072, CX-2009, CX-2029 or any other clinical trial drug candidates on our planned timeline or at all. Furthermore, in order to conduct later stage clinical trials of our product candidates, such as our Phase 2 clinical trial for CX-2009, and eventually, if approved, commercial products, we will need to manufacture them in larger quantities. We, or any manufacturing partners, may be unable to successfully increase the manufacturing scale and capacity for any of our product candidates in a timely or cost-effective manner, or at all. For example, we are currently working with our CMOs to change our manufacturing processes and formulations as well as scaling up for larger drug manufacturing capability and to increase the term of stability for CX-072 drug product and we are scaling up CX-2009 drug product for late stage clinical trials and commercialization. However, we may have to start late stage trials with our early clinical trial drug product and switch to late stage or commercial drug product mid trial. In such event, the FDA will require us to complete bridging studies to compare the earlier stage material with late stage or commercial material to assure comparability between the earlier trial material and the late stage or commercial material. Changing formulation and scaling up the process is a complicated and difficult task. While we believe we can complete this process successfully, there can be no assurances that the changes we make to the drug product and manufacturing process will be successful or completed in a timely manner or that the FDA will not require additional development steps or studies from those we believe are necessary. If we are not able to scale up our manufacturing capabilities with respect to CX-072, CX-2009 or any of our other product candidates, increase the life of drug stability of CX-072 or such other product candidates, or successfully complete the FDA's bridging requirements, we may not be able to successfully obtain FDA approval and commercialize CX-072 or such other product candidates in a timely manner or at all.

Additionally, we were dependent on ImmunoGen under our collaboration for certain steps in the manufacturing of clinical quantities of CX-2009. At the end of 2018, ImmunoGen closed their clinical manufacturing facility in Norwood, Massachusetts, which provided clinical manufacturing support for the CX-2009 program. We completed the transfer of the drug substance manufacturing process from ImmunoGen to a contract manufacturer, where we have an existing relationship and with expertise in the manufacture of antibody drug conjugates at a clinical and commercial scale. While the manufacturing transfer process has been completed, there can be no assurance that we will not experience a disruption in the supply of CX-2009 in connection with such transfer or that we will not experience any other disruption in the manufacturing of CX-2009. In addition, for CX-2029, the manufacturing of additional clinical quantities could be particularly difficult because we are relying on three different parties to manufacture supplies. If we, or any manufacturing partners, are unable to successfully scale up the manufacture of our product candidates in sufficient quality and quantity, the development, testing, and clinical trials of that product candidate may be delayed or infeasible, and regulatory approval or commercial launch of any resulting product may be delayed or not obtained, which could significantly harm our business.

We may acquire assets or form strategic alliances in the future, and we may not realize the benefits of such acquisitions.

As we continue to mature our Probody platform and our clinical stage pipeline, we may seek to acquire and/or in-license other oncology products, product candidates, programs or companies that we consider complimentary to our efforts. Such efforts may never result in a transaction and any future growth through acquisition or in-licensing will depend upon the availability of suitable products, product candidates, programs or companies for acquisition or in-licensing on acceptable prices, terms and conditions. Even if appropriate opportunities are available, we may not be able to acquire rights to them on acceptable terms, or at all. The competition to acquire or in-license rights to promising products, product candidates, programs and companies is fierce, and many of our competitors are large, multinational pharmaceutical and biotechnology companies with considerably more financial, development and commercialization resources, personnel, and experience than we have. In order to compete successfully in the current business climate, we may have to pay higher prices for assets than may have been paid historically, which may make it more difficult for us to realize an adequate return on any acquisition. In addition, even if we succeed in identifying promising products, product candidates, programs or companies, we may not have the ability to develop, obtain regulatory approval for and commercialize such opportunities, or the financial resources necessary to pursue them.

Even if we are able to successfully identify and acquire or in-license new products, product candidates, programs or companies, we may not be able to successfully manage the risks associated with integrating any products, product candidates, programs or companies into our business or the risks arising from anticipated and unanticipated problems in connection with an acquisition or in-licensing. Further, while we seek to mitigate risks and liabilities of potential acquisitions through, among other things, due diligence, there may be risks and liabilities that such due diligence efforts fail to discover, that are not disclosed to us, or that we inadequately assess. Any failure in identifying and managing these risks and uncertainties effectively would have a material adverse effect on our business. In any event, we may not be able to realize the anticipated benefits of any acquisition or in-licensing for a variety of reasons, including the possibility that a product candidate fails to advance to clinical development, proves not to be safe or effective in clinical trials, or fails to reach its forecasted commercial potential or that the integration of a product, product candidate, program or company gives rise to unforeseen difficulties and expenditures. Any failure in identifying and managing these risks and uncertainties would have a material adverse effect on our business.

In addition, acquisitions create other uncertainties and risks, particularly when the acquisition takes the form of a merger or other business consolidation. We may encounter unexpected difficulties, or incur unexpected costs, in connection with transition activities and integration efforts, which include:

- high acquisition costs;
- the need to incur substantial debt or engage in dilutive issuances of equity securities to pay for acquisitions;
- the potential disruption of our historical business and our activities under our collaboration agreements;
- the strain on, and need to expand, our existing operational, technical, financial and administrative infrastructure;
- our lack of experience in late-stage product development and commercialization;
- the difficulties in assimilating employees and corporate cultures;
- the difficulties in hiring qualified personnel and establishing necessary development and/or commercialization capabilities;
- the failure to retain key management and other personnel;
- the challenges in controlling additional costs and expenses in connection with and as a result of the acquisition;
- the need to write down assets or recognize impairment charges;
- the diversion of our management's attention to integration of operations and corporate and administrative infrastructures; and
- any unanticipated liabilities for activities of or related to the acquired business or its operations, products or product candidates.

If we fail to integrate or otherwise manage an acquired business successfully and in a timely manner, resulting operating inefficiencies could increase our costs more than we planned, could negatively impact the market price of our common stock and could otherwise distract us from execution of our strategy. Failure to maintain effective financial controls and reporting systems and procedures could also impact our ability to produce timely and accurate financial statements.

We may expend our limited resources to pursue a particular product candidate and fail to capitalize on product candidates that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we focus on specific product candidates and indications, including CX-072, CX-2009 and CX-2029. As a result, we may forgo or delay pursuit of opportunities with those products in other indications or with other product candidates that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable product candidates. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

We may experience difficulties in managing our growth and expanding our operations successfully.

We will need to grow our organization substantially to continue development and pursue the potential commercialization of CX-072, CX-2009 and CX-2029 and our other product candidates, as well as function as a public company. As we increase the number of our product candidates entering and advancing through preclinical studies and clinical trials, we will need to expand our development, regulatory and manufacturing capabilities or contract with additional organizations to provide these capabilities for us. In addition, we expect our collaborations to require greater resources as the development of our product candidates under such agreements progresses. In the future, we expect to also have to manage additional relationships with collaborators or partners, suppliers and other organizations. In particular, if the third-parties on which we currently rely are not capable of delivering services or supplies in a manner that is sufficient to meet our requirements as we expand our operations, we could be required to contract with new third parties and there can be no assurances that the services or supplies of such third parties will be available on commercially reasonable terms, or at all. Furthermore, our ability to manage our operations and future growth will require us to continue to increase headcount as well as improve our operational, financial and management controls, reporting systems and procedures. We may not be able to implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls.

We face competition from entities that have developed or may develop product candidates for cancer, including companies developing novel treatments and technology platforms. If these companies develop technologies or product candidates more rapidly than we do or their technologies are more effective, our ability to develop and successfully commercialize product candidates may be adversely affected.

The development and commercialization of drugs and therapeutic biologics is highly competitive. We compete with a variety of multinational biopharmaceutical companies and specialized biotechnology companies, as well as technology being developed at universities and other research institutions. Our competitors have developed, are developing or will develop product candidates and processes competitive with our product candidates. Competitive therapeutic treatments include those that have already been approved and accepted by the medical community and any new treatments that enter the market. We believe that a significant number of products are currently under development, and may become commercially available in the future, for the treatment of conditions for which we may try to develop product candidates. Additionally, there is intense and rapidly evolving competition in the biotechnology, biopharmaceutical and antibody and immunoregulatory therapeutics fields, and our competitors include larger and better funded biopharmaceutical, biotechnological and therapeutics companies. In addition, these companies compete with us in recruiting scientific and managerial talent.

We believe that while our Probody platform, its associated intellectual property and our scientific and technical know-how, give us a competitive advantage in this space, competition from many sources remains. The clinical development pipeline for cancer includes small molecules, antibodies and therapies from a variety of groups. In addition, numerous compounds are in clinical development for cancer treatment. As a result, our success will partially depend on our ability to develop and protect therapeutics that are safer and more effective than competing products. Our commercial opportunity and success will be reduced or eliminated if competing products that are safer, more effective, or less expensive than the therapeutics we develop or if we are unable to utilize our Probody therapeutic technology to differentiate our Probody therapeutics from the products of our competitors. For instance, if any of our lead product candidates, including, CX-2009 and CX-2029 are approved, they will compete with a range of therapeutic treatments that are either in development or currently marketed. A variety of oncology drugs and therapeutic biologics are currently on the market or in clinical development. The market for immunotherapies like CX-072 is, in particular, highly competitive and the field is changing quickly. In March 2020, we made the strategic decision to terminate our Phase 2 study evaluating CX-072 in combination ipilimumab. This decision followed a re-evaluation of the evolving clinical, competitive and commercial landscapes in immuno-oncology, taken together with impact of the COVID-19 pandemic. Given the amount of time required to successfully develop and obtain regulatory approval for each of our product candidates, it is therefore possible that by the time we obtain any such approval, if ever, and commence sales, we may no longer be able to differentiate such product candidate from those of our competitors.

We face substantial competition from pharmaceutical companies developing products in immuno-oncology, including companies, such as Amgen, AstraZeneca PLC, Bristol Myers Squibb, Celgene, GlaxoSmithKline plc, Merck & Co., Inc. Novartis AG, Pfizer, Roche Holding Ltd. and Sanofi SA. Many large and mid-sized biotech companies, including BeiGene, Incyte, Nektar, and Alkermes have ongoing efforts in cancer immunotherapy. Finally, numerous small companies are also working in the space. Several companies, including Akrieva, Amgen, Amunix, BioAtla, Halozyme, Maverick Therapeutics, Pandion Therapeutics, Revitope, Roche, and Seattle Genetics are exploring antibody masking and/or conditional activation strategies, which could compete with our Probody Platform. We are also aware of several companies that are developing ADCs, such as AbbVie, Immunomedics, Pfizer, Roche Holding Ltd. and Takeda. In addition, two mid-sized companies, ImmunoGen and Seattle Genetics, Inc. are also leaders in the development of ADCs and we are aware of numerous small companies with ongoing efforts in this field. Furthermore, several large pharmaceutical companies, including Amgen, Novartis AG and Roche Holding Ltd., are developing T-cell engaging immunotherapies, and we are aware of several mid-sized biotech companies, such as MacroGenics and Xencor, and small companies with ongoing efforts to develop T-cell engaging immunotherapies. Any of these companies may be well-capitalized and may have significant clinical experience. In addition, these companies include our collaborators.

Many of our competitors have significantly greater financial, technical, manufacturing, marketing, sales and supply resources or experience than we do. If we successfully obtain approval for any product candidate, we will face competition based on many different factors, including the safety and effectiveness of our products, the ease with which our products can be administered and the extent to which patients accept relatively new routes of administration, the timing and scope of regulatory approvals for these products, the availability and cost of manufacturing, marketing and sales capabilities, price, reimbursement coverage and patent position. Competing products could present superior treatment alternatives, including by being more effective, safer, less expensive or marketed and sold more effectively than any products we may develop. Competitive products may make any products we develop less differentiated or noncompetitive before we recover the expense of developing and commercializing our product candidates. Such competitors could also recruit our employees, which could negatively impact our level of expertise and our ability to execute our business plan.

Any inability to attract and retain qualified key management and technical personnel would impair our ability to implement our business plan.

Our success largely depends on the continued service of key management, advisors and other specialized personnel, including Sean A. McCarthy, D.Phil., our president and chief executive officer, W. Michael Kavanaugh, M.D., our chief scientific officer and Amy C. Peterson, M.D., our chief development officer. The loss of one or more members of our management team or other key employees or advisors could delay our research and development programs and have a material and adverse effect on our business, financial condition, results of operations and prospects. The relationships that our key managers have cultivated within our industry make us particularly dependent upon their continued employment with us. We are dependent on the continued service of our technical personnel because of the highly technical nature of our product candidates and technologies and the specialized nature of the regulatory approval process. Because our management team and key employees are not obligated to provide us with continued service, they could terminate their employment with us at any time without penalty. Our future success will depend in large part on our continued ability to attract and retain other highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical testing, manufacturing, governmental regulation and commercialization. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations, especially as job opportunities in the biotechnology industry have recently increased significantly in the San Francisco Bay Area.

If any of our product candidates are approved for marketing and commercialization and we are unable to develop sales, marketing and distribution capabilities on our own or enter into agreements with third parties to perform these functions on acceptable terms, we will be unable to commercialize successfully any such future products.

We currently have no sales, marketing or distribution capabilities or experience. If any of our product candidates is approved, we will need to develop internal sales, marketing and distribution capabilities to commercialize such products, which would be expensive and time-consuming, or enter into collaborations with third parties to perform these services. If we decide to market our products directly, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and supporting distribution, administration and compliance capabilities. If we rely on third parties with such capabilities to market our products or decide to co-promote products with collaborators, we will need to establish and maintain marketing and distribution arrangements with third parties, and there can be no assurance that we will be able to enter into such arrangements on acceptable terms or at all. In entering into third-party marketing or distribution arrangements, any revenue we receive will depend upon the efforts of the third parties and there can be no assurance that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance of any approved product. If we are not successful in commercializing any product approved in the future, either on our own or through third parties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our future growth may depend, in part, on our ability to operate in foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.

Our future growth may depend, in part, on our ability to develop and commercialize our product candidates in foreign markets for which we may rely on collaboration with third parties. We are not permitted to market or promote any of our product candidates before we receive regulatory approval from the applicable regulatory authority in that foreign market, and we may never receive such regulatory approval for any of our product candidates. To obtain separate regulatory approval in many other countries we must comply with numerous and varying regulatory requirements of such countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales, pricing and distribution of our product candidates, and we cannot predict success in these jurisdictions. If we obtain approval of our product candidates and ultimately commercialize our product candidates in foreign markets, we would be subject to the risks and uncertainties, including the burden of complying with complex and changing foreign regulatory, tax, accounting and legal requirements and the reduced protection of intellectual property rights in some foreign countries. We may need to rely on third parties to market, distribute and sell our products in foreign markets.

Price controls imposed in foreign markets may adversely affect our future profitability.

In some countries, particularly member states of the European Union, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. In some countries, we or future collaborators may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our Probody therapeutic candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of any product candidate approved for marketing is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business, financial condition, results of operations or prospects could be materially and adversely affected. We currently do not know how the exit of the United Kingdom from the European Union will affect the pricing of prescription drugs, either in the United Kingdom or in the remaining European Union member states.

Our business entails a significant risk of product liability and our ability to obtain sufficient insurance coverage could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to significant product liability risks inherent in the development, testing, manufacturing and marketing of therapeutic treatments, including as a result of the clinical testing of CX-072, CX-2009, CX-2029, BMS-986249, BMS-986288 and any of our other product candidates or those of our collaborators. Product liability claims could delay or prevent completion of our development programs. If we succeed in marketing product candidates, such claims could result in an FDA investigation of the safety and effectiveness of our product candidates, our manufacturing processes and facilities (or the manufacturing processes and facilities of our third-party manufacturers) or our marketing programs and potentially a recall of our products or more serious enforcement action, limitations on the approved indications for which they may be used or suspension or withdrawal of approvals. Regardless of the merits or eventual outcome, liability claims may also result in decreased demand for our products, injury to our reputation, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients and a decline in our stock price. We currently have insurance that we believe is appropriate for our stage of development and may need to obtain higher levels of insurance prior to marketing any of our product candidates. Any insurance we have or may obtain may not provide sufficient coverage against potential liabilities. Furthermore, clinical trial and product liability insurance is becoming increasingly expensive. As a result, we may be unable to obtain sufficient insurance at a reasonable cost to protect us against losses caused by product liability claims that could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

We are exposed to the risk of fraud or other misconduct by our employees or independent contractors. Misconduct by these parties could include intentional failures to comply with FDA regulations, provide accurate information to the FDA, comply with manufacturing standards we may establish, comply with federal and state data privacy, security, fraud and abuse, and other healthcare laws and regulations, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing.

discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws could also involve the improper use or misrepresentation of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a material and adverse effect on our business, financial condition, results of operations and prospects, including the imposition of significant fines or other sanctions.

Our information technology systems, or those of our CROs or other contractors or consultants we may utilize, may fail, suffer disruptions or suffer security breaches, which could result in a material disruption of our product development programs.

Our information technology and other internal infrastructure systems and those of our CROs and contractors and consultants, including corporate firewalls, servers, leased lines and connection to the Internet, face the risk of systemic failure and may be vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Such events could cause interruptions of our operations. For instance, the loss of data from any current or future clinical trial or data from any preclinical studies involving our product candidates could result in delays in our development and regulatory filing efforts and significantly increase our costs. These challenges have been made more difficult by the COVID-19 pandemic and resulting shelter-in-place and stay-at-home restrictions, which are driving greater dependency on remote working technology and electronic monitoring of clinical trial sites. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data, or inappropriate disclosure of confidential or proprietary information, we could incur liability, recovery of our data could take a prolonged period of time, and the development of our research or product candidates could be delayed.

Cybersecurity breaches and other disruptions could compromise our information, including the theft of our intellectual property, and could expose us to liability, which could cause our business and reputation to suffer.

We are increasingly dependent on information technology systems and infrastructure, including mobile technologies, to operate our business. In the ordinary course of our business, we collect and store confidential and sensitive electronic information on our networks and in our data centers. This information includes, among other things, our intellectual property and proprietary information, the confidential information of our collaborators and licensees, and the personally identifiable information of our employees. It is important to our operations and business strategy that this electronic information remains secure and is perceived to be secure. The size and complexity of our information technology systems, and those of third-party vendors with whom we contract, and the volume of data we retain, make such systems potentially vulnerable to breakdown, malicious intrusion, security breaches and other cyber-attacks. Information security risks have significantly increased in recent years in part due to the proliferation of new technologies and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign private parties and state actors. A security breach or privacy violation that leads to disclosure or modification of or prevents access to personally identifiable information or other protected information could harm our reputation, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenue. Similarly, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Additionally, theft of our intellectual property or proprietary business information could require substantial expenditures to remedy. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. While we have implemented security measures to protect our data security and information technology systems, such measures may not prevent such events. Significant disruptions of our information technology systems or breaches of data security could have a material adverse effect on our business, financial condition and results of operations.

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

Our research and development activities involve the use of hazardous materials and various chemicals. We maintain quantities of various flammable and toxic chemicals in our facilities in South San Francisco, California that are required for our research and development activities. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. We believe our procedures for storing, handling and disposing these materials in our South San Francisco facilities comply with the relevant guidelines of South San Francisco, the state of California and the Occupational Safety and Health Administration of the U.S. Department of Labor. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards mandated by applicable regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. If an accident occurs, we could be held liable for resulting damages, which could be substantial. We are also subject to numerous environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of animals and biohazardous materials. Although we maintain workers' compensation insurance to cover us for costs and expenses, we may incur due to injuries to our employees resulting from the use of these materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological or hazardous materials. Additional federal, state and local laws and regulations affecting our operations may be adopted in the future. We may incur substantial costs to comply with, and substantial fines or penalties if we violate, any of these laws or regulations.

Our current operations are concentrated in one location, and we or the third parties upon whom we depend may be adversely affected by earthquakes or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our current operations are located in our facilities in South San Francisco, California. Any unplanned event, such as flood, fire, explosion, earthquake, extreme weather condition, medical epidemics, power shortage, telecommunication failure or other natural or manmade accidents or incidents that result in us being unable to fully utilize our facilities, or the manufacturing facilities of our third-party contract manufacturers, may have a material and adverse effect on our ability to operate our business, particularly on a daily basis, and have significant negative consequences on our financial and operating conditions. Loss of access to these facilities may result in increased costs, delays in the development of our product candidates or interruption of our business operations. Earthquakes or other natural disasters could further disrupt our operations and have a material and adverse effect on our business, financial condition, results of operations and prospects. If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as our research facilities or the manufacturing facilities of our third-party contract manufacturers, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. For example, the COVID-19 pandemic has caused us to restrict access to our facility and, although we are continuing to operate on a minimal basis in our facility and through a work-from-home program, it has impacted our ability to conduct business. The disaster recovery and business continuity plans we have in place may prove inadequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, could have a material and adverse effect on our business. As part of our risk management policy, we maintain insurance coverage at levels that we believe are appropriate for our business. However, in the event of an accident or incident at these facilities, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages and losses. If our facilities, or the manufacturing facilities of our third-party contract manufacturers, are unable to operate because of an accident or incident or for any other reason, even for a short period of time, any or all of our research and development programs may be harmed. Any business interruption may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the U.S.

We prepare our financial statements in conformity with accounting principles generally accepted in the U.S. These accounting principles are subject to interpretation by the Financial Accounting Standards Board ("FASB") and the SEC. A change in these policies or interpretations could have a significant effect on our reported financial results, may retroactively affect previously reported results, could cause unexpected financial reporting fluctuations, and may require us to make costly changes to our operational processes and accounting systems. For example, in May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in the U.S. GAAP when it became effective. The new standard was effective at the beginning of our fiscal year 2018 with early adoption permitted for our fiscal year 2017. We evaluated the impact of ASU 2014-09 on our financial statements and adoption of the standard had a significant impact on our financial statements and retroactively affected the accounting treatment of transactions completed before adoption. Additionally, for the purpose of revenue recognition, we are required to estimate research service periods as well as the related cost to completion, of our research development program. Such estimates are inherently uncertain and may result in changes in estimates to financial statements in subsequent periods.

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

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the “IRC”), if a corporation undergoes an “ownership change” (generally defined as a greater than 50 percentage points change (by value) in the ownership of its equity over a rolling three-year period), the corporation’s ability to use its pre-change net operating loss carryforwards and certain other pre-change tax attributes to offset its post-change income and taxes may be limited. California has similar rules. For example, we performed an IRC Section 382 analysis in 2017 and determined there was an ownership change that resulted in Section 382 limitations. The ownership change limited our ability to utilize net operating losses against taxable income in 2018 for both federal and California tax purposes. The remaining net operating losses and credit will be available in future years before expiration during their respective carryforward periods. We may experience ownership changes in the future as a result of shifts in our stock ownership, some of which are outside our control, and our ability to utilize net operating loss carryforwards could be limited by an “ownership change” as described above, which could result in additional increased tax liability to the Company.

Changes in U.S. or foreign tax laws or regulations that are applied adversely to us may have a material adverse effect on our business, cash flow, financial condition or results of operations.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could adversely affect our business and financial condition. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. For example, legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act (the “Tax Act”), enacted many significant changes to the U.S. tax laws. Future guidance from the Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. In addition, it is uncertain if and to what extent various states will conform to the Tax Act or any newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Act or future reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges, and could increase our future tax expense. Recent presidential candidate proposals for U.S. tax legislation could have a material adverse effect on our future business, financial condition and results of operations.

Risks Related to Intellectual Property

If we are not able to obtain and enforce patent protection for our technologies or product candidates, development and commercialization of our product candidates may be adversely affected.

Our success depends in part on our ability to obtain and maintain patents and other forms of intellectual property rights, including in-licenses of intellectual property rights of others, for our product candidates, methods used to manufacture our product candidates and methods for treating patients using our product candidates, as well as our ability to preserve our trade secrets, to prevent third parties from infringing upon our proprietary rights and to operate without infringing upon the proprietary rights of others. We have a substantial number of issued patents and pending patent applications, some of which are co-owned with a third party, covering our Probody platforms and products as well as methods of use and production thereof; we have exclusively licensed UCSB’s interest in the patent family co-owned with UCSB that covers Probody and other pro-protein technology in the fields of therapeutics, *in vivo* diagnostics and prophylactics. In addition, we have exclusively licensed a patent portfolio of three patent families from UCSB that includes patents and patent applications that cover compositions and methods related to the screening for and identification of the masks and protease-cleavable linkers that we incorporate into our Probody candidates. We may not be able to apply for patents on certain aspects of our product candidates in a timely fashion or at all. Our existing issued and granted patents and any future patents we obtain may not be sufficiently broad to prevent others from using our technology or from developing competing products and technology. There is no guarantee that any of our pending patent applications will result in issued or granted patents, that any of our issued or granted patents will not later be found to be invalid or unenforceable or that any issued or granted patents will include claims that are sufficiently broad to cover our product candidates or to provide meaningful protection from our competitors. Moreover, the patent position of biotechnology and biopharmaceutical companies can be highly uncertain because it involves complex legal and factual questions. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our current and future proprietary technology and product candidates are covered by valid and enforceable patents or are effectively maintained as trade secrets. If third parties disclose or misappropriate our proprietary rights, it may materially and adversely affect our position in the market.

The U.S. Patent and Trademark Office (“USPTO”) and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case. The standards applied by the USPTO and foreign patent offices in granting patents are not always applied uniformly or predictably. For example, there is no uniform worldwide policy regarding patentable subject matter or the scope of claims allowable in biotechnology and biopharmaceutical patents. As such, we do not know the degree of future protection that we will have on our proprietary products and technology. While we will endeavor to try to protect our product candidates with intellectual property rights such as patents, as appropriate, the process of obtaining patents is time-consuming, expensive and sometimes unpredictable.

In addition, there are numerous recent changes to the patent laws and proposed changes to the rules of the USPTO that may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. For example, the America Invents Act (“AIA”) enacted within the last several years involves significant changes in patent legislation. The Supreme Court has ruled on several patent cases in recent years, some of which cases either narrow the scope of patent protection available in certain circumstances or weaken the rights of patent owners in certain situations. The recent decision by the Supreme Court in *Association for Molecular Pathology v. Myriad Genetics, Inc.* precludes a claim to a nucleic acid having a stated nucleotide sequence that is identical to a sequence found in nature and has not been modified. We currently are not aware of an immediate impact of this decision on our patents or patent applications because we are developing product candidates that contain modifications, such as our Probody substrates and masks, that we believe are not found in nature. However, this decision has yet to be clearly interpreted by courts and by the USPTO. We cannot assure you that the interpretations of this decision or subsequent rulings will not adversely impact our patents or patent applications. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Once granted, patents may remain open to opposition, interference, re-examination, post-grant review, inter parties review, nullification or derivation action in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against such initial grant. In the course of such proceedings, which may continue for a protracted period of time, the patent owner may be compelled to limit the scope of the allowed or granted claims thus attacked, or may lose the allowed or granted claims altogether. In addition, there can be no assurance that:

- Others will not or may not be able to make, use or sell compounds that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or license.
- We or our licensors, or our collaborators are the first to make the inventions covered by each of our issued patents and pending patent applications that we own or license.
- We or our licensors, or our collaborators are the first to file patent applications covering certain aspects of our inventions.
- Others will not independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our intellectual property rights.
- A third party may not challenge our patents and, if challenged, a court would hold that our patents are valid, enforceable and infringed.
- Any issued patents that we own or have licensed will provide us with any competitive advantages, or will not be challenged by third parties.
- We may develop additional proprietary technologies that are patentable.
- The patents of others will not have a material or adverse effect on our business, financial condition, results of operations and prospects.
- Our competitors do not conduct research and development activities in countries where we do not have enforceable patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets.

Other companies or organizations may challenge our or our licensors' patent rights or may assert patent rights that prevent us from developing and commercializing our products.

Probody therapeutics are a relatively new scientific field. We have obtained grants and issuances of Probody therapeutic patents and have licensed one patent family comprising several of these patents from a third party on an exclusive basis for therapeutics applications. The issued patents and pending patent applications in the United States and in key markets around the world that we own or license claim many different methods, compositions and processes relating to the discovery, development, manufacture and commercialization of antibody and immunoregulatory therapeutics. Specifically, we own and have licensed a portfolio of patents, patent applications and other intellectual property covering Probody compositions of matter as well as their methods of manufacturing and use.

As the field of antibody and immunoregulatory therapeutics matures, patent applications are being processed by national patent offices around the world. There is uncertainty about which patents will issue, and, if they do, as to when, to whom, and with what claims. In addition, third parties may attempt to invalidate our intellectual property rights.

Even if our rights are not directly challenged, disputes could lead to the weakening of our intellectual property rights. Our defense against any attempt by third parties to circumvent or invalidate our intellectual property rights could be costly to us, could require significant time and attention of our management and could have a material and adverse effect on our business, financial condition, results of operations and prospects or our ability to successfully compete.

There are many issued and pending patents that claim aspects of our product candidates and modifications that we may need to apply to our product candidates. There are also many issued patents that claim antibodies or portions of antibodies that may be relevant for Probody products we wish to develop. Thus, it is possible that one or more organizations will hold patent rights to which we will need a license. If those organizations refuse to grant us a license to such patent rights on reasonable terms, we may not be able to market products or perform research and development or other activities covered by these patents.

We may not be able to protect our intellectual property rights throughout the world.

Obtaining a valid and enforceable issued or granted patent covering our technology in the U.S. and worldwide can be extremely costly. In jurisdictions where we have not obtained patent protection, competitors may use our technology to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but where it is more difficult to enforce a patent as compared to the U.S. Competitor products may compete with our future products in jurisdictions where we do not have issued or granted patents or where our issued or granted patent claims or other intellectual property rights are not sufficient to prevent competitor activities in these jurisdictions. The legal systems of certain countries, particularly certain developing countries, make it difficult to enforce patents and such countries may not recognize other types of intellectual property protection, particularly that relating to biopharmaceuticals. This could make it difficult for us to prevent the infringement of our patents or marketing of competing products in violation of our proprietary rights generally in certain jurisdictions. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

We generally file a provisional patent application first (a priority filing) at the USPTO. An international application under the Patent Cooperation Treaty ("PCT") is usually filed within twelve months after the priority filing. Based on the PCT filing, national and regional patent applications may be filed in the United States, Europe, Japan, Australia and Canada and, depending on the individual case, also in any or all of, *inter alia*, Brazil, China, Hong Kong, India, Indonesia, Israel, Malaysia, Mexico, New Zealand, Russia or Eurasian Patent Organization, Singapore, South Africa, South Korea and other jurisdictions. We have so far not filed for patent protection in all national and regional jurisdictions where such protection may be available. In addition, we may decide to abandon national and regional patent applications before grant. Finally, the grant proceeding of each national or regional patent is an independent proceeding which may lead to situations in which applications might in some jurisdictions be refused by the relevant registration authorities, while granted by others. It is also quite common that depending on the country, various scopes of patent protection may be granted on the same product candidate or technology.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in the U.S., and many companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If we or our licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions. Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position in the relevant jurisdiction may be impaired and our business and results of operations may be adversely affected.

We or our licensors, or any future strategic partners may become subject to third party claims or litigation alleging infringement of patents or other proprietary rights or seeking to invalidate patents or other proprietary rights, and we may need to resort to litigation to protect or enforce our patents or other proprietary rights, all of which could be costly, time consuming, delay or prevent the development and commercialization of our product candidates, or put our patents and other proprietary rights at risk.

We or our licensors, or any future strategic partners may be subject to third-party claims for infringement or misappropriation of patent or other proprietary rights. We are generally obligated under our license or collaboration agreements to indemnify and hold harmless our licensors or collaborators for damages arising from intellectual property infringement by us. For example, in March 2020, Vytacera Bio, LLC filed a patent infringement lawsuit against the Company in the U.S. District Court for the District of Delaware. The lawsuit alleges that the Company's use, offers to sell, and/or sales of the Probody technology platform for basic research applications constitutes infringement. The complaint seeks unspecified monetary damages. The Company believes that the lawsuit is without merit and intends to vigorously defend itself. However, there can be no assurance that a court might not rule against us in these proceedings. Even if we are successful in defending against such claim, this litigation could divert management's attention, as well as our resources, from our business and any claims paid out of our cash reserves would harm our financial condition and operating results.

If we or our licensors, or any future strategic partners are found to infringe a third-party patent or other intellectual property rights, we could be required to pay damages, potentially including treble damages, if we are found to have willfully infringed. In addition, we or our licensors, or any future strategic partners may choose to seek, or be required to seek, a license from a third party, which may not be available on acceptable terms, if at all. Even if a license can be obtained on acceptable terms, the rights may be non-exclusive, which could give our competitors access to the same technology or intellectual property rights licensed to us. If we fail to obtain a required license, we or our collaborators may be unable to effectively market product candidates based on our technology, which could limit our ability to generate revenue or achieve profitability and possibly prevent us from generating revenue sufficient to sustain our operations. In addition, we may find it necessary to pursue claims or initiate lawsuits to protect or enforce our patent or other intellectual property rights. The cost to us in defending or initiating any litigation or other proceeding relating to patent or other proprietary rights, even if resolved in our favor, could be substantial, and litigation would divert our management's attention. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could delay our research and development efforts and limit our ability to continue our operations.

If we were to initiate legal proceedings against a third party to enforce a patent covering one of our products or our technology, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigation in the U.S., defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on one or more of our products or certain aspects of our platform technology. Such a loss of patent protection could have a material and adverse effect on our business, financial condition, results of operations and prospects. Patents and other intellectual property rights also will not protect our technology if competitors design around our protected technology without legally infringing, misappropriating or otherwise violating our patents or other intellectual property rights.

Intellectual property rights of third parties could adversely affect our ability to commercialize our product candidates, and we might be required to litigate or obtain licenses from third parties in order to develop or market our product candidates. Such litigation or licenses could be costly or not available on commercially reasonable terms.

Because the antibody landscape is still evolving, including the masked antibody landscape, it is difficult to conclusively assess our freedom to operate without infringing on third-party rights. There are numerous companies that have pending patent applications and issued patents broadly covering antibodies generally or covering antibodies directed against the same targets as, or targets similar to, those we are pursuing. There are many issued patents and patent applications covering antibodies targeted against PD-1 and PD-L1, and the intellectual property covering PD-1 and PD-L1 antibodies has been the subject of litigation and licensing, especially regarding how broadly certain claims should be construed. If the claims were to be construed broadly by the courts, we may need to obtain a license to some of such intellectual property, covering PD-1 and/or PD-L1 antibodies, which would decrease the profits we would realize from the sale of such products. An increasing number of third parties are filing masked antibody patent applications, several of which contain claims that are patterned after our own patent claims. Our competitive position may suffer if patents issued to third parties or other third-party intellectual property rights cover our products or product candidates or elements thereof, or our manufacture or uses relevant to our development plans. In such cases, we may not be in a position to develop or commercialize products or product candidates unless we successfully pursue litigation to nullify or invalidate the third-party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, if available on commercially reasonable terms. There may be issued patents of which we are not aware, held by third parties that, if found to be valid and enforceable, could be alleged to be infringed by our Probody therapeutic technologies. There also may be pending patent applications of which we are not aware that may result in issued patents, which could be alleged to be infringed by our Probody therapeutic technologies. If such an infringement claim should be brought and be successful, we may be required to pay substantial damages, be forced to abandon our product candidates or seek a license from any patent holders. No assurances can be given that a license will be available on commercially reasonable terms, if at all.

It is also possible that we have failed to identify relevant third-party patents or applications. For example, U.S. applications filed before November 29, 2000 and certain U.S. applications filed after that date that will not be filed outside the U.S. remain confidential until patents issue. Patent applications in the U.S. and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our products or platform technology could have been filed by others without our knowledge. Additionally, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our platform technologies, our products or the use of our products. Third-party intellectual property right holders may also actively bring infringement claims against us. We cannot guarantee that we will be able to successfully settle or otherwise resolve such infringement claims. If we are unable to successfully settle future claims on terms acceptable to us, we may be required to engage in or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing our products. If we fail in any such dispute, in addition to being forced to pay damages, we may be temporarily or permanently prohibited from commercializing any of our product candidates that are held to be infringing. We might, if possible, also be forced to redesign product candidates so that we no longer infringe the third-party intellectual property rights. Any of these events, even if we were ultimately to prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Litigation or other legal proceedings relating to intellectual property claims, with or without merit, is unpredictable and generally expensive and time consuming and is likely to divert significant resources from our core business, including distracting our technical and management personnel from their normal responsibilities. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities.

We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon, misappropriating or otherwise violating or from successfully challenging our intellectual property rights. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material and adverse effect on our ability to compete in the marketplace.

If we fail to comply with our obligations under any license, collaboration or other agreements, we may be required to pay damages and could lose our rights to intellectual property rights that are necessary for developing and protecting our product candidates or we could lose certain rights to grant sublicenses.

Our licenses from Amgen, ImmunoGen and UCSB impose, and any future licenses we enter into are likely to impose, various development, commercialization, funding, diligence, sublicensing, insurance, patent prosecution and enforcement and/or other obligations on us, including various payment obligations such as milestone and royalty payments and payments based on sublicensing revenues. Our rights under our agreements with our licensors or collaborators may be limited or modified according to their terms. Additionally, if we breach any of these obligations, or use the intellectual property licensed to us in an unauthorized manner, we may be required to pay damages and the licensor may have the right to terminate the license, which could result in us being unable to develop, manufacture and sell products that are covered by the licensed technology or enable a competitor to gain access to the licensed technology. Moreover, our licensors and collaborators may own or control intellectual property that has not been licensed to us and, as a result, we may be subject to claims, regardless of their merit, that we are infringing, misappropriating or otherwise violating the licensor's rights. In addition, while we cannot currently determine the amount of the royalty or sublicense revenue payment obligations we would be required to pay on development or sales of future products, if any, the amounts may be significant. The amount of our future royalty or sublicense revenue payment obligations will depend on the technology and intellectual property we use in products that we successfully develop and commercialize, if any. Therefore, even if we successfully develop and commercialize products, we may be unable to achieve or maintain profitability.

Our intellectual property agreements with our licensors, collaborators and third parties may be subject to disagreements over contract interpretation, which could narrow the scope of, or result in termination of, our rights to the relevant intellectual property or technology or increase our financial or other obligations to such third parties.

Certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. For example, we may disagree with our licensors or collaborators regarding whether, when and to what extent various obligations under these agreements apply to certain of our product candidates and products, including various payment, development, commercialization, funding, diligence, sublicensing, insurance, patent prosecution and enforcement and/or other obligations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology, or affect financial or other obligations under the relevant agreement. In either case, such disagreement could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Our assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to seeking patent protection for certain aspects of our product candidates, we also consider trade secrets, including confidential and unpatented know-how, important to the maintenance of our competitive position. We protect trade secrets and confidential and unpatented know-how, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to such knowledge, such as our employees, corporate collaborators, outside scientific collaborators, CROs, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants that obligate them to maintain confidentiality and assign their inventions to us.

Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts in the U.S. and certain foreign jurisdictions are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

We may be subject to claims that we or our employees or consultants have wrongfully used or disclosed alleged trade secrets of our employees' or consultants' former employers or their clients. These claims may be costly to defend and if we do not successfully do so, we may be required to pay monetary damages and may lose valuable intellectual property rights or personnel.

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

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

Risks Related to Government Regulation

We may be unable to obtain or be delayed in obtaining U.S. or foreign regulatory approval and, as a result, be unable or delayed in being able to commercialize our product candidates.

Our product candidates that we are currently developing are regulated as therapeutic biologics that are subject to requirements for review and approval of a BLA by the FDA's Center for Drug Evaluation and Research ("CDER"). Therefore, our product candidates are subject to extensive governmental regulations relating to, among other things, research, testing, development, manufacturing, safety, efficacy, approval, recordkeeping, reporting, labeling, storage, packaging, advertising and promotion, pricing, marketing and distribution of drugs and therapeutic biologics. Rigorous preclinical testing and clinical trials and an extensive regulatory approval process are required to be successfully completed in the U.S. and in many foreign jurisdictions before a new drug or therapeutic biologic can be marketed. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. For example, at this time it is impossible to predict whether the COVID-19 pandemic will cause regulatory delays in the U.S. or foreign jurisdictions. It is possible that none of the product candidates we may develop will obtain the regulatory approvals necessary for us or our existing or future collaborators to begin selling them.

As a company, we have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals, including approval by the FDA. The time required to obtain FDA and other approvals is unpredictable but typically takes many years following the commencement of clinical trials, depending upon the type, complexity and novelty of the product candidate. The standards that the FDA and its foreign counterparts use when regulating us require judgment and can change, which makes it difficult to predict with certainty how they will be applied. Any analysis we perform of data from preclinical and clinical activities is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. We may also encounter unexpected delays or increased costs due to new government regulations, for example, from future legislation or administrative action, or from changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. Further, government shutdowns, such as the partial U.S. federal government shutdown in late 2018 or the uncertain impact of the United Kingdom's departure from the European Union may impact our ability to access government agencies in a timely manner or otherwise impact our ability to move our product candidates through the regulatory process. It is impossible to predict whether legislative changes will be enacted, or whether FDA or foreign regulations, guidance or interpretations will be changed, or what the impact of such changes, if any, may be.

Moreover, the FDA may respond to our submissions by defining requirements we may not have anticipated. Such responses could lead to significant delays in the clinical development of our product candidates. In addition, because there may be approved treatments for some of the diseases for which we may seek approval, in order to receive regulatory approval, we may need to demonstrate through clinical trials that the product candidates we develop to treat these diseases, if any, are not only safe and effective, but safer or more effective than existing products. Furthermore, in recent years, there has been increased public and political pressure on the FDA with respect to the approval process for new drugs and therapeutic biologics, and the FDA's standards, especially regarding product safety, appear to have become more stringent.

Any delay or failure in obtaining required approvals could have a material and adverse effect on our ability to generate revenues from the particular product candidate for which we are seeking approval. Furthermore, any regulatory approval to market a product may be subject to limitations on the approved uses for which we may market the product or the labeling or other restrictions. In addition, the FDA has the authority to require a REMS as part of a BLA or after approval, which may impose further requirements or restrictions on the distribution or use of an approved drug or biologic, such as limiting prescribing to certain physicians or medical centers that have undergone specialized training, limiting treatment to patients who meet certain safe-use criteria and requiring treated patients to enroll in a registry. These limitations and restrictions may limit the size of the market for the product and affect reimbursement by third-party payors.

We are also subject to numerous foreign regulatory requirements governing, among other things, the conduct of clinical trials, manufacturing and marketing authorization, pricing and third-party reimbursement. The foreign regulatory approval process varies among countries and may include all of the risks associated with FDA approval described above as well as risks attributable to the satisfaction of local regulations in foreign jurisdictions. Moreover, the time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA does not ensure approval by regulatory authorities outside the U.S. and vice versa.

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

Any regulatory approvals that we or our collaborators obtain for our product candidates may also be subject to limitations on the approved indicated uses for which a product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including “Phase 4” clinical trials, and surveillance to monitor the safety and efficacy of the product candidate. In addition, if the FDA or a comparable foreign regulatory authority approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, import, export, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and good clinical practices for any clinical trials that we conduct post-approval. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us or our strategic partners;
- suspension or revocation of product license approvals;
- product seizure or detention or refusal to permit the import or export of products; and
- injunctions or the imposition of civil or criminal penalties.

The FDA’s policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the U.S. government may impact our business and industry. For example, the Executive Branch of the U.S. government has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA’s ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these requirements will be implemented, and the extent to which they will impact the FDA’s ability to exercise its regulatory authority. If these executive actions impose constraints on FDA’s ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

Disruptions at the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified products from being developed, approved or commercialized in a timely manner or at all, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is inherently fluid and unpredictable. Disruptions at the FDA and other agencies may also slow the time necessary for therapeutic biologics or modifications to approved therapeutic biologics to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough FDA employees and stop critical activities.

Separately, in response to the global pandemic of COVID-19, on March 10, 2020 the FDA announced its intention to postpone most foreign inspections of manufacturing facilities and products through April 2020, and subsequently, on March 18, 2020, the FDA announced its intention to temporarily postpone routine surveillance inspections of domestic manufacturing facilities. Regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

Healthcare legislative reform measures may have a material and adverse effect on our business and results of operations.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the "ACA"), was passed, which substantially changed the way healthcare is financed by both governmental and private insurers, and significantly impacts the U.S. pharmaceutical industry. The ACA, among other things, subjected therapeutic biologics to potential competition by lower-cost biosimilars, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs and therapeutic biologics that are inhaled, infused, instilled, implanted or injected, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to individuals enrolled in Medicaid managed care organizations, established annual fees and taxes on manufacturers of certain branded prescription drugs and therapeutic biologics, and created a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts, which, through subsequent legislative amendments, was increased to 70% starting in 2019, off negotiated prices of applicable brand drugs and therapeutic biologics to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs and therapeutic biologics to be covered under Medicare Part D.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. By way of example, the Tax Cuts and Jobs Act of 2017 includes a provision repealing the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas, ruled that the individual mandate is a critical and inseparable feature of the ACA, and therefore, because it was repealed as part of the Tax Cuts and Jobs Act, the remaining provisions of the ACA are invalid as well. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court's decision that the individual mandate was unconstitutional but remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. On March 2, 2020, the U.S. Supreme Court granted the petitions for writs of certiorari to review the case, although it is unclear when a decision will be made or how the Supreme Court will rule. In addition, there may be other efforts to challenge, repeal, or replace the ACA. We are continuing to monitor any changes to the Affordable Care Act that, in turn, may potentially impact our business in the future.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted to reduce healthcare expenditures. The Budget Control Act of 2011, among other things, included aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2029 unless additional Congressional action is taken. These reductions will be suspended from May 1, 2020 through December 31, 2020 due to the COVID-19 pandemic. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. If federal spending is further reduced, anticipated budgetary shortfalls may also impact the ability of relevant agencies, such as the FDA or the National Institutes of Health to continue to function at current levels. Amounts allocated to federal grants and contracts may be reduced or eliminated. These reductions may also impact the ability of relevant agencies to timely review and approve research and development, manufacturing, and marketing activities, which may delay our ability to develop, market and sell any products we may develop.

Moreover, payment methodologies, including payment for companion diagnostics, may be subject to changes in healthcare legislation and regulatory initiatives. For example, the Centers for Medicare & Medicaid Services (“CMS”) has begun bundling the Medicare payments for certain laboratory tests ordered while a patient received services in a hospital outpatient setting. Additionally, CMS significantly altered the payment methodology under the Medicare Clinical Laboratory Fee Schedule (CLFS). Effective 2018, the CLFS is based on a weighted average of reported prices that private payors, Medicare Advantage plans, and Medicaid Managed Care plans pay for laboratory services. Further, in March 2018, CMS finalized a national coverage determination extending coverage under the Medicare program for certain diagnostic laboratory tests using next generation sequencing (“NGS”) that are approved by the FDA as a companion *in vitro* diagnostic and used in a cancer with an FDA-approved companion diagnostic indication. Under the national coverage determination, diagnostic tests that meet these criteria are covered only in patients with recurrent, metastatic, relapsed, refractory or stages III or IV cancer if the test has an FDA-approved or cleared indication for use in that patient’s cancer and results are provided to the treating physician for management of the patient using a report template to specify treatment options. Although the Medicare program increasingly is used as a model for how private payors and other governmental payors develop their coverage and reimbursement policies, it is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for any companion diagnostics associated with our product candidates.

In addition, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. For example, the 21st Century Cures Act changed the reimbursement methodology for infusion drugs and biologics furnished through durable medical equipment in an attempt to remedy over- and underpayment of certain products. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or companion diagnostics or additional pricing pressures.

Furthermore, certain candidates for the U.S. Presidential race in 2020 have promoted substantial changes to the healthcare system and drug pricing rules. If some of these changes were implemented, it could have a materially adverse impact on the ability of biotechnology and pharmaceutical companies, like us, to obtain capital to further their research or develop their product candidates make it economically unfeasible for such companies to continue to develop needed new innovative therapies.

If we or our collaborators, manufacturers or service providers fail to comply with healthcare laws and regulations, we or they could be subject to enforcement actions, which could affect our ability to develop, market and sell our products and may harm our reputation.

Although we do not currently have any products on the market, once we begin commercializing our product candidates, we will be subject to additional healthcare statutory and regulatory requirements and enforcement by the federal government and the states and foreign governments in which we conduct our business. Healthcare providers, physicians and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our product candidates for which we obtain marketing approval. In addition, we may be subject to patient data privacy and security regulation by both the U.S. federal government and the states in which we conduct our business. Restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind to induce or reward either the referral of an individual for, or the purchase, or order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the U.S. federal False Claims Act, which imposes criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (“HITECH”), which imposes obligations on certain covered entity healthcare providers, health plans, and healthcare clearinghouse as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information, including mandatory contractual terms, with respect to safeguarding the privacy, security, and transmission of individually identifiable health information, and require notification to affected individuals and regulatory authorities of certain breaches of security of individually identifiable health information;
- the U.S. federal legislation commonly referred to as Physician Payments Sunshine Act, enacted as part of the ACA, and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children’s Health Insurance Program to report annually to the CMS information related to certain payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), teaching hospitals and, beginning in 2022, certain other health care professionals, as well as ownership and investment interests held by the physicians described above and their immediate family members; and
- analogous state laws and regulations, such as state anti-kickback and false claims laws that may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug and therapeutic biologics manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures and pricing information; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Ensuring that our future business arrangements with third-parties comply with applicable healthcare laws and regulations could involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any such requirements, we may be subject to penalties, including civil or criminal penalties, monetary damages, the curtailment or restructuring of our operations, loss of eligibility to obtain approvals from the FDA, or exclusion from participation in government contracting, healthcare reimbursement or other government programs, including Medicare and Medicaid, any of which could adversely affect our financial results. Although effective compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, these risks cannot be entirely eliminated. Any action against us for an alleged or suspected violation could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. In addition, achieving and sustaining compliance with applicable laws and regulations may be costly to us in terms of money, time and resources.

If we or future collaborators, manufacturers or service providers fail to comply with applicable federal, state or foreign laws or regulations, we could be subject to enforcement actions, which could affect our ability to develop, market and sell our products successfully and could harm our reputation and lead to reduced acceptance of our products by the market. These enforcement actions include, among others:

- adverse regulatory inspection findings;
- warning letters;
- voluntary or mandatory product recalls or public notification or medical product safety alerts to healthcare professionals;
- restrictions on, or prohibitions against, marketing our products;
- restrictions on, or prohibitions against, importation or exportation of our products;
- suspension of review or refusal to approve pending applications or supplements to approved applications;
- exclusion from participation in government-funded healthcare programs;
- exclusion from eligibility for the award of government contracts for our products;
- suspension or withdrawal of product approvals;
- seizures or administrative detention of products;
- injunctions; and
- civil and criminal penalties and fines.

If we fail to comply with U.S. and foreign regulatory requirements, regulatory authorities could limit or withdraw any marketing or commercialization approvals we may receive and subject us to other penalties that could materially harm our business.

Even if we receive marketing and commercialization approval of a product candidate, we will be subject to continuing regulatory requirements, including in relation to adverse patient experiences with the product and clinical results that are reported after a product is made commercially available, both in the U.S. and any foreign jurisdiction in which we seek regulatory approval. The FDA has significant post-market authority, including the authority to require labeling changes based on new safety information and to require post-market studies or clinical trials to evaluate safety risks related to the use of a product or to require withdrawal of the product from the market. The FDA also has the authority to require a REMS plan after approval, which may impose further requirements or restrictions on the distribution or use of an approved drug or therapeutic biologic. The manufacturer and manufacturing facilities we use to make a future product, if any, will also be subject to periodic review and inspection by the FDA and other regulatory agencies, including for continued compliance with cGMP requirements. The discovery of any new or previously unknown problems with our third-party manufacturers, manufacturing processes or facilities may result in restrictions on the product, manufacturer or facility, including withdrawal of the product from the market. If we rely on third-party manufacturers, we will not have control over compliance with applicable rules and regulations by such manufacturers. Any product promotion and advertising will also be subject to regulatory requirements and continuing regulatory review. If we or our collaborators, manufacturers or service providers fail to comply with applicable continuing regulatory requirements in the U.S. or foreign jurisdictions in which we seek to market our products, we or they may be subject to, among other things, fines, warning letters, holds on clinical trials, delay of approval or refusal by the FDA to approve pending applications or supplements to approved applications, suspension or withdrawal of regulatory approval, product recalls and seizures, administrative detention of products, refusal to permit the import or export of products, operating restrictions, injunction, civil penalties and criminal prosecution.

We face regulation and potential liability related to the privacy, data protection and information security which may require significant resources and may adversely affect our business, operations and financial performance.

The regulatory environment surrounding information security, data collection and privacy is increasingly demanding. We are subject to numerous U.S. federal and state laws and non-U.S. regulations governing the protection of personal and confidential information of our clinical subjects, clinical investigators, employees and vendors/business contacts, including in relation to medical records, credit card data and financial information. For example, on May 25, 2018, the European General Data Protection Regulation, or GDPR, became effective, implementing more stringent requirements in relation to our use of personal data relating to individuals located in the E.U. (and E.E.A.). The GDPR repeals the Data Protection Directive (95/46/EC) and is directly applicable in all E.U. member states. The GDPR significantly increased fining levels to up to 4% total worldwide annual turnover or up to €20 million (whichever is higher) for non-compliance with its requirements. We will be subject to the GDPR where we have an E.U. presence or “establishment” (e.g., E.U. based subsidiary or operations), when conducting clinical trials with E.U. based data subjects (whether the trials are conducted directly by us or through a clinical vendor or collaborator) or offering approved products or services (if relevant) to E.U. based data subjects (regardless of whether involving our E.U. based subsidiary or operations).

The GDPR sets out a number of requirements that must be complied with when handling the personal data of such E.U. based data subjects including: providing expanded disclosures about how their personal data will be used; higher standards for organizations to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities; the obligation to appoint data protection officers in certain circumstances; new rights for individuals to be “forgotten” and rights to data portability, as well as enhanced current rights (e.g., access requests); the principal of accountability and demonstrating compliance through policies, procedures, training and audit; the new mandatory data breach regime. In particular, medical or health data, genetic data and biometric data where the latter is used to uniquely identify an individual (even, in certain situations, where such data is key coded) are all classified as “special category” data under GDPR and afford greater protection and require additional compliance obligations. Further, E.U. member states have a broad right to impose additional conditions – including restrictions – on these data categories. This is because the GDPR allows E.U. member states to derogate from the requirements of the GDPR mainly in regard to specific processing situations (including special category data and processing for scientific or statistical purposes). As the E.U. member states reframe their national legislation to harmonize with the GDPR, we will need to monitor compliance with all relevant E.U. member states’ laws and regulations, including where permitted derogations from the GDPR are introduced.

We will also be subject to evolving E.U. laws on data export, where we transfer data outside the E.U. (or E.E.A.) to group companies or third parties. The GDPR only permits exports of data outside the E.U. (and E.E.A.) where there is a suitable data transfer solution in place to safeguard personal data (e.g., the EU Commission approved Standard Contractual Clauses). Some of the approved current data transfer mechanisms are under review in the E.U. courts and by the E.U. Commission and therefore we need to monitor this space for any future changes.

Where we rely on third parties to carry out a number of services for us, including processing personal data on our behalf, we are required under GDPR to enter into contractual arrangements to help ensure that these third parties only process such data according to our instructions and have sufficient security measures in place. Any security breach or non-compliance with our contractual terms or breach of applicable law by such third parties could result in enforcement actions, litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse impact on our reputation and business.

In recent years, U.S. and European lawmakers and regulators have expressed concern over electronic marketing and the use of third-party cookies, web beacons and similar technology for online behavioral advertising. In the E.U., marketing is defined broadly to include any promotional material and the rules specifically on e-marketing are currently set out in the ePrivacy Directive which will be replaced by a new ePrivacy Regulation. While the ePrivacy Regulation was originally intended to be adopted on May 25, 2018 (alongside the GDPR), it is still going through the European legislative process and commentators now expect it to be adopted during the middle or second half of 2019. The current draft of the ePrivacy Regulation imposes strict opt-in e-marketing rules with limited exceptions to business to business communications and significantly increases fining powers to the same levels as GDPR (see above).

We may find it necessary or desirable to join self-regulatory bodies or other privacy-related organizations, particularly relating to biopharmacy and/or scientific research, that require compliance with their rules pertaining to privacy and data security.

The introduction of the GDPR, and any resultant changes in E.U. member states’ national laws and regulations and the ePrivacy Regulation, will increase our compliance obligations and will necessitate the review and implementation of policies and processes relating to our collection and use of data. This increase in compliance obligations could also lead to an increase in compliance costs which may have an adverse impact on our business, financial condition or results of operations.

In the United States, California enacted the California Consumer Privacy Act (“CCPA”) on June 28, 2018, which went into effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business.

If any person, including any of our employees, clinical vendors or collaborators or those with whom we share such information, negligently disregards or intentionally breaches our established controls with respect to our clinical subject, clinical investigator or employee data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions. As above, under the GDPR there are significant new punishments for non-compliance which could result in a penalty of up to 4% of a firm’s global annual revenue. In addition, a data breach could result in negative publicity which could damage our reputation and have an adverse effect on our business, financial condition or results of operations.

We strive to comply with all applicable laws, but they may conflict with each other, and by complying with the laws or regulations of one jurisdiction, we may find that we are violating the laws or regulations of another jurisdiction. Despite our efforts, we may not have fully complied in the past and may not in the future. If we become liable under laws or regulations applicable to us, we could be required to pay significant fines and penalties, our reputation may be harmed and we may be forced to change the way we operate. That could require us to incur significant expenses or to discontinue certain services, which could negatively affect our business.

Even if we are able to commercialize any product candidate, such product candidate may become subject to unfavorable pricing regulations or third-party coverage and reimbursement policies, which would harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new drugs and therapeutic biologics vary widely from country to country. Some countries require approval of the sale price of a drug or therapeutic biologic before it can be marketed. In many countries, the pricing review period begins after marketing approval is granted. In some foreign markets, prescription biopharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods and negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain regulatory approval.

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government authorities, private health insurers and other organizations. Even if we succeed in bringing one or more products to the market, these products may not be considered cost-effective, and the amount reimbursed for any products may be insufficient to allow us to sell our products on a competitive basis. Because our programs are in the early stages of development, we are unable at this time to determine their cost effectiveness or the likely level or method of reimbursement. Increasingly, the third-party payors who reimburse patients or healthcare providers, such as government and private insurance plans, are requiring that drug companies provide them with predetermined discounts from list prices, and are seeking to reduce the prices charged or the amounts reimbursed for biopharmaceutical products. If the price we are able to charge for any products we develop, or the reimbursement provided for such products, is inadequate in light of our development and other costs, our return on investment could be adversely affected. There may be significant delays in obtaining reimbursement for newly-approved drugs or therapeutic biologics, and coverage may be more limited than the purposes for which the drug or therapeutic biologic is approved by the FDA or similar regulatory authorities outside of the United States. Moreover, eligibility for reimbursement does not imply that any drug or therapeutic biologic will be reimbursed in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs or therapeutic biologics, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may be based on payments allowed for lower-cost drugs or therapeutic biologics that are already reimbursed, may be incorporated into existing payments for other services and may reflect budgetary constraints or imperfections in Medicare data. Net prices for drugs or therapeutic biologics may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs or therapeutic biologics from countries where they may be sold at lower prices than in the U.S. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement rates. Our inability to promptly obtain coverage and adequate reimbursement rates from both government-funded and private payors for new drugs or therapeutic biologics that we develop and for which we obtain regulatory approval could have a material and adverse effect on our operating results, our ability to raise capital needed to commercialize products and our financial condition.

We may seek and fail to obtain fast track or breakthrough therapy designations for our current or future product candidates. If we are successful, these programs may not lead to a faster development or regulatory review process, and they do not guarantee we will receive approval for any product candidate. We may also seek to obtain accelerated approval for one or more of our product candidates but the FDA may disagree that we have met the requirements for such approval.

If a product is intended for the treatment of a serious or life-threatening condition and preclinical or clinical data demonstrate the potential to address an unmet medical need for this condition, the product sponsor may apply for fast track designation. The FDA has broad discretion whether or not to grant this designation, so even if we believe a particular product candidate is eligible for this designation, we cannot assure you that the FDA would decide to grant it. Even if we do receive fast track designation, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may rescind the fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

We may also seek breakthrough therapy designation for any product candidate that we develop. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over currently approved therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Like fast track designation, breakthrough therapy designation is within the discretion of the FDA. Accordingly, even if we believe a product candidate we develop meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of breakthrough therapy designation for a product candidate may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if a product candidate we develop qualifies as a breakthrough therapy, the FDA may later decide that the drug no longer meets the conditions for qualification and rescind the designation.

Product candidates may also be eligible for accelerated approval if the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of accelerated approval, the FDA will generally require the sponsor to perform adequate and well-controlled post-marketing clinical studies to verify and describe the anticipated effect on irreversible morbidity or mortality or other clinical benefit. In addition, the FDA requires pre-approval of promotional materials for accelerated approval products, once approved. We cannot guarantee that the FDA will agree any of our product candidates has met the criteria to receive accelerated approval, which would require us to conduct additional clinical testing prior to seeking FDA approval. Even if any of our product candidates received approval through this pathway, the product may fail required post-approval confirmatory clinical trials, and we may be required to remove the product from the market or amend the product label in a way that adversely impacts its marketing.

We may seek Orphan Drug Designation for some of our product candidates, and we may be unsuccessful or may be unable to maintain the benefits associated with Orphan Drug Designation, including the potential for market exclusivity.

As part of our business strategy, we may seek Orphan Drug Designation for our product candidates, and we may be unsuccessful. Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs and therapeutic biologics for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a drug or therapeutic biologic as an orphan drug if it is a drug or therapeutic biologic intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug or therapeutic biologic will be recovered from sales in the United States. In the United States, Orphan Drug Designation entitles a party to financial incentives such as opportunities for grant funding toward clinical trial costs, tax advantages and user-fee waivers. In addition, if a product that has Orphan Drug Designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including a full BLA, to market the same product for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity or where the manufacturer is unable to assure sufficient product quantity.

Even if we obtain Orphan Drug Designation for our product candidates in specific indications, we may not be the first to obtain marketing approval of these product candidates for the orphan-designated indication due to the uncertainties associated with developing pharmaceutical products. In addition, exclusive marketing rights in the United States may be limited if we seek approval for an indication broader than the orphan-designated indication or may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs or therapeutic biologics with different active moieties can be approved for the same condition. Even after an orphan product is approved, the FDA can subsequently approve the same drug or therapeutic biologic with the same active moiety for the same condition if the FDA concludes that the later drug or therapeutic biologic is safer, more effective or makes a major contribution to patient care. Orphan Drug Designation neither shortens the development time or regulatory review time of a drug or therapeutic biologic nor gives the drug or therapeutic biologic any advantage in the regulatory review or approval process. In addition, while we may seek Orphan Drug Designation for our product candidates, we may never receive such designations.

Tax reform legislation passed in 2017 reduced the amount of the qualified clinical research costs for a designated orphan product that a sponsor may claim as a credit from 50% to 25%. Thus, further limiting the advantage and may impact our future business strategy of seeking the Orphan Drug Designation.

Risks Related to Ownership of Our Common Stock

Our quarterly operating results may fluctuate significantly or may fall below the expectations of investors or securities analysts, each of which may cause our stock price to fluctuate or decline.

We expect our operating results to be subject to quarterly fluctuations. Our net loss and other operating results will be affected by numerous factors, including:

- variations in the level of expense related to the ongoing development of our Probody platform, our product candidates or future development programs;
- results of clinical trials, or the addition or termination of clinical trials or funding support by us, or existing or future collaborators or licensing partners;
- our execution of any additional collaboration, licensing or similar arrangements, and the timing of payments we may make or receive under existing or future arrangements or the termination or modification of any such existing or future arrangements;
- developments or disputes concerning patents or other proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our products;
- any intellectual property infringement lawsuit or opposition, interference or cancellation proceeding in which we may become involved;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- if any of our product candidates receives regulatory approval, the terms of such approval and market acceptance and demand for such product candidates;
- regulatory developments affecting our product candidates or those of our competitors; and
- changes in general market and economic conditions.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Our stock price may be volatile and purchasers of our common stock could incur substantial losses.

Our stock price is volatile. Since our initial public offering (“IPO”), our stock had low and high sales prices in the range of \$3.60 and \$35.00 per share. The market price for our common stock may be influenced by many factors, including the other risks described in this section titled “Risk Factors” and the following:

- results of clinical trials and preclinical studies of our product candidates, or those of our competitors or our collaborators;
- regulatory or legal developments in the U.S. and other countries, especially changes in laws or regulations applicable to our products;
- the success of competitive products or technologies;
- introductions and announcements of new products by us, our future commercialization partners, or our competitors, and the timing of these introductions or announcements;
- actions taken by regulatory agencies with respect to our products, clinical studies, manufacturing process or sales and marketing terms;
- actual or anticipated variations in our financial results or those of companies that are perceived to be similar to us;
- the success of our efforts to acquire or in-license additional technologies, products or product candidates;
- developments concerning any existing or future collaborations, including but not limited to those with our sources of manufacturing supply and our commercialization partners;
- market conditions in the pharmaceutical and biotechnology sectors;
- announcements by us or our competitors of significant acquisitions, strategic collaborations, joint ventures or capital commitments;
- developments or disputes concerning patents or other proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our products;
- our ability or inability to raise additional capital and the terms on which we raise it;
- the recruitment or departure of key personnel;
- changes in the structure of healthcare payment systems;
- actual or anticipated changes in earnings estimates or changes in stock market analyst recommendations regarding our common stock, other comparable companies or our industry generally;
- our failure or the failure of our competitors to meet analysts’ projections or guidance that we or our competitors may give to the market;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- announcement and expectation of additional financing efforts;
- speculation in the press or investment community;
- trading volume of our common stock;
- sales of our common stock by us or our stockholders;
- the concentrated ownership of our common stock;
- changes in accounting principles;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities; and
- general economic, industry and market conditions.

The stock markets in general, and the markets for pharmaceutical, biopharmaceutical and biotechnology stocks in particular, have experienced extreme volatility, including as a result of the COVID-19 pandemic, that has been often unrelated to the operating performance of the issuer. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance.

In addition, the spread of COVID-19 coronavirus may negatively impact the trading price of shares of our common stock and could further severely impact our ability to raise additional capital on a timely basis or at all.

The future issuance of equity or of debt securities that are convertible into equity will dilute our share capital.

We may choose to raise additional capital in the future, depending on market conditions, strategic considerations and operational requirements. To the extent that additional capital is raised through the issuance of shares or other securities convertible into shares, our stockholders will be diluted. On February 27, 2020, we entered into an Open Market Sale Agreement (the “Sales Agreement”) with Jefferies LLC (“Jefferies”), to sell shares of our common stock, par value \$0.00001 per share, with aggregate gross sales proceeds of up to \$75,000,000, from time to time, through an at the market offering under which Jefferies will act as sales agent. Future issuances of our common stock or other equity securities pursuant to the Sales Agreement or otherwise, or the perception that such sales may occur, could adversely affect the trading price of our common stock and impair our ability to raise capital through future offerings of shares or equity securities. No prediction can be made as to the effect, if any, that future sales of common stock or the availability of common stock for future sales will have on the trading price of our common stock.

The employment agreements with our executive officers may require us to pay severance benefits to officers in connection with termination of employment or upon a change of control of us, which could harm our financial condition.

Each of our executive officers is entitled to receive a lump sum payment equal to one year or more of his or her base salary as well as continued medical and dental coverage for a period of one year or more plus a prorated portion of his or her target annual bonus for the calendar year in which his or her employment is terminated following his or her termination of employment due to good reason or without cause. In the event of a change in control and a termination of employment without cause or due to good reason, each of our executive officers would similarly receive one year or more of his or her base salary as well as continued medical and dental coverage for a period of one year or more, as well as an additional lump sum payment equal to 100% or more of his or her target annual bonus for the calendar year in which his or her employment is terminated and full vesting of his or her outstanding option awards. The accelerated vesting of options could result in dilution to our existing stockholders and harm the market price of our common stock. Furthermore, the payment of these severance benefits could harm our financial condition. In addition, these potential severance payments may discourage or prevent third parties from seeking a business combination with us.

An active market for our common stock may not be maintained.

Prior to our IPO in October 2015, there had been no public market for shares of our common stock. Our stock began trading on the Nasdaq Global Select Market in 2015, and we can provide no assurance that we will be able to maintain an active trading market on The Nasdaq Global Select Market or any other exchange in the future. If an active market for our common stock is not maintained, it may be difficult for our stockholders to sell shares without depressing the market price for the shares or at all. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses, applications or technologies using our shares as consideration.

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

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our target studies and operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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

As of March 31, 2020, our executive officers, directors, holders of 5% or more of our capital stock based on publicly available filings made with the SEC and their respective affiliates beneficially owned approximately 36% of our outstanding common stock. Therefore, these stockholders have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that our stockholders may feel are in their best interest.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may delay or prevent an acquisition of us or a change in our management. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. These provisions include:

- a prohibition on actions by our stockholders by written consent;
- a requirement that special meetings of stockholders, which our company is not obligated to call more than once per calendar year, be called only by the chairman of our board of directors, our chief executive officer, our board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors, or, subject to certain conditions, by our secretary at the request of the stockholders holding of record, in the aggregate, shares entitled to cast not less than ten percent of the votes at a meeting of the stockholders (assuming all shares entitled to vote at such meeting were present and voted);
- advance notice requirements for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings;
- division of our board of directors into three classes, serving staggered terms of three years each; and
- the authority of the board of directors to issue preferred stock with such terms as the board of directors may determine.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, as amended, which prohibits a person who owns in excess of 15 percent of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15 percent of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. These provisions would apply even if the proposed merger or acquisition could be considered beneficial by some stockholders.

We incur increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, we incur significant legal, accounting and other expenses. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The Nasdaq Global Select Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, which in turn could make it more difficult for us to attract and retain qualified members of our board of directors. However, these rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 in a timely manner or with adequate compliance, we may be subject to sanctions by regulatory authorities.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal control over financial reporting. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We evaluate our internal controls systems to allow management to report on the effectiveness of the operation of our internal controls.

However, if we are not able to comply with the requirements of Section 404, or if we or our independent registered public accounting firm identify deficiencies in our internal controls that are deemed to be material weaknesses, we could be subject to sanctions or investigations by The Nasdaq Global Select Market, the SEC or other regulatory authorities, which would entail expenditure of additional financial and management resources and could materially adversely affect our stock price. Deficient internal controls could also cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information, which could have a negative effect on our stock price.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

We may incur significant costs from class action litigation due to our expected stock volatility.

Our stock price may fluctuate for many reasons, including as a result of public announcements regarding the progress of our development efforts or the development efforts of future collaborators or competitors, the addition or departure of our key personnel, variations in our quarterly operating results and changes in market valuations of biopharmaceutical and biotechnology companies.

This risk is especially relevant to us because biopharmaceutical and biotechnology companies have experienced significant stock price volatility in recent years. When the market price of a stock has been volatile as our stock price may be, holders of that stock have occasionally brought securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit of this type against us, even if the lawsuit is without merit, we could incur substantial costs defending the lawsuit. The lawsuit could also divert the time and attention of our management.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws provide that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, as amended, our amended and restated certificate of incorporation or our amended and restated bylaws, any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws or any other action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our amended and restated certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

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

Recent Sales of Unregistered Equity Securities

None

Use of Proceeds

None

Repurchases of Shares or of Company Equity Securities

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation.	8-K	10/19/2015	3.1	
3.2	Amended and Restated Bylaws.	8-K	10/19/2015	3.2	
4.1	Reference is made to Exhibits 3.1 through 3.2.				
4.2	Specimen Common Stock Certificate.	S-1/A	9/28/2015	4.1	
10.1#	Severance and Change of Control Agreement dated March 23, 2020, by and between CytomX Therapeutics, Inc. and Carlos Campoy.				X
10.2#	Severance and Change of Control Agreement dated February 3, 2020, by and between CytomX Therapeutics, Inc. and Alison Hannah.	10-K	2/27/20	10.32	
10.3	Employment Offer Letter Agreement between CytomX Therapeutics, Inc. and Carlos Campoy dated as of March 9, 2020.				X
10.4††	Collaboration and License Agreement dated as of March 23, 2020, by and between CytomX Therapeutics, Inc. and Astellas Pharma Inc.				X
10.5	Open Market Sale Agreement, dated as of February 27, 2020, by and between CytomX Therapeutics, Inc. and Jefferies LLC.	10-K	2/27/20	1.1	
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).				X
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).				X
32.1*	Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350).				X
32.2*	Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350).				X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				X

†† Certain confidential portions of this exhibit have been omitted from this exhibit.

Indicates management contract or compensatory plan.

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of CytomX Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

Amended and Restated Severance and Change of Control Agreement

This Amended and Restated Severance and Change of Control Agreement (the "Agreement") is made and entered into, effective as of March 23, 2020 (the "Effective Date"), by and between CytomX Therapeutics, Inc. a Delaware corporation (the "Company"), and Carlos Campoy ("Employee").

Upon acceptance of this Agreement, the following terms and conditions shall apply to your employment:

- 1. Term of Employment and Severance Benefits.** It is important for you to understand that California is an "at will" employment state. This means that you will have the right to terminate your employment relationship with the Company at any time for any reason. Similarly, the Company will have the right to terminate its employment relationship with you at any time for any reason. Your employment and this Agreement will be governed by the laws of California, without regard to the conflict of law rules thereof. Notwithstanding the foregoing, in the event that, other than during a Change of Control Period (as defined below), the Company terminates your employment at any time without Cause (as defined below), or if you terminate your employment for Good Reason (as defined below), then the Company shall pay you a lump sum amount equal to (i) twelve (12) months of your then current base salary (without giving any effect to any reduction thereof which may constitute Good Reason), plus (ii) the annual bonus you are eligible to receive for the Calendar year in which your termination occurs assuming performance is achieved at target and pro-rated based on your termination date, which will be payable within the period of time set forth in Section 3 below following your termination of employment. In addition, the Company will provide and pay the premium cost for you and your dependents of medical and dental insurance benefits to the extent you were receiving such benefits immediately prior to your termination date from the date of your termination of employment through the earlier of the twelve (12) month anniversary of the termination of your employment, or the date you become eligible for medical and dental insurance benefits from a subsequent employer, provided, that you timely elect "COBRA" coverage under the Company group health insurance plan under which coverage was being provided to you at the time when your employment terminates. If the Company is unable to provide such medical and dental insurance benefits or "COBRA" coverage is not available to you as of the time when your employment is terminated, then the Company will pay to you a lump sum equal to the premium cost of the benefits provided for the twelve (12) months prior to your termination, payable within the period of time set forth in Section 3 below following your termination of employment.
- 2. Termination in Connection with a Change of Control.** In the event that within sixty (60) days before or twelve (12) months following the consummation of a Change of Control (as defined below) (the "Change of Control Period"), the Company, or any successor thereto, terminates your employment without Cause or you terminate your employment for Good Reason, then the Company shall (i) pay a lump sum amount equal to twelve (12) months of your then current base salary (without giving any effect to any reduction thereof which may constitute Good Reason), which will be payable within the period of time set forth in Section 3 below following your termination of employment, (ii) pay a lump sum amount equal to twelve (12) months of the annual bonus you are eligible to receive for the

current Calendar year assuming performance is achieved at target and, which will be payable within the period of time set forth in Section 3 below following your termination of employment, and (iii) the vesting and, if applicable, exercisability of each Company equity award held by you, including, without limitation, each stock option of any kind and nature (e.g., time or performance based, etc.), shall accelerate in full as of immediately prior to your termination of employment. In addition, the Company will provide and pay the premium cost for you and your dependents of medical and dental insurance benefits to the extent you were receiving such benefits immediately prior to your termination date from the date of your termination of employment through the earlier of the twelve (12) month anniversary of the termination of your employment or the date you become eligible for medical and dental insurance benefits from a subsequent employer, provided that you timely elect "COBRA" coverage under the Company group health insurance plan under which coverage was being provided to you at the time when your employment terminates. If the Company is unable to provide such medical and dental insurance benefits or "COBRA" coverage is not available to you as of the time when your employment is terminated, then the Company will pay to you a lump sum equal to the premium cost of the benefits provided for the twelve (12) months prior to your termination, payable within the period of time set forth in Section 3 below following your termination of employment.

3. **Release.** The Company's obligations to make such payments and provide such benefits shall be contingent upon your execution of a release in a form reasonably acceptable to the Company (the "Release") which Release must be signed and any applicable revocation period with respect thereto must have expired by the 30th day following your termination of employment (unless your termination is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), in which case the date shall be by the 52nd day following your termination of employment). The Release will not waive any of your rights, or obligations of the Company, regarding: (1) any right to indemnification and/or contribution, advancement or payment of related expenses you may have pursuant to the Company's Bylaws, Articles of Incorporation, under any written indemnification or other agreement between the parties, and/or under applicable law; (2) any rights that you may have to insurance coverage under any directors and officers liability insurance, other insurance policies of the Company, COBRA or any similar state law; (3) any claims for worker's compensation, state disability or unemployment insurance benefits, or any other claims that cannot be released as a matter of applicable law; (4) rights to any vested benefits under any stock, compensation or other employee benefit plan of the Company; (5) any rights you may have as an existing shareholder of the Company; and (6) any claims arising after the effective date of the Release. Nothing in the Release or any other agreement between you and the Company will prohibit or prevent you from providing truthful testimony or otherwise responding accurately and fully to any question, inquiry or request for information or documents when required by legal process, subpoena, notice, court order or law (including, without limitation, in any criminal, civil, or regulatory proceeding or investigation), or as necessary in any action for enforcement or claimed breach of this Agreement or any other legal dispute with the Company. If the Release has been signed and any applicable revocation period has expired prior to the 30th day (or 52nd day, as applicable) following your termination of employment, then the severance payments above may be made on such earlier date; provided, however, that if the 30th day (or 52nd day, as applicable) following your termination of employment occurs in the calendar year following the year of your termination date, then the payments shall not be made earlier than January 1 of such subsequent calendar year.

4. **Section 280G of the Code.**

- (a) Notwithstanding anything in this Agreement to the contrary, if any payment, distribution, or other benefit provided by the Company to or for the benefit of you, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (collectively, the "Payments"), (x) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (y) but for this Section 4 would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision thereto (the "Excise Tax"), then the Payments shall be either: (i) delivered in full pursuant to the terms of this Agreement, or (ii) delivered to such lesser extent as would result in no portion of the payment being subject to the Excise Tax, as determined in accordance with Section 4(b).
- (b) The determination of whether Section 4(a)(i) or Section 4(a)(ii) shall be given effect shall be made by the Company on the basis of which of such clauses results in the receipt by you of the greater Net After-Tax Receipt (as defined herein) of the aggregate Payments. The term "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Section 280G of the Code) of the payments net of all applicable federal, state and local income, employment, and other applicable taxes and the Excise Tax.
- (c) If Section 4(a)(ii) is given effect, the reduction shall be accomplished in accordance with Section 409A of the Code and the following: first by reducing, on a pro rata basis, cash Payments that are exempt from Section 409A of the Code; second by reducing, on a pro rata basis, other cash Payments; and third by forfeiting any equity-based awards that vest and become payable, starting with the most recent equity-based awards that vest, to the extent necessary to accomplish such reduction.
- (d) Unless the Company and Employee otherwise agree in writing, any determination required under this Section 4 shall be made by the Company's independent accountants or compensation consultants (the "Third Party"), and all such determinations shall be conclusive, final and binding on the parties hereto. The Company and Employee shall furnish to the Third Party such information and documents as the Third Party may reasonably request in order to make a determination under this Section 4. The Company shall bear all fees and costs of the Third Party with respect to all determinations under or contemplated by this Section 4.

For purposes of this Agreement, a "Change of Control" shall mean the occurrence of any of the following events, provided that such event or occurrence constitutes a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, as defined in Treasury Regulation §§ 1.409A-3(i)(5)(v), (vi), and (vii): (i) any merger or consolidation that results in the voting securities of the Company outstanding immediately prior thereto representing (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; (ii) any sale of all or substantially all of the assets of the Company; (iii) the complete liquidation or dissolution of the Company; or (iv) the acquisition of "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities (other than through a merger or consolidation or an acquisition of securities directly from the Company) by any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act, or combination of persons, other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company.

For purposes of this Agreement, "Cause" shall mean a termination of your employment based upon a finding by a majority of the Board of Directors of the Company or its successor, acting in good faith and based on its reasonable belief at the time, that you (a) have refused to perform the explicitly stated or reasonably assigned lawful and material duties required by your position (other than by reason of a disability or analogous condition); (b) have committed or engaged in a material act of theft, embezzlement, dishonesty or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information; (c) have breached a material fiduciary duty, or willfully and materially violated any other duty, law, rule, or regulation relating to the performance of your duties to the Company or material policy of the Company or its successor; (d) have been convicted of, or pled guilty or nolo contendere to, misdemeanor involving moral turpitude or a felony; (e) have willfully and materially breached any of the provisions of any agreement with the Company or its successor which causes material injury to the Company; (f) have willfully engaged in unfair competition with, or otherwise acted intentionally in a manner materially injurious to the reputation, business or assets of, the Company or its successor; or (g) have improperly induced a vendor or customer to break or terminate any material contract with the Company or its successor or induced a principal for whom the Company or its successor acts as agent to terminate such agency relationship. "Cause" shall only exist if the Company first provides you with written notice of any claimed ground for Cause and an opportunity to cure such ground, if curable, for thirty (30) days. For purposes of this Agreement, no act or failure to act on your part will be considered "willful" unless it is done, or omitted to be done, by you intentionally, not in good faith and without reasonable belief that the action or omission was in the best interest of the Company.

For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events or circumstances without your written consent: (i) a material diminution in your base compensation; (ii) a material diminution in your authority, duties or responsibility; (iii) a material change in the principal geographic location at which you must perform services from South San Francisco, California; (iv) any requirement that you engage in any illegal conduct; or (v) a material breach by the Company of this Agreement or any other material written agreement between you and the Company.

In order to establish a "Good Reason" for terminating employment, you must provide written notice to the Company of the existence of the condition giving rise to the Good Reason, which notice must be provided within 90 days of the initial existence of such condition, the Company must fail to cure the condition within 30 days thereafter, and your termination of employment must occur no later than 30 days following the expiration of that 30-day cure period.

All severance or change of control payments are intended to be exempt from or, if not, shall be made in full compliance with Section 409A and shall begin only upon the date of your "separation from service" (as defined below), which occurs on or after the date of termination of the employment relationship, and shall be subject to the rules set forth below.

(a) It is intended that each installment, if any, of the severance or change of control payments and benefits provided under this Agreement shall be treated as a separate "payment" for purposes of Section 409 A of the Internal Revenue Code and the guidance issued thereunder ("Section 409A"). Neither you nor the Company shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

(b) If, as of the date of your "separation from service" from the Company, you are not a "specified employee" (within the meaning of Section 409A), then each installment, if any, of the severance or change of control payments and benefits shall be made on the dates and terms set forth in this Agreement.

(c) If, as of the date of your "separation from service" from the Company, you are a "specified employee" (within the meaning of Section 409A), then:

(i) Each installment, if any, of the severance or change of control payments and benefits due under this Agreement that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the separation from service occurs, be paid within the short-term deferral period (as defined under Section 409A) shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A; and

(ii) Each installment, if any, of the severance or change of control payments and benefits due under this Agreement that is not described in paragraph (i) above and that would, absent this subsection, be paid within the six-month period following your "separation from service" from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, upon your death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following your separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of severance or change of control payments and benefits if and to the maximum extent that that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation Section 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of your second taxable year following the taxable year in which the separation from service occurs.

(d) The determination of whether and when your separation from service from the Company has occurred shall be made and in a manner consistent with and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this paragraph (d), "the Company" shall include all persons with whom the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code.

(e) All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during your lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

(f) If either you or the Company reasonably determines that any payment hereunder will violate Section 409A, you and the Company shall use best efforts to restructure the payment in a manner that is either exempt from or compliant with Section 409A. You and the Company agree that they will execute any and all amendments to this Agreement as may be necessary to ensure compliance with the distribution provisions of Section 409A in an effort to avoid or minimize, to the extent allowable by law, the tax (and any interest or penalties thereon) associated with Section 409A. If it is

determined that a payment under this Agreement was (or may be) made in violation of Section 409A, the Company will cooperate reasonably with any effort by you to mitigate the tax consequences of such violation, including cooperation with your participation in any IRS voluntary compliance program or other correction procedure under Section 409A that may be available to you.

This Agreement will be binding on the parties and their successors and assigns. The Company shall require any successors or assigns to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The terms of this Agreement and all of your rights hereunder will inure to the benefit of, and be enforceable by, your personal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

This Agreement shall be governed by and construed in accordance with California law, without regard to the conflict of law rules thereof.

If any provision of this Agreement is determined to be illegal or unenforceable, then the remainder of this Agreement nonetheless shall be fully enforceable and binding upon the parties hereto, and it is the intent of the parties that a court or arbitrator shall enforce the remainder of this Agreement to the maximum extent permitted by law. The prevailing party in any dispute concerning the interpretation or enforcement of this Agreement will be entitled to an award of his or its costs and reasonable attorneys' fees, in addition to any other eligible relief.

This Agreement (a) represents our entire understanding regarding the subject matter hereof, and supersedes and replaces all prior and contemporaneous understandings regarding such subject matter, whether oral or written, and (b) may not be modified or amended, except by a written instrument executed by you and by a duly authorized officer of the Company. In the event of any conflict between any of the terms in this Agreement and the terms of any other agreement between you and the Company, the terms of this Agreement shall control.

ACCEPTANCE

The undersigned agrees to and accepts the terms and conditions set forth above.

3/20/2020 /s/ Carlos Campoy

Date

Carlos Campoy, Chief Financial Officer

3/20/2020 /s/ Sean McCarthy

Date

Sean McCarthy, Chief Executive Officer



DELIVERED VIA DOCUSIGN

March 9, 2020

Carlos Campoy
campoyce@gmail.com

Dear Carlos,

On behalf of Cytomx Therapeutics (“CytomX” or the “Company”), I am pleased to offer you an exempt position of Senior Vice President, Chief Financial Officer, reporting directly to me.

Total Rewards: Compensation

Your base salary will be paid at the rate of \$38,750.00 per month (\$465,000.00 annualized) less payroll deductions and all required withholdings. You will be eligible to receive CytomX’s complete package of benefits and discretionary bonus program that is made available to all of the Company’s full-time employees. Details about these benefit plans will be made available for your review. The Company may modify compensation and benefits from time to time as it deems necessary.

Total Rewards: Target Bonus

You will be eligible to receive a pro-rated target discretionary annual bonus of 40.0% of your base salary, based on the Company’s performance and your individual performance, subject to CytomX’s policy for paying annual bonuses set forth in CytomX’s Employee Handbook, as may be amended from time to time. Employees who start employment on or after November 1 of the year are not eligible for the discretionary annual bonus for the same performance year. Whether the Company awards bonuses for any given year, the allocation of the bonuses for Company and individual performance, and the amounts of such bonuses, if awarded, will be in the sole discretion of the Company as determined by its Board of Directors (the “Board”). If the Board approves payment of bonuses for any given year, the bonus amounts generally will be determined and paid within the first calendar quarter of the year based on the prior year’s performance. To incentivize you to remain employed with the Company, you must be employed on the date any bonus is paid in order to earn the bonus. If your employment terminates for any reason prior to the payment of the bonus, then you will not have earned the bonus and will not receive any portion of it.

Total Rewards: Equity

Subject to approval by the Board, you will be granted an option to purchase 350,000 shares of the Company’s common stock, subject to the terms and conditions of the equity incentive plan and a stock option grant notice and agreement that will be provided to you. The grant agreement will include a four (4) year vesting schedule, such that 25% of the shares will vest on the first anniversary of the commencement of your employment, with the balance vesting in equal monthly installments over the subsequent thirty-six (36) months, until either your option shares are fully vested or your employment ends, whichever occurs first.

Total Rewards: Additional Benefits

In addition to your compensation package, you will receive the following:

Sign-On Bonus: Payable upon your first pay check you will receive a one-time sign-on bonus payment of \$150,000.00, net, exclusive of all taxes (at marginal tax rates), deductions, and withholdings. You are required to repay the Sign-On Bonus to the Company per the following terms if you terminate your employment with the Company without Good Reason, or are terminated for cause, within the first twenty-four (24) months of your employment. "Good Reason" and "Cause" are defined in the Amended and Restated Severance and Change of Control Agreement.

- Repayment of 100% of the advance should you leave before completing 12-months of continuous active service
- Repayment of 50% of the advance should you leave after completing 12-months but before completing 24-months of continuous active service.

You authorize the Company to deduct such amounts from any wages, vacation pay, expense reimbursements or other compensation due to you upon termination of employment, subject to the requirements of applicable law. You agree to repay to the Company any remaining amounts owed by you that are not satisfied by such deductions within sixty (60) days following your employment termination date.

Confidentiality

As a CytomX employee, you will be expected to abide by Company rules and regulations and sign and comply with the Company's Proprietary Information and Inventions Agreement which prohibits unauthorized use or disclosure of company proprietary information.

In your work for the Company, you will be expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

You agree that you will not bring onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality.

Arbitration

In the event of any dispute or claim relating to or arising out of our employment relationship, you and the Company agree that such dispute shall be resolved by final and binding arbitration in San Francisco, California conducted through JAMS before a single neutral arbitrator, in accordance with the JAMS employment arbitration rules then in effect. The decision of the arbitrator shall be final and binding on the parties, and judgment thereon may be entered in a court of competent jurisdiction. Your employment will be governed by the laws of California, without regard to the conflict of law rules thereof. The parties acknowledge and agree that they are each waiving their rights to a jury trial in favor of having their disputes resolved by final and binding arbitration. The disputes that the parties agree to submit to final and binding arbitration include but are not limited to any statutory claims under any state or federal law, as well as any common law claims of harassment, discrimination, wrongful termination, retaliation, fraud, negligent misrepresentation, breach of contract and any statutory or common law claims for unpaid wages, commissions, bonus or other compensation. Notwithstanding anything to contrary herein, either party may seek a temporary restraining order, preliminary injunction or other provisional injunctive or declaratory relief in any court of competent

jurisdiction at any time to ensure that the relief sought in arbitration is not rendered ineffectual by any interim harm. The Company will pay all arbitration fees and costs, including, but not limited to, the individual arbitrator's fees and costs and the fees and costs of JAMS.

Acknowledgements

By signing below, you agree that your employment with CytomX is "at will," which means you may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying CytomX, and likewise, CytomX may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. This at-will employment relationship cannot be changed except in a writing signed by a Company officer. The Company reserves the right, in its sole discretion, to adjust salaries, incentive compensation, stock plans, employee benefits, job titles, locations, duties, responsibilities and reporting relationships.

This letter, together with the Proprietary Information and Inventions Agreement, forms the complete and exclusive statement of your agreement with CytomX. The terms in this letter supersede any other agreements or promises made to you by anyone, whether oral or written. Changes in your agreement terms, other than those changes expressly reserved to the Company's discretion in this letter, require a written modification signed by an officer of the Company. As required by law, this offer is subject to satisfactory proof of your right to work in the United States of America.

The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. Your employment offer, therefore, is contingent upon a clearance of such a background investigation and/or reference check.

Please sign and date this letter and return it to the Company by 5:00 PM Pacific Standard Time, Tuesday, March 10, 2020, if you wish to accept employment at CytomX under the terms described above.

We welcome you to the CytomX team and look forward to your contribution to the Company's success.

Sincerely,

/s/Sean McCarthy
Sean McCarthy, D.Phil.
President, Chief Executive Officer and Chairman

Accepted:

/s/Carlos Campoy
Carlos Campoy

03/23/2020
Start Date

3/9/2020
Signature Date

**COLLABORATION
AND
LICENSE AGREEMENT**

by and between

CYTOMX THERAPEUTICS, INC.

and

ASTELLAS PHARMA INC.

Dated as of March 23, 2020

COLLABORATION AND LICENSE AGREEMENT

This Collaboration and License Agreement (“**Agreement**”) is entered into as of March 23, 2020 (the “**Effective Date**”) by and between CytomX Therapeutics, Inc., organized and existing under the laws of Delaware with its principal place of business at 151 Oyster Point Blvd., Suite 400, South San Francisco, California 94080, U.S.A. (“**CytomX**”) and Astellas Pharma Inc., a corporation organized and existing under the laws of Japan with its principal place of business at 5-1, Nihonbashi-Honcho 2-chome, Chuo-ku, Tokyo 103-8411, Japan (“**Astellas**”). CytomX and Astellas are each hereafter referred to individually as a “**Party**” and together as the “**Parties**”.

WHEREAS, Astellas has research, development, manufacturing and commercialization expertise for the development and commercialization of pharmaceutical and biologic products in the field of oncology;

WHEREAS, CytomX has technology and expertise relating to the discovery and development of bi-specific recombinant antibodies directed to certain targets using its Probody™ platform technology and drug discovery capabilities;

WHEREAS, CytomX and Astellas desire to collaborate in the performance of preclinical and clinical development programs for the purposes of discovery and development of certain bi-specific recombinant antibody products that are directed against specified targets and suitable for development and commercialization, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1. DEFINITIONS

All references to particular Exhibits, Articles or Sections mean the Exhibits to, and Articles and Sections of, this Agreement, unless otherwise specified. For the purposes of this Agreement and the Exhibits and Appendices hereto, the following words and phrases have the following meanings:

Section 1.1 “Abandoned Patent Right” has the meaning set forth in Section 8.2.3(a).

Section 1.2 “Additional Target” has the meaning set forth in Section 3.1.1.

Section 1.3 “Affiliate” means, with respect to any Person, any other Person that controls, is controlled by or is under common control with such Person, for as long as such control exists. For purposes of this Section, “control” means the direct or indirect ownership of more than fifty percent (50%) of the voting or economic interest of a Person, or the power, whether pursuant to contract, ownership of securities or otherwise, to direct the management and policies of a Person. For clarity, once a Person ceases to be an Affiliate of a Party, then, without any further action, such Person shall cease to have any rights, including license and sublicense rights, under this Agreement by reason of being an Affiliate of such Party.

Section 1.4 “Agreement” has the meaning set forth in the Preamble.

Section 1.5 “Alliance Manager” has the meaning set forth in Section 2.1.2.

Section 1.6 “Anti-Bribery and Anti-Corruption Laws” has the meaning set forth in Section 9.3(c)(i)(A).

Section 1.7 “Anti-Corruption Policies” has the meaning set forth in Section 9.3(c)(i)(A).

Section 1.8 “Antibody” means a molecule comprising or containing: (a) one or more immunoglobulin variable domains; (b) fragments, variants, modifications or derivatives of such immunoglobulin variable domains irrespective of origin or source; or (c) the nucleic acid consisting of a sequence of nucleotides encoding (or complementary to a nucleic acid encoding) the foregoing molecules in (a) or (b). For the avoidance of doubt, a Bi-Specific Antibody is an Antibody.

Section 1.9 “Astellas” has the meaning set forth in the Preamble.

Section 1.10 “Astellas Expansion Option” has the meaning set forth in Section 3.1.2.

Section 1.11 “Astellas Indemnified Parties” has the meaning set forth in Section 10.1.1.

Section 1.12 “Astellas IP” means (a) Astellas Know-How and Astellas’s interest in the Collaboration Know-How and (b) Astellas Patents and Astellas’s interest in the Collaboration Patents.

Section 1.13 “Astellas Know-How” means [***].

Section 1.14 “Astellas Patent Challenge” means any action, suit, proceeding or claim by CytomX or its Sublicensees or Affiliates challenging the validity, patentability, scope, priority, construction, inventorship, enforceability or Astellas’s or its Affiliate’s or licensor’s ownership of any Astellas Patent or any Collaboration Patent owned by Astellas, as applicable, in any forum, in each case, with respect to a Product under this Agreement, but excludes any assertion by CytomX or its Sublicensees or Affiliates relating to validity, patentability, scope, priority, construction, non-infringement, inventorship, ownership or enforceability as a defense in any legal proceeding, administrative proceeding or arbitration brought by Astellas or its Affiliates or licensors asserting infringement against CytomX or its Sublicensees or Affiliates with respect to the relevant Product under this Agreement.

Section 1.15 “Astellas Patents” means [***].

Section 1.16 “Auditing Party” has the meaning set forth in Section 7.9.

Section 1.17 “Available” means, [***].

Section 1.18 “Background IP” means Background Know-How and Background Patent Rights.

Section 1.19 “Background Know-How” means [***].

Section 1.20 “Background Patent Rights” means [***].

Section 1.21 “Bayh Dole Act” means the Patent and Trademark Law Amendments Act of 1980, as amended, codified at 35 U.S.C. §§ 200-212, as amended, as well as any regulations promulgated pursuant thereto, including in 37 C.F.R. Part 401.

Section 1.22 “Biosimilar Application” means an application or submission filed with a Regulatory Authority for Marketing Approval of a Biosimilar Product.

Section 1.23 “Biosimilar Competition Percentage” means, with respect to any Product in a given country in the Territory in a given Calendar Quarter, the percentage represented by the total number of units of the Biosimilar Product(s) with respect to such Product sold divided by the sum of: (a) all units of such Product sold in such country based on the records of Astellas, its Affiliates or Sublicensees and (b) all units of the Biosimilar Products sold in such country based on the average of the monthly IQVIA data (or IQVIA-equivalent data if IQVIA data is not available) for such units.

Section 1.24 “Biosimilar Product” means, with respect to any Product, on a country-by-country basis, a biologic product (a) for which the licensing, approval, or marketing authorization relies in whole or in part on a prior approval, licensing or marketing authorization granted such Product; (b) that is “biosimilar” to such Product, as the term “biosimilar” is defined in 42 U.S.C. § 262(i)(2); and (c) that has been licensed by the FDA or other Regulatory Authority outside of the United States by reference to such Product, as set forth at 42 USC 262(k)(4) or other analogous applicable Law outside of the United States. A Product licensed, marketed, sold, manufactured, or produced by or on behalf of Astellas or its Affiliates (or any Sublicensees or Distributors in their capacity as Sublicensee or Distributor for Astellas or any of its Affiliates) will not constitute a Biosimilar Product.

Section 1.25 “Bi-Specific Antibody” means an Antibody that is Directed Against both CD3 and at least one Target.

Section 1.26 “BLA” means (a) a Biologics License Application as defined in the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 et seq., as amended from time to time, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions, and modifications thereto), or (b) any corresponding foreign application in the Territory, including, with respect to the European Union, a Marketing Authorization Application (“MAA”) filed with the EMA pursuant to the Centralized Approval Procedure or with the applicable Regulatory Authority of a country in Europe with respect to the mutual recognition or any other national approval procedure.

Section 1.27 “BPCIA” means Biologics Price Competition and Innovation Act of 2009, as amended.

Section 1.28 “Business Day” means a day other than Saturday, Sunday or any day on which commercial banks located in New York, New York, United States or in Tokyo, Japan are authorized or obligated by Law to close.

Section 1.29 “Calendar Quarter” means each of the three (3) month periods ending March 31, June 30, September 30 and December 31; *provided, however*, that: (a) the first Calendar Quarter of the Term shall extend from the Effective Date to the day immediately prior to the first to occur of January 1, April 1, July 1 or October 1 after the Effective Date; and (b) the last Calendar Quarter shall extend from the beginning of the Calendar Quarter in which this Agreement expires or terminates until the effective date of such expiration or termination.

Section 1.30 “Calendar Year” means each of the twelve (12) month periods ending December 31; *provided, however*, that: (a) the first Calendar Year of the Term shall extend from the Effective Date to December 31 of the year in which the Effective Date occurs; and (b) the last Calendar Year shall extend from the beginning of the Calendar Year in which this Agreement expires or terminates until the effective date of such expiration or termination.

Section 1.31 “CD3” means the human cluster of differentiation 3 multimeric protein complex comprised in whole or in part of CD3 epsilon/delta, CD3 epsilon/gamma, and CD3 zeta/zeta dimers.

Section 1.32 “Centralized Approval Procedure” means the procedure through which a MAA filed with the EMA results in a single marketing authorization valid throughout the applicable countries of the European Union (as constituted at the applicable time).

Section 1.33 “Co-Co Product” has the meaning set forth in Section 6.7.2.

Section 1.34 “Co-Commercialization Activities” means the Commercialization activities, including co-promotion and medical affairs activities, undertaken by the Parties pursuant to the Commercialization Agreement.

Section 1.35 “Co-Commercialization Option” has the meaning set forth in Section 6.7.2.

Section 1.36 “Cohort Expansion Trial” means expansion of a dose cohort after one or more recommended doses have been established in a Dose Escalation Trial, as set forth in the applicable Development Plan.

Section 1.37 “Collaboration IP” means Collaboration Know-How and Collaboration Patents.

Section 1.38 “Collaboration Know-How” means any and all Know-How that is generated, developed, invented or conceived by or on behalf of one or both of the Parties or their respective Affiliates in the performance of activities under this Agreement. Notwithstanding anything to the contrary in the foregoing, Collaboration Know-How excludes CytomX Platform Know-How.

Section 1.39 “Collaboration Patents” means any Patent Rights Controlled by a Party or its Affiliate (or by the Parties or their Affiliates jointly) that Cover an Invention within Collaboration Know-How. Notwithstanding anything to the contrary in the foregoing, Collaboration Patents excludes CytomX Platform Patents.

Section 1.40 “Collaboration Target” means the Initial Target, any Additional Target or any [***].

Section 1.41 [***] has the meaning set forth in [***].

Section 1.42 “Commercialization Agreement” has the meaning set forth in Section 6.7.2.

Section 1.43 “Commercialization Budget” means, with respect to a Cost Share Product, the budget to be established by the JSC in accordance with Section 2.1.3 for activities to be conducted under the Commercialization Plan applicable to such Cost Share Product, and each such Commercialization Budget will set forth the detailed costs to be incurred for the [***] of such Commercialization Budget and will set forth [***] for each of (a) the [***] period immediately following [***] and (b) the [***] period immediately following the [***] described in subsection (a) [***]. The Commercialization Budget shall be included as part of the Commercialization Plan for the applicable Cost Share Product and approved by the JSC on [***] basis (or as otherwise agreed by the Parties), in accordance with Section 2.1.3.

Section 1.44 “Commercialization Plan” means, with respect to a (a) Product that is not a Cost Share Product, a high-level plan setting forth Astellas’s intended plan and timelines for the Commercialization by or on behalf of Astellas of such Product, and (b) Cost Share Product, a comprehensive plan and timelines, and any approved updates or amendments thereto in accordance with this Agreement, for the Commercialization by or on behalf of each of the Parties of a Cost Share Product, including expected launch, marketing, promotion, sales and commercial manufacturing objectives and activities. The Commercialization Plan for a Cost Share Product shall also include a reasonably detailed description of the schedule of work activity and the responsibility therefor (including subcontractors and Sublicensees), and the corresponding Commercialization Budget and sales forecasts for such Product in the Territory. For the United States, the Commercialization Plan shall address, as relevant, advertising, education, planning, promotion, sales, including sales force incentive plans and a call target frequency plan, medical affairs, including a publications plan, and managed markets, including a pricing and discounting plan and, if CytomX has exercised its Co-Commercialization Option it shall outline the

activities to be conducted by CytomX with respect to the Commercialization of such Product in the United States.

Section 1.45 “Commercialization Wind-Down Period” has the meaning set forth in Section 13.4.2.

Section 1.46 “Commercialize” or “Commercialization” has the meaning set forth on Exhibit C.

Section 1.47 “Commercially Reasonable Efforts” means, with respect to a Party (directly or through Affiliates or Sublicensees) performing activities under this Agreement, such reasonable, diligent, and good faith efforts as such Party would normally use to accomplish a similar objective under similar circumstances, but no less than the efforts and resources commensurate with those efforts commonly used in the biopharmaceutical industry by a company of comparable size in connection with the development, manufacture or commercialization of biopharmaceutical products of similar risk profile, market potential, or profit potential at a similar stage of development or commercialization in its product lifecycle, taking into account [***], including [***] in each case, based on [***], but, with respect to [***], not taking into account [***]. Commercially Reasonable Efforts requires, with respect to [***], that [***].

Section 1.48 “Conditionally Active Antibody” means [***].

Section 1.49 “Confidential Disclosure Agreements” means, [***].

Section 1.50 “Confidential Information” has the meaning set forth in Section 12.1.1.

Section 1.51 “Control” or “Controlled” means, with respect to any Know-How, Patent Right, or other intellectual property right, the possession (whether by ownership, license, covenant not to sue or otherwise) by a Party or its Affiliate of the ability to grant to the other Party a license, sublicense, access or other right as provided herein to or under such Know-How, Patent Right, or other intellectual property right, without violating the terms of any agreement or other arrangement of such Party with any Third Party in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license or access. For clarity, nothing in this Section 1.51 obligates a Party to obtain rights under the intellectual property rights of any Third Party in order to be able to grant the other Party a license or access as provided herein.

Section 1.52 “Cost Share Option” has the meaning set forth in Section 6.6.

Section 1.53 “Cost Share Option Package” has the meaning set forth in Section 6.6.

Section 1.54 “Cost Share Option Period” has the meaning set forth in Section 6.6.

Section 1.55 “Cost Share Product” has the meaning set forth in Section 6.6.

Section 1.56 “Cost Share Product Costs” has the meaning set forth on Exhibit C.

Section 1.57 “Cover” means with respect to a Patent Right, that the Exploitation of a given molecule, product, or item would infringe a Valid Claim of such Patent Right (in the absence of ownership of, or a license under, such Patent Right). Cognates of the word “Cover” have correlative meanings.

Section 1.58 “Critical Matter” means [***].

Section 1.59 “CytomX” has the meaning set forth in the Preamble.

Section 1.60 [***] has the meaning set forth in [***].

Section 1.61 [***] has the meaning set forth in [***].

Section 1.62 “CytomX Indemnified Parties” has the meaning set forth in Section 10.1.2.

Section 1.63 “CytomX IP” means (a) CytomX Know-How and CytomX’s interest in Collaboration Know-How and (b) CytomX Patents and CytomX’s interest in the Collaboration Patents.

Section 1.64 “CytomX Know-How” means [***].

Section 1.65 “CytomX Patent Challenge” means any action, suit, proceeding or claim by Astellas or its Sublicensees or Affiliates challenging the validity, patentability, scope, priority, construction, inventorship, enforceability or CytomX’s or its Affiliate’s or licensor’s ownership of any CytomX Patent or any Collaboration Patent owned by CytomX, as applicable, in any forum, in each case, with respect to a Product under this Agreement, but excludes any assertion by Astellas or its Sublicensees or Affiliates relating to validity, patentability, scope, priority, construction, non-infringement, inventorship, ownership or enforceability as a defense in any legal proceeding, administrative proceeding or arbitration brought by CytomX or its Affiliates or licensors asserting infringement against Astellas or its Sublicensees or Affiliates with respect to the relevant Product under this Agreement.

Section 1.66 “CytomX Patents” means [***].

Section 1.67 “CytomX Platform Improvements IP” means [***].

Section 1.68 “CytomX Platform Know-How” means [***].

Section 1.69 “CytomX Platform Patents” means [***].

Section 1.70 “CytomX Platform Technology” means [***].

Section 1.71 “Develop” or “Development” has the meaning set forth on Exhibit C.

Section 1.72 “Development Budget” means, with respect to a Cost Share Product, the budget to be established by the JSC in accordance with Section 2.1.3 for activities to be conducted under the Development Plan applicable to such Cost Share Product. Each such Development Budget will set forth the detailed costs to be incurred for the [***] of such Development Budget and will set forth [***] for each of (a) the [***] period immediately following such [***] and (b) the [***] period immediately following the [***] described in subsection (a) [***]. The Development Budget shall be included as part of the Development Plan for the applicable Cost Share Product and approved by the JSC on [***] basis (or as otherwise agreed by the Parties), in accordance with Section 2.1.3.

Section 1.73 “Development Costs” has the meaning set forth on Exhibit C.

Section 1.74 “Development Plan” means, with respect to a Product, Astellas’s plan and timelines for the Development of such Product, and which shall be with respect to any (a) Product that is not a Cost Share Product, a high-level plan as determined in accordance with this Agreement from time to time that outlines the material activities to be conducted by or under the authority of Astellas with respect to such Product and expected timelines, including at least those Development activities to be conducted in order to obtain Marketing Approval for such Product to the extent such activities are necessary to meet Astellas’s obligations under Section 6.3, and (b) Cost Share Product, (i) a comprehensive plan as determined in accordance with this Agreement and any approved updates or amendments thereto in accordance with this Agreement, for the Development by or on behalf of Astellas of such Cost Share Product, including expected timelines and nonclinical, clinical, manufacturing, regulatory, and product risk assessment activities, (ii) a schedule of Development activities to be conducted and the identification of the Party responsible therefor (including subcontractors and Sublicensees), including a non-binding estimate of the number of FTEs to be allocated to the relevant

Development activities, (iii) an overview of the clinical trials anticipated to be conducted to support Marketing Approval of such Cost Share Product and related timelines, (iv) at an appropriate stage of Development, a publication strategy, (v) at the appropriate stage, plans related to Manufacturing of such Cost Share Product, (vi) the regulatory plan for such Cost Share Product, and (vii) the corresponding Development Budget.

Section 1.75 “Directed Against” means, as used in connection with a Target and/or CD3, that the product or agent at issue is designed to interact or bind with such Target or CD3, as the case may be.

Section 1.76 “Disclosing Party” has the meaning set forth in Section 12.1.1.

Section 1.77 “Distributor” has the meaning set forth in Section 4.7.

Section 1.78 “Dose Escalation Trial” means a Phase 1 Clinical Trial that establishes the safety, tolerability, and pharmacokinetics/pharmacodynamics of a Product through a dose-escalation plan that will identify one or more recommended doses for the applicable Cohort Expansion Trial.

Section 1.79 “Effective Date” has the meaning set forth in the Preamble.

Section 1.80 “EMA” means the European Medicines Agency or any successor entity thereto.

Section 1.81 “Enforcing Party” has the meaning set forth in Section 8.7.4.

Section 1.82 “EU” or “European Union” means those countries, nations, states or other territories under the jurisdiction of the EMA, as such jurisdiction may change from time to time, but in any event including the United Kingdom for purposes of Section 7.4.

Section 1.83 “Executive Officers” means (a) with respect to CytomX, [***], or any other person that such officer designates from time to time, and (b) with respect to Astellas, [***], or any other person that such officer designates from time to time.

Section 1.84 “Existing Patents” has the meaning set forth in Section 9.2(a).

Section 1.85 “Exploit” means to make, have made, import, export, use, sell, have sold, or offer for sale, including to Develop, Commercialize, register, modify, enhance, improve, Manufacture, have Manufactured, hold, or keep (whether for disposal or otherwise), or otherwise dispose of. Cognates of the word “**Exploit**” shall have correlative meanings.

Section 1.86 “FDA” means the United States Food and Drug Administration or any successor entity thereto.

Section 1.87 “First Commercial Sale” means, with respect to any Product in any country, the first sale for end use or consumption of such Product in such country after Marketing Approval for such Product has been granted in such country.

Section 1.88 “Force Majeure” has the meaning set forth in Section 14.13.

Section 1.89 “Format” means [***].

Section 1.90 “Gatekeeper” means an independent Third Party mutually agreeable to the Parties to be engaged by CytomX promptly, but in no case later than [***], following the Effective Date for the purpose of confirming whether a Nominated Target is Available, on terms acceptable to both Parties, including provisions relating to confidentiality.

Section 1.91 “GLP Toxicology Study” means any toxicology study that meets the requirements set forth in 21 CFR Part 58 pertaining to good laboratory practice for use or intended for use in an IND

and is required to be included in the filing of an IND, but excluding toxicology studies performed in the course of evaluating compounds prior to selection of a clinical candidate.

Section 1.92 “Governmental Authority” means any governmental authority of any nature of any multi-national, national, state, county, city or other political subdivision, including any governmental division, subdivision, department, agency, court, tribunal, agency, bureau, branch, office, authority or other instrumentality.

Section 1.93 “IFRS” means the then-current International Financial Reporting Standards, in each case consistently applied.

Section 1.94 “IND” means, (a) with respect to the United States, an investigational new drug application as defined in applicable regulations promulgated by the FDA and filed with the FDA for human clinical testing or (b) with respect to any other country in the Territory, any equivalent thereof.

Section 1.95 “Indemnitee” has the meaning set forth in Section 10.2.1.

Section 1.96 “Indemnitor” has the meaning set forth in Section 10.2.1.

Section 1.97 “Indication” means the intended use of a product for the treatment, control, mitigation, prevention or cure of a distinct recognized human disease or condition, or of a manifestation of a recognized human disease or condition, or for the relief of symptoms associated with a recognized human disease or condition, in each case in the intended patient population and line of treatment, including any that, if approved in the U.S., would be reflected in the “Indications and Usage” section of labeling pursuant to 21 C.F.R. §201.57(c)(2), or, to the extent applicable, any comparable labeling section outside the U.S. For the avoidance of doubt, the use of a Product against different tumor types or in connection with different subsets of patients (e.g., elderly, pediatric, or genetically defined patient subgroups, etc.) or lines of treatment (e.g., moving from second-line therapy to first-line therapy) shall be different Indications.

Section 1.98 “Indirect Taxes” has the meaning set forth in Section 7.11.2.

Section 1.99 “Initial Target” means [***].

Section 1.100 “Initiation” means (a) with respect to a clinical trial, the first dosing in the first patient in such clinical trial or study or (b) with respect to a GLP Toxicology Study, the first dosing of an animal subject in such GLP Toxicology Study. Cognates of the word “Initiation” have correlative meanings.

Section 1.101 “Inventions” means all inventions invented by or on behalf of either Party or its respective Affiliates or both Parties or their respective Affiliates, whether solely or jointly with any Third Party subcontractor, in the course of activities performed under this Agreement.

Section 1.102 “JAMS” has the meaning set forth in Section 14.5.2(a).

Section 1.103 “Joint Commercialization Committee” or “JCC” has the meaning set forth in Section 2.1.3(d).

Section 1.104 “Joint Development Committee” or “JDC” has the meaning set forth in Section 2.1.3(d).

Section 1.105 “Joint Finance Committee” or “JFC” has the meaning set forth in Section 2.1.3(d).

Section 1.106 “**Joint Research Committee**” or “**JRC**” has the meaning set forth in Section 2.1.3(d).

Section 1.107 “**Joint Steering Committee**” or “**JSC**” has the meaning set forth in Section 2.1.1.

Section 1.108 “**Know-How**” means proprietary techniques, technology, trade secrets, inventions (whether patentable or not), methods, know-how, data and results (including pharmacological, toxicological and clinical data and results), analytical and quality control data and results, regulatory documents, and other information, compositions of matter, cells, cell lines, assays, animal models, reagents and other physical, biological, or chemical material.

Section 1.109 “**Law**” means, individually and collectively, any and all federal, state, local, and foreign laws, statutes, ordinances, principles of common law, rules, directives, standards, administrative circulars, judgments, orders, writs, injunctions, decrees, arbitration awards, agency requirements, licenses, permits, and regulations of any kind whatsoever of any Governmental Authority within the applicable jurisdiction.

Section 1.110 “**Licensed Field**” means any and all uses.

Section 1.111 “**Losses**” has the meaning set forth in Section 10.1.1.

Section 1.112 “**MAA**” has the meaning set forth in Section 1.26.

Section 1.113 “**Major Market**” means [***].

Section 1.114 “**Marketing Approval**” means all approvals, licenses, registrations or authorizations of the Regulatory Authority in a country, necessary for the customary commercial sale of a Product in such country, including with respect to pricing and reimbursement.

Section 1.115 “**Mask**” means [***].

Section 1.116 “**Mask/Substrate Activities**” has the meaning set forth in Section 4.1.4.

Section 1.117 “**Materials**” has the meaning set forth in Section 3.5.

Section 1.118 “**Milestone Events**” has the meaning set forth in Section 7.4.1.

Section 1.119 “**Milestone Payments**” has the meaning set forth in Section 7.4.1.

Section 1.120 “**Net Sales**” means, [***].

Section 1.121 “**Nominated Target**” has the meaning set forth in Section 3.1.3.

Section 1.122 “**Non-Auditing Party**” has the meaning set forth in Section 7.9.

Section 1.123 “**Non-Publishing Party**” has the meaning set forth in Section 12.4.3.

Section 1.124 “**Option Date**” has the meaning set forth in Section 6.6.

Section 1.125 “**Party**” and “**Parties**” has the meaning set forth in the Preamble.

Section 1.126 “**Patent Rights**” means (a) all patents, priority patent filings and patent applications, and (b) any divisional, continuation (in whole or in part), or request for continued examination of any of such patents, and patent applications, and any and all patents or certificates of invention issuing thereon, and any and all reissues, reviews, reexaminations, extensions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing.

Section 1.127 “Paying Party” has the meaning set forth in Section 7.11.1.

Section 1.128 “Person” means any corporation, limited or general partnership, limited liability company, joint venture, trust, unincorporated association, governmental body, authority, bureau or agency, any other entity or body, or an individual.

Section 1.129 “Pharmacovigilance Agreement” has the meaning set forth in Section 5.3.

Section 1.130 “Phase 1 Clinical Trial” means a human clinical trial of a Product, the principal purpose of which is a preliminary determination of safety, tolerability, pharmacological activity or pharmacokinetics in healthy individuals or patients, and that satisfies the requirements of 21 C.F.R. § 312.21(a) or its non-U.S. equivalents.

Section 1.131 “Pivotal Trial” means a human clinical trial of a Product with a defined dose or set of doses of such Product designed to establish the efficacy and safety of such Product and where the results of such clinical trial (if successful) are designed to lead directly to submission of a BLA for the applicable Product.

Section 1.132 “PMDA” means the Pharmaceuticals and Medical Devices Agency of Japan and any successor agency or authority having substantially the same function.

Section 1.133 “Preclinical Research” means, with respect to a particular Collaboration Target, any discovery, preclinical CMC and other research and development activities relating to any Product Directed Against such Collaboration Target as set forth in a Preclinical Research Plan (including post-clinical candidate selection activities), and any advisory or consulting services provided in connection therewith, including with respect to filing of an IND for such Product and preparing regulatory documents therefor, and up to and including the filing of an IND for such Product.

Section 1.134 “Preclinical Research Budget” means, with respect to a Collaboration Target, the budget to be established by the JSC in accordance with Section 2.1.3 for activities to be conducted under the Preclinical Research Plan by CytomX applicable to such Collaboration Target and with respect to the applicable Products to be Developed thereunder; [***]. The Preclinical Research Budget shall be included as part of the Preclinical Research Plan for the applicable Collaboration Target and approved by the JSC prior to the commencement of activities in respect of a Collaboration Target.

Section 1.135 “Preclinical Research Costs” means, with respect to a Collaboration Target, the [***] Costs (as defined on Exhibit C) incurred by CytomX and its Affiliates during the Term in a manner consistent with the applicable Preclinical Research Plan and this Agreement that are specifically identifiable and directly allocable to, the Preclinical Research of such Collaboration Target and any Products Directed Against such Collaboration Target, calculated in a manner consistent with CytomX’s other Products and U.S. Generally Accepted Accounting Principles as the sum of (a) Preclinical Research FTE Costs and (b) Preclinical Research Out-of-Pocket Expenses.

Section 1.136 “Preclinical Research FTE Costs” means, with respect to a Collaboration Target, the product of (a) the actual number of FTEs utilized in the Preclinical Research of such Collaboration Target in a manner consistent with the applicable Preclinical Research Plan, as documented by CytomX, and (b) the R&D FTE Rate.

Section 1.137 “Preclinical Research Out-of-Pocket Expenses” means, with respect to a Collaboration Target, the reasonable direct expenses paid or payable to Third Parties directly incurred by CytomX and its Affiliates for, and that are specifically identifiable and directly allocable to, the Preclinical Research of such Collaboration Target or any Products Directed Against such Collaboration Target.

Section 1.138 “Preclinical Research Plan” means, the comprehensive plan and timelines, and any approved updates thereto, for the Preclinical Research of Products Directed Against the applicable Collaboration Target, including a description of the Preclinical Research activities, expected timelines, preclinical, manufacturing, regulatory, post-clinical candidate selection activities, as well as other planned activities, and the Format for such Products. The Preclinical Research Plan shall include a reasonably detailed description of the schedule of work activity and the identification of the Party responsible therefor (including subcontractors and Sublicensees), and the applicable Preclinical Research Budget. As the circumstances may require, the JSC may propose from time to time amendments to the Preclinical Research Plan. For the Initial Target, the initial Preclinical Research Plan is as set forth on Exhibit B. Each Preclinical Research Plan (including the Preclinical Research Budget) for any Additional Target or [***] shall include at least the same level of detail as the Initial Preclinical Research Plan and Preclinical Research Budget to the extent applicable to such Additional Target or [***].

Section 1.139 “Preclinical Research Term” means, on a Collaboration Target-by-Collaboration Target basis, subject to the early termination of this Agreement, the period from the Effective Date (or, with respect to Additional Targets or [***], the date on which such Additional Target or [***] becomes a Collaboration Target) until completion of the activities set forth in the Preclinical Research Plan for such Collaboration Target.

Section 1.140 “Probody” means an Antibody linked to at least one Substrate and at least one Mask.

Section 1.141 “Product” means a Bi-Specific Antibody that is Directed Against both a Collaboration Target and CD3 and that has a Format selected in the course of conducting activities under the Preclinical Research Plan for such Collaboration Target and that the Parties have selected for Preclinical Research under this Agreement, in any and all forms, presentations, delivery systems, dosages, strengths, and formulations.

Section 1.142 “Product Trademarks” has the meaning set forth in Section 8.9.1.

Section 1.143 “Profit” has the meaning set forth on Exhibit C.

Section 1.144 “Proposed Target Information” has the meaning set forth in Section 3.1.4.

Section 1.145 “Public Official or Entity” means (a) any officer, employee (including physicians, hospital administrators, or other healthcare professionals), agent, representative, department, agency, de facto official, representative, corporate entity, instrumentality or subdivision of any government, military or international organization, including any ministry or department of health or any state-owned or affiliated company or hospital, or (b) any candidate for political office, any political party or any official of a political party.

Section 1.146 “Publishing Party” has the meaning set forth in Section 12.4.3.

Section 1.147 “Receiving Party” has the meaning set forth in Section 12.1.1.

Section 1.148 “Regulatory Authority” means any Governmental Authority or other authority responsible for granting Marketing Approvals for Products, including the FDA, EMA, PMDA, and any corresponding national or regional regulatory authorities.

Section 1.149 “Regulatory Exclusivity” means, with respect to a Product, any exclusive marketing rights or data exclusivity rights conferred by the applicable Regulatory Authority with respect to such Product, other than a Patent Right.

Section 1.150 “**Regulatory Filing**” means any filing with any Governmental Authority with respect to the research, development, manufacture, distribution, pricing, reimbursement, marketing or sale of a Product.

Section 1.151 “**Reversion Products**” has the meaning set forth in Section 13.5.

Section 1.152 [***] means [***].

Section 1.153 “**Royalty Term**” has the meaning set forth in Section 7.5.2.

Section 1.154 “**Sale Transaction**” has the meaning set forth in Section 14.9.

Section 1.155 “**Selling Party**” has the meaning set forth in Section 1.120.

Section 1.156 “**Sublicensee(s)**” means a Third Party, other than a Third Party subcontractor or any Distributor, that has been granted a sublicense or other rights under the rights granted to a Party pursuant to Section 4.1 in accordance with Section 4.2, or is deemed to be a Sublicensee under Section 4.7, but shall exclude any wholesaler of a Product that does not market or promote the Product.

Section 1.157 [***] has the meaning set forth in [***].

Section 1.158 “**Substrate**” means [***].

Section 1.159 “**Target**” means (a) an antigen expressed on or in a tumor cell that is identified by a GenBank accession number or similar information, or by its amino acid or nucleic acid sequence if an accession number is not available, (b) any naturally occurring mutant or allelic variant of a molecule disclosed in clause (a), including transcriptional and posttranscriptional isoforms (e.g., alternative splice variants), and post-translational modification variants (e.g., protein processing, maturation and glycosylation variants); and (c) truncated forms (including fragments) thereof that have a biological function substantially identical to that of any molecule disclosed in clause (a).

Section 1.160 “**Target Acceptance Date**” has the meaning set forth in Section 3.1.3.

Section 1.161 “**Target Notice**” has the meaning set forth in Section 3.1.3.

Section 1.162 “**Term**” has the meaning set forth in Section 13.1.

Section 1.163 “**Territory**” means the entire world.

Section 1.164 “**Third Party**” means a Person other than (a) Astellas or any of its Affiliates and (b) CytomX or any of its Affiliates.

Section 1.165 “**Third Party Acquirer**” has the meaning set forth in Section 14.9.

Section 1.166 “**Third Party Claim**” has the meaning set forth in Section 10.1.1.

Section 1.167 “**Third Party IP**” has the meaning set forth in Section 7.5.5.

Section 1.168 “**Tools**” means any Patent Rights, Know-How, or other intellectual property rights licensed under the UCSB Agreement as set forth in [Exhibit A-2](#). For clarity, “Tools” will not include any Patent Rights co-owned by CytomX and UCSB and that are set forth in [Exhibit A-1](#).

Section 1.169 “**UCSB Agreement**” means the Exclusive License Agreement, dated August 19, 2010 and bearing UC Agreement No. 2011-03-0081, between The Regents of the University of California acting through its Santa Barbara campus (“**The Regents**”) and CytomX, as amended by that certain Amendment No. 1 to Exclusive Agreement, dated May 30, 2013, that certain Amendment No. 2 to Exclusive Agreement, dated November 8, 2013, and that certain Amendment No. 3 to Exclusive License

Agreement, dated April 2, 2019, as may be amended from time to time after the Effective Date to the extent in accordance with this Agreement.

Section 1.170 “United States” or “U.S.” means the United States of America and its territories and possessions.

Section 1.171 “Valid Claim” means a claim in an issued and unexpired Patent Right or an application for a Patent Right that has not lapsed or been abandoned, canceled, disclaimed, revoked, held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and that has not been admitted to be invalid or unenforceable through re-examination, re-issue, disclaimer or otherwise, or lost in an interference proceeding; *provided, however*, that if a claim of a pending patent application shall not have issued within [***] years after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim for the purposes of this Agreement unless and until a Patent Right issues with such claim (from and after which time the same would be deemed a Valid Claim).

ARTICLE 2. RESEARCH COLLABORATION

Section 2.1 Management.

2.1.1 Overview. Within [***] days after the Effective Date, the Parties shall establish a cross-functional, joint steering committee (the “**Joint Steering Committee**” or the “**JSC**”), which shall manage the collaboration between the Parties.

2.1.2 Alliance Managers. Each of Astellas and CytomX shall appoint one representative who possesses a general understanding of Development, regulatory, manufacturing and Commercialization matters to act as its respective alliance manager(s) for this relationship (an “**Alliance Manager**”). Each Party may replace its respective Alliance Manager at any time upon written notice to the other in accordance with this Agreement. Any Alliance Manager may designate a substitute to temporarily perform the functions of that Alliance Manager. Each Alliance Manager shall be charged with creating and maintaining a collaborative work environment within the JSC. Consistent with the Preclinical Research Plan, each Alliance Manager will also be responsible for:

- (a) providing a primary single point of communication responsible for seeking consensus both within the respective Party’s organization and together regarding key strategy and plan issues;
- (b) ensuring awareness of the governance procedures and rules set forth herein and monitoring compliance therewith; and
- (c) identifying and raising disputes to the JSC for discussion in a timely manner.

The Alliance Managers shall have the right to attend all JSC and subcommittee meetings. In accordance with Section 2.1.3(c), each Alliance Manager may bring any matter to the attention of the JSC that such Alliance Manager reasonably believes requires the attention of the JSC. Within [***] days after the Effective Date, each Party shall appoint and notify the other Party in writing of the identity of such Party’s representative to act as its Alliance Manager under this Agreement.

2.1.3 Joint Steering Committee.

(a) **Composition.** The JSC shall be comprised of [***] named representatives [***] (or such other number as the Parties may agree in writing) in addition to each Party's Alliance Manager who are members ex-officio. The JSC will be led by [***]; *provided that*, if such chairperson is not reasonably acceptable to CytomX and CytomX so informs Astellas (not more than [***]), Astellas shall appoint a replacement chairperson. Within [***] after the Effective Date, each Party shall designate by written notice to the other Party its initial representatives on the JSC (including its Alliance Manager). Each Party may replace one or more of its representatives, in its sole discretion, effective upon written notice to the other Party of such change. Each Party's representatives on the JSC, and any replacement for any such representative, shall be bound by the obligations of confidentiality set forth in Article 12.

(b) **Function and Powers of the JSC.** The JSC shall, consistent with the terms and conditions set forth in this Agreement, and subject to Section 2.1.5:

- (i) coordinate the Parties' activities under this Agreement;
- (ii) decide whether to include any particular Available Target for Preclinical Research under this Agreement;
- (iii) select a Product Directed Against a Collaboration Target as a clinical candidate for further Development;
- (iv) define each Collaboration Target in accordance with Section 3.1, and approve (A) each Preclinical Research Plan and Preclinical Research Budget for each Collaboration Target and any amendments thereto, (B) each Development Plan, Development Budget, Commercialization Plan and Commercialization Budget for each Cost Share Product and any amendments thereto, and (C) updates to each such Preclinical Research Plan, Preclinical Research Budget, Development Plan, Development Budget, Commercialization Plan and Commercialization Budget (in each case other than for the Preclinical Research Plan and Preclinical Research Budget, only for Cost Share Products) on [***] basis or as otherwise agreed upon by the Parties, and review progress against the goals in such plans and budgets;
- (v) oversee the implementation of each Preclinical Research Plan for each Collaboration Target and Product and review and serve as a forum for discussion of the results of the activities being carried out thereunder;
- (vi) serve as an information-sharing forum for Preclinical Research, Development (including regulatory strategy for IND filing) and Commercialization for each Product;
- (vii) with respect to any Product that is not a Cost Share Product, review and comment on any material strategy changes with respect to any Development Plan or Commercialization Plan;
- (viii) establish subcommittees, as appropriate, as described more fully in Section 2.1.3(d) below;

- (ix) direct and oversee any subcommittee;
 - (x) discuss estimated sales forecasts for Cost Share Products to the extent Astellas has generated any such estimated forecasts for internal use;
 - (xi) resolve disputed matters that may arise at the subcommittees; and
 - (xii) perform any and all tasks and responsibilities that are expressly attributed to the JSC under this Agreement.
- (c) **Meetings.**
- (i) The JSC shall meet at least [***] per Calendar Quarter or more or less often as otherwise agreed by the Parties, with the location of such meetings alternating between locations designated by Astellas and locations designated by CytomX. The chairperson of the JSC shall be responsible for calling meetings on reasonable prior notice. Each Party shall use reasonable efforts to make all proposals for agenda items and to provide all appropriate information with respect to such proposed items reasonably in advance (at least [***] Business Days if reasonably practicable) of the applicable meeting. Each Alliance Manager may require topics to be included for the agenda for JSC meetings (to the extent within the scope of the JSC) by forwarding such topics and relevant information to the JSC chairperson. The Alliance Managers shall prepare and circulate for review and approval of the JSC minutes of each meeting. The JSC shall agree on the minutes of each meeting as promptly as practicable following such meeting.
 - (ii) Representatives of the Parties on the JSC may attend meetings by telephone, videoconference or in person. At least [***] JSC meetings per [***] shall be held in person. A quorum of the JSC shall exist whenever there is present at a meeting at least [***] representative appointed by each Party.
 - (iii) As appropriate (subject to the discretion of the chairperson of the JSC, with approval not to be unreasonably withheld, conditioned or delayed), and *provided* that not less than [***] Business Days' prior written notice has been given to the other Party, other employees of the Parties may attend JSC meetings as observers, as well as Third Parties; *provided, however*, that a Party shall not bring a Third Party to a meeting without the other Party's prior written consent; and *provided further, however*, that each such Third Party (x) shall not vote or otherwise participate in the decision-making process of the JSC, and (y) shall be bound by obligations of confidentiality and non-disclosure, and obligations to assign inventions, consistent with those set forth in Article 8 and Article 12.
 - (iv) Each Party may also call for special meetings of the JSC with reasonable prior written notice to the other Party (it being agreed that at least [***] Business Days shall constitute reasonable notice) to resolve particular

matters requested by such Party and within the decision-making authority of the JSC. Each Party shall be responsible for all of its own expenses incurred in connection with participating in all meetings.

(d) **Subcommittees.** The JSC may establish and disband such subcommittees as deemed necessary by the JSC, which shall include a joint research committee (the “**Joint Research Committee**” or the “**JRC**”) and, if CytomX exercises the Cost Share Option pursuant to Section 6.6, a joint development committee (the “**Joint Development Committee**” or the “**JDC**”) and a joint finance committee (the “**Joint Finance Committee**” or the “**JFC**”) with respect to the Cost Share Products only and, further, if CytomX exercises the Co-Commercialization Option pursuant to Section 6.7.2, a joint commercialization committee with respect to the Co-Co Product subject to such Co-Commercialization Option (the “**Joint Commercialization Committee**” or the “**JCC**”). Each such subcommittee shall consist of [***] representatives designated by each Party, which number shall be mutually agreed by the Parties. Each Party shall be free to change its representatives on written notice to the other Party or to send a substitute representative to any subcommittee meeting. Each Party’s representatives and any substitute for a representative shall be bound by the obligations of confidentiality set forth in Article 12. Except as expressly provided in this Agreement or subject to the delegation granted by the JSC of any of its responsibilities, no subcommittee shall have the authority to bind the Parties hereunder and each subcommittee shall report to the JSC. Each Party shall be responsible for all of its own expenses incurred in connection with participating in all meetings. Any matters arising within a subcommittee that are not resolved by members of such subcommittee shall be submitted to the JSC for resolution as set forth in Section 2.1.3(b)(x).

(e) **Specific Responsibilities of the JRC.** Without limiting the generality of Section 2.1.3(d), the JSC (or, if such authority is granted to the JRC by the JSC, the JRC) shall:

- (i) manage the operationalization of the Preclinical Research Plan, and propose changes and updates to the Preclinical Research Plan (including the then-current Preclinical Research Budget); and
- (ii) monitor, review and record the progress of the activities under the Preclinical Research Plan.

(f) **Specific Responsibilities of the JDC.** Without limiting the generality of Section 2.1.3(d), the JSC (or, if such authority is granted to the JDC by the JSC, the JDC) shall:

- (i) with respect to any Cost Share Product, review and finalize, for the JSC’s approval, any Development Plan (including the then-current Development Budget) or amendments thereto;
- (ii) review and monitor the activities being conducted under each Development Plan with respect to a Cost Share Product and the progress of such activities; and
- (iii) perform such other functions as are set forth in this Agreement as the function of the JDC or as the Parties or the JSC (with respect to its designated responsibilities) may otherwise mutually agree in writing.

(g) **Specific Responsibilities of the JCC.** Without limiting the generality of Section 2.1.3(d), unless otherwise set forth in the Commercialization Agreement, the JSC (or, if such authority is granted to the JCC by the JSC, the JCC) shall:

- (i) review and finalize, for the JSC's approval, the Commercialization Plan (including the Commercialization Budget) with respect to each Cost Share Product, and any amendments thereto;
- (ii) discuss pricing of Cost Share Products;
- (iii) monitor the competitive landscape for each Cost Share Product in the Territory;
- (iv) oversee all activities performed under the Commercialization Agreement; and
- (v) perform such other functions as are set forth in this Agreement or the Commercialization Agreement as the function of the JCC or as the Parties or the JSC (with respect to its designated responsibilities) may otherwise mutually agree in writing.

shall: (h) **Specific Responsibilities of the JFC.** Without limiting the generality of Section 2.1.3(d), the JFC

- (i) designate policies for the Parties' reporting and recording of Development Costs (for Cost Share Products), Cost Share Product Costs and calculation of Profits and other financial terms set forth in this Agreement;
- (ii) review all variances from the applicable budgets; and
- (iii) perform such other functions as are set forth in this Agreement as the function of the JFC or as the Parties or the JSC (with respect to its designated responsibilities) may otherwise mutually agree in writing.

2.1.4 Cooperation. Each Party shall provide the JSC such information as required under this Agreement or as otherwise reasonably requested by the other Party and reasonably available to such Party to enable the other Party to perform its obligations under this Agreement, in each case relating to the progress against the goals or performance of activities under each Preclinical Research Plan, Development Plan and Commercialization Plan, as applicable.

2.1.5 Decisions. The JSC shall [***] with respect to [***] notwithstanding anything to the contrary herein, [***]. Other than as set forth herein, in order to make any decision required of it hereunder, the JSC (or any subcommittee thereof) must have present (in person, by videoconference or telephonically) [***]. Decisions of the JSC (or any subcommittee thereof) shall [***]. If a dispute arises that cannot be resolved by a subcommittee of the JSC, such dispute shall be referred to the JSC for resolution. If the JSC [***] or a dispute arises that cannot be resolved within the JSC (whether the matter originated at the JSC or within a subcommittee), such dispute shall be referred to [***] for resolution. [***] will in good faith seek to resolve the matter within [***], or within such longer time periods as the Parties

may mutually agree upon. In the event that [***] with respect to a decision after [***] (it being understood and agreed that neither Party shall unreasonably withhold or delay agreement with respect to any such dispute), [***]. Without limiting the foregoing, in no event (unless separately agreed by the Parties in writing) shall [***]. For avoidance of doubt, [***].

2.1.6 Exceptions. [***].

2.1.7 Authority. The JSC and any subcommittee shall have only the powers assigned expressly to it in this Article 2 and elsewhere in this Agreement, and shall not have any power to amend, modify or waive compliance with this Agreement. In furtherance thereof, each Party shall retain the rights, powers and discretion granted to it under this Agreement and no such rights, powers or discretion shall be delegated or vested in the JSC or subcommittee unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing. For the avoidance of doubt, JSC and subcommittee rights to discuss, comment, review or monitor (and other similar activities) shall not require any Party or designee thereof to act or be bound in any respect by such discussion, comment, review, or monitoring.

2.1.8 Discontinuation of JSC. The JSC shall continue to exist until the first to occur of (a) the Parties mutually agreeing to disband the JSC or (b) expiration or termination of this Agreement.

Section 2.2 Subcontracting. Each Party may engage its Affiliates, or Third Party subcontractors (including contract research organizations and contract manufacturing organizations) to perform its obligations under this Agreement; *provided* that JSC approval shall be required for any subcontractor that CytomX may seek to use from time to time unless such subcontractor is set forth on Exhibit F (but only for the services specifically indicated for such listed subcontractor), it being understood and agreed that [***]. Any subcontractor to be engaged by a Party to perform such Party's obligations set forth in this Agreement will meet the qualifications typically required by such Party for the performance of work similar in scope and complexity to the subcontracted activity. The activities of any such subcontractors will be considered activities of such subcontracting Party under this Agreement. The subcontracting Party will be responsible for ensuring compliance by any such subcontractors with the terms of this Agreement, as if such subcontractors are such Party hereunder. Each subcontract shall be in writing and shall contain obligations, on the part of the applicable subcontractor, consistent with this Agreement, including Article 8 and Article 12, with respect to confidentiality and non-use and the assignment of, or the grant of equivalent rights under, all Patent Rights, know-how, inventions and other intellectual property rights that such subcontractor may develop or acquire by reason of work performed under this Agreement. Each subcontracting Party will conduct, and will cause its Affiliates and other subcontractors, if any, to conduct, the relevant activities in accordance with such subcontracting Party's commitments hereunder.

Section 2.3 Information Sharing. Each Party shall promptly provide the other Party with copies of all material non-clinical, analytical, manufacturing, and clinical data (including, for clarity, data sets) and information generated by such Party, or on behalf of such Party by any Affiliate or Third Party relating to any and all Collaboration Targets or Products, to the extent necessary for the other Party to provide any support expressly requested by such Party under this Agreement or as otherwise reasonably required for a Party to perform its obligations or exercise its rights under this Agreement. For clarity, information regarding adverse events and serious adverse events shall be provided in accordance with the Pharmacovigilance Agreement. All non-clinical, analytical, manufacturing, and clinical data and associated reports disclosed by one Party to the other under this Agreement shall be deemed Confidential

Information of the disclosing Party except (a) all data and reports generated under the Preclinical Research Plan by or on behalf of either Party shall be deemed Confidential Information of both Parties, and (b) as otherwise set forth in this Agreement; *provided* that each Party (or its Affiliates or licensees or Sublicensees) may use such data and reports solely for the purpose of performing its obligations or exercising its rights under this Agreement, including Developing a Product, seeking and obtaining Marketing Approval, or Commercializing the Product, including pursuant to CytomX's right to co-Commercialize pursuant to Section 6.7.2 to the extent consistent with the Commercialization Plan. Notwithstanding anything to the contrary in the foregoing, the CytomX Platform Technology, CytomX Platform Improvements IP, CytomX Know-How and Tools shall be Confidential Information of CytomX, and CytomX shall be deemed the disclosing Party thereof for purposes of Article 12. Notwithstanding anything to the contrary in the foregoing, the Astellas Know-How shall be Confidential Information of Astellas, and Astellas shall be deemed the disclosing Party thereof for purposes of Article 12.

Section 2.4 [*].**

ARTICLE 3. PRECLINICAL RESEARCH ACTIVITIES

Section 3.1 Selection of Targets.

3.1.1 The Parties have agreed upon the Initial Target. Astellas, or at Astellas's written request, CytomX, shall have the right to nominate up to three (3), or, if Astellas exercises the Astellas Expansion Options pursuant to Section 3.1.2, up to five (5), additional Available Targets for inclusion under this Agreement (such Available Targets selected and Available, "**Additional Targets**"); *provided* that, unless otherwise agreed by the Parties in writing, (i) the first (1st) such Additional Target shall be nominated no later than [***] months after the Effective Date, (ii) the second (2nd) such Additional Target shall be nominated no later than [***] months after the Effective Date, and (iii) the third (3rd) such Additional Target shall be nominated no later than [***] months after the Effective Date, subject to Section 3.1.3. CytomX shall retain the right to reasonably delay the commencement of activities under the Preclinical Research Plan for any Additional Target or [***] if such Additional Target or [***] is selected within [***] months of any other Additional Target or [***], such that the commencement of such activities for the newly selected Additional Target or [***] do not begin within such [***] month period if commencement within such [***]-month period is not reasonable to undertake with Commercially Reasonable Efforts.

3.1.2 Subject to Section 3.1.3, until the [***] anniversary of the Effective Date, Astellas shall have the right to elect to expand the number of Targets that may be nominated as Additional Targets from three (3) to up to five (5) (the "**Astellas Expansion Option**"), exercisable upon prior written notice. Astellas may exercise the Astellas Expansion Option up to two (2) times, in each case with respect to not more than one (1) Additional Target.

3.1.3 The following procedure shall be followed for the selection of an Additional Target or [***]. CytomX and the Gatekeeper shall maintain an up-to-date list of Targets that are not Available until the period in which Additional Targets or [***] may be nominated and approved hereunder expires. To nominate an Additional Target or [***], Astellas shall request CytomX confirm with the Gatekeeper that the Gatekeeper's list of Targets that are not Available is current. CytomX shall have up to [***] Business Days to confirm the foregoing with the Gatekeeper (and shall inform Astellas promptly upon such confirmation). Astellas shall thereafter notify the Gatekeeper in writing on a confidential basis of its intention to determine whether one or more Targets are Available, at which point the Gatekeeper shall, as

promptly as possible but in any case no more than [***] days after receipt of such nomination, provide written notice (the “**Target Notice**”) to Astellas as to whether such proposed Additional Target(s) or [***] (each, a “**Nominated Target**”) is Available, but the identity of such Nominated Target shall not be disclosed to CytomX until such time such Nominated Target is deemed to be Available. If such Nominated Target is Available, it shall automatically become an Additional Target or [***], as applicable, on the date of Astellas’s receipt of such notice from the Gatekeeper (the “**Target Acceptance Date**”), and the Parties will have all rights and obligations hereunder in connection with such Additional Target or [***] as of the Target Acceptance Date. If any such Nominated Target is determined by the Gatekeeper not to be Available, then Astellas shall have the option to continue to nominate (or request CytomX nominate) another Nominated Target until the expiration/termination or exhaustion of Astellas’s right to nominate Nominated Targets hereunder, it being understood that the process of nomination of Nominated Targets (and any deadlines related thereto) will extend [***] days each time Astellas is informed that a Nominated Target is not Available, *provided* that Astellas has nominated such Target in good faith. If the notice from the Gatekeeper indicates that the Nominated Target is not Available, Astellas may disclose such Nominated Target to CytomX and request that CytomX inform Astellas when such Nominated Target subsequently becomes Available, and CytomX shall inform Astellas within a reasonable time after such Nominated Target subsequently becomes Available; Astellas shall then have the right to nominate such Nominated Target so long as the period in which Additional Targets or [***] may be nominated hereunder has not expired and Astellas has not otherwise exhausted the number of Targets permitted to be selected under Sections 3.1.1, 3.1.2 (as applicable), and [***]. CytomX will not intentionally frustrate the ability of Astellas to identify and select Additional Targets and [***] that are Available by making any potential Additional Target or [***] not Available out of the ordinary course of business.

3.1.4 At Astellas’s discretion, for no more than [***], prior to nomination of a Target, Astellas may disclose such Target to CytomX and request in writing that CytomX provide in writing existing material technical, scientific, business and other information, that is Controlled by CytomX or its Affiliates, and not subject to any obligations of confidentiality to any Third Party to the extent such information relates to [***] (the “**Proposed Target Information**”). If Astellas makes such a request, and *provided* that such Target is Available, CytomX shall as promptly as reasonably practicable make such Proposed Target Information available to Astellas. Upon Astellas’s request, CytomX shall also consider in good faith providing additional existing information that is Controlled by CytomX or its Affiliates to the extent such information is related to the proposed Target and would be useful to Astellas in its evaluation of whether to nominate such Target. Notwithstanding the foregoing, CytomX shall have no obligation to generate new data or conduct new analyses in connection with providing such existing information or otherwise in response to any such request by Astellas. Any information provided under this Section 3.1.4 will be Confidential Information of CytomX, and Astellas shall limit disclosure of any information provided under this Section 3.1.4 to only its internal employees and outside advisors under obligations of confidentiality who need to know such information for purposes of determining whether to include such Target as an Additional Target or [***]; *provided* that in the event such Target becomes an Additional Target or [***] pursuant to this Agreement, then such Proposed Target Information for such Additional Target or [***] shall be used in accordance with the terms and conditions of this Agreement, including the confidentiality obligations set forth in Article 12. In the event that Astellas requests such Proposed Target Information pursuant to this Section 3.1.4, Astellas shall have no obligation to nominate the Target as an Additional Target or [***] pursuant to Section 3.1.1, Section 3.1.2 or [***]. Notwithstanding anything herein to the contrary, in no way shall Astellas’s request for Proposed Target Information be deemed to be a nomination or reservation of the Target as an Additional Target or [***]

until such Target is formally nominated in accordance with the terms and conditions set forth in Section 3.1.3.

3.1.5 If Astellas is considering whether to request that CytomX nominate a Target as set forth in Section 3.1.1, CytomX may in its discretion, upon Astellas's written request, provide existing material information that is Controlled by CytomX or its Affiliates related to the proposed Target, *provided* that such Target is Available, (but without identifying such Target or providing such information that would likely lead to the identification of such Target) as would be useful to Astellas in its evaluation of whether CytomX should nominate such undisclosed Target. Notwithstanding the foregoing, CytomX shall have no obligation to generate new data or conduct new analyses in connection with providing such existing information or otherwise in response to any such request by Astellas. Any such information will be Confidential Information of CytomX, and Astellas shall limit disclosure of any information provided under this Section 3.1.4 to only its internal employees and outside advisors under obligations of confidentiality who need to know such information for purposes of determining whether to include such Target as an Additional Target or [***]; *provided* that in the event such undisclosed Target becomes an Additional Target or [***] pursuant to this Agreement, then such information shall be used in accordance with the terms and conditions of this Agreement, including the confidentiality obligations set forth in Article 12. In the event that Astellas requests such information pursuant to this Section 3.1.5, Astellas shall have no obligation to request that CytomX nominate the undisclosed Target as an Additional Target or [***] pursuant to Section 3.1.1, Section 3.1.2 or [***]. Notwithstanding anything herein to the contrary, in no way shall Astellas's request for information pursuant to this Section 3.1.5 be deemed to be a nomination or reservation of the Target as an Additional Target or [***] until such Target is formally nominated in accordance with the terms and conditions set forth in Section 3.1.3. After Astellas's review and discussion with CytomX as contemplated by this Section 3.1.5, Astellas will advise CytomX in writing whether CytomX should nominate such undisclosed Target as an Additional Target or [***].

3.1.6 [***].

Section 3.2 Preclinical Research Plans. The Parties (working through the JSC) shall within [***] days after the Gatekeeper confirms that the relevant Additional Target(s) or [***] is Available finalize a Preclinical Research Plan for such Additional Target(s) or [***] in accordance with Section 2.1.3(b). The goal of the Preclinical Research Plan is to identify [***] potential Product per each Collaboration Target and to conduct Preclinical Research to obtain the data required for filing of an IND with respect to such Product; [***]. Unless otherwise agreed by the Parties, within [***] days of such approval of such Collaboration Target, CytomX shall provide to the JSC (or, if applicable and so designated by the JSC, the JRC) a draft Preclinical Research Plan and Preclinical Research Budget, and, once finalized by the JRC (if applicable), the JRC shall submit such revised Preclinical Research Plan and Preclinical Research Budget to the JSC for final approval. The JSC (or, if applicable and so designated by the JSC, the JRC) shall review each Preclinical Research Plan (including, for clarity, the corresponding Preclinical Research Budget) on a regular basis, and in no event less frequently than [***]. In preparing and approving the Preclinical Research Plan, the Parties and the JSC shall take into account (a) any experience gained from the initial or any subsequent Preclinical Research Plan (with successful past Preclinical Research Plans being repurposed to the extent reasonable to do so in light of the then-existing circumstances), and (b) any CytomX resource constraints or timeline constraints (subject to the use of Commercially Reasonable Efforts to resolve such constraints as promptly as practicable) that may result from multiple Additional Targets or [***] being added as Collaboration Targets within a [***]-month period of one another (it

being understood and agreed that CytomX's constraints shall be measured in light of CytomX's using Commercially Reasonable Efforts to complete such Preclinical Research Plan).

Section 3.3 Preclinical Research of Products. In accordance with the terms of the Preclinical Research Plan and in any case not later than [***] days of the approval hereunder of a Preclinical Research Plan with respect to an Additional Target or [***], or, with respect to the Initial Target within [***] days of the Effective Date, CytomX shall commence the Preclinical Research activities under such Preclinical Research Plan. During the applicable Preclinical Research Term, CytomX shall use its Commercially Reasonable Efforts to conduct the Preclinical Research activities for the Products in accordance with the Preclinical Research Plan.

Section 3.4 Preclinical Research Costs.

3.4.1 Astellas shall be responsible for all of the Preclinical Research Costs incurred by either Party and its Affiliates in connection with Preclinical Research under this Agreement that are set forth in the approved Preclinical Research Budget. CytomX shall use Commercially Reasonable Efforts to minimize the Preclinical Research Costs incurred by it to the extent practicable under the Preclinical Research Plan. CytomX shall have the right to invoice Astellas for its Preclinical Research Costs [***] and Astellas shall pay such amounts within [***] days after receipt of such invoice. CytomX shall cooperate with any reasonable request of Astellas to confirm the information in any such invoice(s) in accordance with Section 7.9.

3.4.2 During the Preclinical Research Term for a Target, CytomX shall provide (a) Astellas with reports [***] of the status of CytomX's and its Affiliates', subcontractors' and Sublicensees' activities relating to the Preclinical Research with respect to the such Target during the preceding [***] period and (b) the JSC with updates once per Calendar Quarter of the status of CytomX's and its Affiliates', subcontractors' and Sublicensees' activities under this Agreement with respect to Preclinical Research.

Section 3.5 Material Transfer. To facilitate the Preclinical Research or any regulatory, Development or Commercialization activities hereunder, either Party may (and at Astellas's reasonable request and cost following identification of an applicable clinical development candidate, CytomX shall, with respect to any materials produced or held on behalf of CytomX pursuant to the Preclinical Research Plan and set forth on Appendix C of Exhibit B, any of its Affiliates or their respective subcontractors necessary to allow Astellas to exercise its rights hereunder) provide to the other Party certain materials (including biological materials or chemical compounds, or cell lines to produce Products), owned by or licensed to such Party for use by the other Party in furtherance of the other Party's Preclinical Research obligations or any regulatory, Development or Commercialization activities under this Agreement (such materials provided hereunder are referred to, collectively, as "**Materials**"). The Materials shall in any case include, at Astellas's request, the items set forth on Appendix C of Exhibit B. Except as otherwise expressly provided under this Agreement, all such Materials delivered to the other Party shall remain the sole property of the supplying Party, and the receiving Party shall ensure that such Materials shall be used only in furtherance of the exercise of rights or performance of obligations under this Agreement and in accordance with this Agreement, shall be used solely under the control of the other Party and shall not be used or delivered to or for the benefit of any Third Party, except for permitted subcontractors as set forth in Section 2.2, without the prior written consent of the supplying Party, and shall not be used in research or testing involving human subjects, in each case unless otherwise specifically contemplated hereunder), and will be used in compliance with all applicable Laws. The provision of Materials to the receiving Party hereunder does not grant such Party any rights other than those specifically granted in this Agreement.

Delivery of the Materials shall be FCA (the supplying Party's facilities) Incoterms 2010. The receiving Party shall: (a) receive the Materials; (b) notify the supplying Party when the Materials have been received; and (c) forward to the supplying Party any applicable chain of custody forms, in-transport temperature record(s) and receipt verification documentation and such other documentation reasonably requested by the supplying Party. The receiving Party shall be responsible for import clearance (including preparing any necessary documentation with respect thereto) and making entry of shipment. The supplying Party shall provide the relevant shipping documentation, pro forma invoice and airway bill, together with such other documentation necessary for the use, handling, transfer, and/or storage of the Materials. The Materials supplied under this Section 3.5 are supplied "as is" and must be used with prudence and appropriate caution in any experimental work, since not all of their characteristics may be known. Except as expressly set forth herein, THE MATERIALS ARE PROVIDED WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY, EXCEPT AS SET FORTH IN ARTICLE 9. For record-keeping purposes, the Parties shall compile a list (that shall include the type of material, quantity, shipping date and any other relevant details) on a [***]-by-[***] basis setting forth the Materials provided to/from each Party, which document shall be signed by an authorized representative of each Party.

ARTICLE 4. LICENSE GRANT

Section 4.1 License Grants.

4.1.1 Preclinical Research License.

(a) On a Collaboration Target-by-Collaboration Target basis, during the applicable Preclinical Research Term, Astellas hereby grants to CytomX a non-exclusive, worldwide, royalty-free right under Astellas IP solely as necessary for CytomX to conduct Preclinical Research as set forth in the applicable Preclinical Research Plan under this Agreement.

(b) On a Product-by-Product basis, during the applicable Preclinical Research Term, CytomX hereby grants to Astellas a non-exclusive, worldwide, royalty-free right under CytomX IP solely as necessary for Astellas to conduct Preclinical Research as set forth in the applicable Preclinical Research Plan under this Agreement.

4.1.2 License Grant to Astellas. Subject to the terms and conditions of this Agreement, CytomX hereby grants to Astellas an exclusive (even as to CytomX and its Affiliates, except as expressly set forth in this Agreement and subject to CytomX and its Affiliates retaining the non-exclusive rights reasonably necessary or useful to perform CytomX's obligations under this Agreement and any Preclinical Research Plan, Development Plan or Commercialization Plan), royalty-bearing, sublicenseable (but only in accordance with Section 4.2), license under the CytomX IP to Exploit Products in the Licensed Field in the Territory during the Term. Notwithstanding the foregoing, the CytomX Know-How and Collaboration Know-How shall be sublicenseable only in connection with the rights of Astellas with respect to Products and not with respect to any other products or services.

4.1.3 License Grant to CytomX. Subject to the terms and conditions of this Agreement, Astellas hereby grants to CytomX a non-exclusive, royalty-free, sublicenseable (but only in accordance

with Section 4.2) license under the Astellas IP and Astellas's interest in the Collaboration IP, in each case, solely (a) to carry out CytomX's responsibilities under the Preclinical Research Plan under this Agreement with respect to each Collaboration Target and each Product and (b) to Exploit Co-Co Products in the Licensed Field in the United States during the Term in accordance with the applicable Commercialization Plan. Notwithstanding the foregoing, the Astellas Know-How and Collaboration Know-How shall be sublicenseable only in connection with the rights of CytomX with respect to the applicable Product or Co-Co Product and not with respect to any other products or services.

4.1.4 Limitation. Notwithstanding anything to the contrary in this Agreement, in no event shall Astellas conduct any Preclinical Research except as expressly allocated to Astellas under a Preclinical Research Plan. Without limiting the foregoing, Astellas shall not make any Mask or Substrate, including conducting any activities that involve attaching a Mask or Substrate to an Antibody or other Bi-Specific Antibody that is Directed Against a Collaboration Target, analyzing or optimizing Masks or Substrates, or modifying any Mask or Substrate, all of the foregoing as enabled by the use of CytomX Platform Technology (such activities, the "**Mask/Substrate Activities**").

Section 4.2 Sublicenses. Each Party shall have the right to grant one or more sublicenses under the licenses granted to such Party under Section 4.1, in full or in part, by means of written agreement to Affiliates or Third Parties (with the right to sublicense through multiple tiers), without the prior written consent of the other Party. As a condition precedent to and requirement of any such sublicense: (a) any such permitted sublicense shall be consistent with and subject to the terms and conditions of this Agreement (including for the avoidance of doubt, that if sales by such Sublicensee are included in Net Sales hereunder, such Sublicensee shall permit audit rights with respect to its reporting of Net Sales that are consistent with those given by Astellas hereunder with respect to its sales included in Net Sales); (b) such Party will continue to be responsible for full performance of such Party's obligations under this Agreement and will be responsible for all actions of such Sublicensee as if such Sublicensee were such Party hereunder; (c) such Party's grant of any sublicense will not relieve such Party or its Affiliates from any of its obligations under this Agreement; and (d) such Party will provide the other Party with a copy of such sublicense promptly, but within [***] Business Days, after the grant of such sublicense, *provided* that such Party may redact such copy at its discretion to remove financial terms and any other information that is not relevant to this Agreement (provided that financial terms may be provided on a confidential basis to a third party auditor only for purposes of confirming amounts payable hereunder pursuant to any audit in accordance with this Agreement).

Section 4.3 No Other Rights. No right or license under any Patent Rights, Know-How, or other intellectual property rights of a Party is granted or shall be granted by implication to the other Party, and each Party covenants not to practice or use any Patent Rights, Know-How, or other intellectual property rights of the other Party except pursuant to the licenses expressly granted in this Agreement or any other written agreement between the Parties. All such rights or licenses are or shall be granted only as expressly provided in the terms of this Agreement.

Section 4.4 No Further Development. In the event that, pursuant to Astellas's request as set forth in Section 3.1.1, CytomX nominates a Target that is determined to be Available and Astellas subsequently determines that it does not wish to formally approve such Available nominated Target as an Additional Target or [***] Astellas shall not, outside of this Agreement, research, Develop or Commercialize a Conditionally Active Bi-Specific Antibody that is Directed Against CD3 and such Target, for a period [***] months following the date of CytomX's receipt in writing of such determination by Astellas.

Section 4.5 UCSB Agreement. Astellas acknowledges and agrees that any sublicense that will be granted by CytomX to Astellas in connection with this Agreement, of rights granted by UCSB to CytomX under the UCSB Agreement is subject to the terms and conditions of the UCSB Agreement. Astellas acknowledges that it has received a copy (which may be redacted) of and reviewed such copy of the UCSB Agreement. To the extent applicable, the UCSB Agreement will be binding on Astellas with respect to Astellas's activities pursuant to this Agreement as if Astellas were in place of CytomX under the UCSB Agreement, and Astellas will comply with Section 3.1(a), (b), and (c) of the UCSB Agreement, including the obligation to indemnify UCSB as set forth in Section 19 of the UCSB Agreement and provide for inspection of books and records by the Regents consistent with the UCSB Agreement.

Section 4.6 Retained Rights. Notwithstanding anything to the contrary in this Agreement, CytomX shall retain the right to [***].

Section 4.7 Distributorships. Astellas shall have the right, in its sole discretion, to appoint its Affiliates, and Astellas and its Affiliates shall have the right, in their sole discretion, to appoint any other Persons, in the Territory or in any country or other jurisdiction of the Territory, to distribute, market, and sell Products, in circumstances where the Person purchases its requirements of Products from Astellas or its Affiliates. If Astellas or its Affiliates appoints such a Person as a distributor and such Person is not an Affiliate of Astellas nor pays Astellas or its applicable Affiliates in connection with such appointment or such Products any consideration other than the arm's length transfer price of such Product, that Person shall be a "**Distributor**" for purposes of this Agreement. If such Person is obligated or has otherwise agreed to pay any royalties, milestones or similar payments (excluding, for the avoidance of doubt, volume rebates and the like) to (or on behalf of) Astellas or any of its Affiliates in connection with such appointment or such Products, such Person shall not be deemed to be a Distributor for purposes of this Agreement, and instead shall be deemed to be a Sublicensee for purposes of this Agreement.

ARTICLE 5. REGULATORY MATTERS

Section 5.1 Astellas Responsibilities. Astellas will be solely responsible for (and as between the Parties, Astellas shall have the sole right with respect to) the preparation, submission and maintenance of all Regulatory Filings and obtaining all Marketing Approvals with respect to Products. CytomX will cooperate with Astellas, at Astellas's reasonable request and expense (with no cost to Astellas for CytomX providing existing documents required from CytomX to support any Regulatory Filing), with respect to any regulatory matters related to Products for which Astellas is responsible hereunder. Astellas will own all right, title and interest in and to any and all Regulatory Filings and Marketing Approvals directed to Products and all such Regulatory Filings and Marketing Approvals will be held in the name of Astellas or its designee. CytomX will execute all documents and take all actions as are reasonably requested by Astellas, at Astellas's expense, to vest such title in Astellas or such designee, as applicable.

Section 5.2 Regulatory Updates. Astellas shall keep CytomX reasonably informed of all material regulatory developments and filings relating to Products in any of the Major Markets, including through the annual development reports under Section 6.4, and with respect to Cost Share Products in the Major Markets, Astellas will use good faith efforts to provide CytomX a meaningful opportunity to (a) review and comment on such filings prior to submission thereof, and Astellas will in good faith consider incorporating such comments into, any such regulatory filings in the Territory, and (b) unless such Regulatory Authorities object, participate (with Astellas in its sole discretion having the right to object to such participation by more than one (1) CytomX representative at any such meeting) in all material

meetings with Regulatory Authorities relating to any Cost Share Product in any of the Major Markets solely in an observer capacity. For Cost Share Products with respect to Major Markets, Astellas will provide CytomX with a copy, in each case to the extent material, of all regulatory filings, correspondence with and minutes of meetings with Regulatory Authorities, documents included in such regulatory dossiers and Marketing Approvals.

Section 5.3 Pharmacovigilance. Reasonably prior to any Party's Initiation of any clinical study of any Product, the Parties shall define and allocate each Party's responsibilities with respect to pharmacovigilance activities for each type of Product and, if the Parties deem necessary, enter into a written agreement with the respect to the same (the "**Pharmacovigilance Agreement**").

ARTICLE 6. DEVELOPMENT, MANUFACTURE AND COMMERCIALIZATION MATTERS

Section 6.1 General. Astellas shall have the right to Develop (including, for the avoidance of doubt, file an IND), Manufacture (as defined on Exhibit C) and Commercialize [***] Products Directed Against each Collaboration Target. Subject to the terms of this Agreement and any rights of CytomX with respect to any Cost Share Products, [***].

Section 6.2 Development Plans.

6.2.1 Approval. At least [***] months prior to the estimated date of IND filing for a Product, or as soon thereafter as reasonably practicable, Astellas shall provide to the JSC, or the JDC if such Product is a Cost Share Product, in each case for information purposes, a draft initial Development Plan for the Development of the applicable Product. Astellas shall consider in good faith any reasonable feedback from the JSC (or, if applicable, the JDC). Astellas shall submit such revised Development Plan for any Cost Share Product to the JSC for final approval.

6.2.2 Amendments and Updates. The JSC or, as applicable, the JDC, shall discuss each Development Plan on a regular basis, and in no event less frequently than [***]. Either Party, through its representatives on the JSC or JDC, as applicable, may propose amendments to, and comment upon, each Development Plan (including the corresponding Development Budget with respect to Cost Share Products) from time to time, [***]. In any event, an updated Development Plan shall be provided by Astellas to the JSC (for review and approval for Cost Share Products, and for information purposes only for any other Products) no later than [***].

6.2.3 Development Budget. Each Development Budget will set forth the detailed costs to be incurred with respect to Development of the applicable Cost Share Product for the [***] of such Development Budget and will set forth [***] for each of (a) the [***] period immediately following such [***] and (b) the [***] period immediately following the [***] described in subsection (a) [***]. Each Development Budget with respect to Cost Share Products shall be updated least [***] with the corresponding Development Plan in accordance with Section 6.2.2.

Section 6.3 Diligence. Astellas shall (directly and/or through one or more Affiliates and/or Sublicensees), subject to completion of Preclinical Research pursuant to the Preclinical Research Plan, use Commercially Reasonable Efforts to Develop, obtain Marketing Approval of and Commercialize at least one (1) Product for each Collaboration Target [***].

Section 6.4 Reports. During the Term, Astellas shall provide the JSC with updates at least once per Calendar Year of the status of Astellas's and its Affiliates', subcontractors and Sublicensees' Development activities under this Agreement.

Section 6.5 Costs. Following the Effective Date and at all times during the Term, Astellas shall be responsible for, and shall bear all costs incurred by or on its behalf associated with, the Development, Manufacture and Commercialization of Products, including development, distribution, marketing and sales activities, subject to the obligation of CytomX to pay its share of Development Costs and (subject to Section 2.2.2 of Exhibit C) Cost Share Product Costs following exercise by CytomX of its Cost Share Option pursuant to Section 6.6.

Section 6.6 Cost Share Option. From the Effective Date until the date that is [***] months before the expected Initiation of the first Pivotal Trial of any Product (the "**Option Date**") as such Initiation date is determined by the JSC in accordance with the then-current Development Plan or as otherwise determined by the JSC (the "**Cost Share Option Period**"), CytomX shall have the right to elect to share Development Costs and share in the United States Profits with respect to such Product (each, a "**Cost Share Product**"), exercisable upon written notice provided to Astellas during such Cost Share Option Period (the "**Cost Share Option**"), with any such exercise by CytomX to become effective hereunder immediately after the end of the [***] in which such Cost Share Option is exercised. No later than [***] days prior to the Option Date, Astellas shall deliver to CytomX all material data, including CMC data and clinical trial data and results, an updated (to the extent of any known material changes to the most recent version) Development Plan and Development Budget for the applicable Products Directed Against such Collaboration Target (including all ongoing and anticipated clinical trials and the designs thereof) and other material information related to such Product in Astellas's or its Affiliates', subcontractors' or Sublicensees' possession or control (the "**Cost Share Option Package**"). In advance of CytomX's election, Astellas shall provide any material updates to the Cost Share Option Package that occur during such [***] day period, as well as any additional information or materials related to such Product as CytomX may reasonably request. If CytomX in its reasonable discretion determines that such Cost Share Option Package is incomplete or otherwise not sufficient to evaluate whether or not to exercise the Cost Share Option, CytomX shall so notify Astellas and Astellas shall supplement such Cost Share Option Package until the applicable deficiencies have been resolved. The Option Date shall be adjusted as necessary to provide CytomX not less than [***] to review any such updates or supplemental information; *provided* that CytomX shall use reasonable efforts to bring and resolve any such requests as promptly as possible. If CytomX so exercises its Cost Share Option with respect to such Product, the provisions set forth in this Agreement with respect to Cost Share Products and the exercise of the Cost Share Option, Section 7.3 and Exhibit C regarding Development Cost sharing and Profit sharing in the United States shall apply to such Product in the United States. CytomX shall have the right to exercise the Cost Share Option with respect to [***] Products, but shall not be entitled to exercise the Cost Share Option with respect to [***] Collaboration Targets. [***]

Section 6.7 Commercialization Activities.

6.7.1 Generally. Subject to Section 6.7.2, Astellas shall have the sole right to Commercialize Products under this Agreement.

6.7.2 Co-Commercialization Option. If CytomX exercises its Cost Share Option pursuant to Section 6.6 with respect to any Product, CytomX shall have the right to elect to co-Commercialize (including co-promote) such Product (such Cost Share Product, a "**Co-Co Product**") in

the United States, exercisable upon written notice provided to Astellas no later than [***] prior to the anticipated FDA acceptance for filing of a BLA for such Product in accordance with the Development Plan (the “**Co-Commercialization Option**”), pursuant to the terms of a written commercialization agreement to be negotiated in good faith between the Parties promptly following [***] exercise by CytomX of its Co-Commercialization Option (the “**Commercialization Agreement**”). The Commercialization Agreement shall include terms consistent with the provisions set forth on Exhibit D and such other terms as are customary and reasonable in agreements of that type (the “**Required Terms**”). [***]. If the Parties are unable to agree on the terms of the Commercialization Agreement within [***] months following the date of exercise of the Co-Commercialization Option, then [***].

6.7.3 Termination of Co-Commercialization. If, at any time after exercising the Co-Commercialization Option with respect to any Co-Co Product, CytomX notifies the JSC of CytomX’s desire to terminate all of its involvement in the Co-Commercialization Activities for such Co-Co Product, then the Parties, through the JSC, will endeavor to make arrangements for an orderly transition of such activities to Astellas without materially adversely impacting the Commercialization Plan and without causing a material incremental increase in the overall cost of Commercialization as a result of such transition.

6.7.4 Commercialization Plan.

(a) **Approval.** At least [***] months prior to the estimated date of Marketing Approval of a Product, or as soon thereafter as reasonably practicable, but in no event, with respect to any Cost Share Product, less than [***] months prior to the expiration of the Co-Commercialization Option with respect to such Cost Share Product pursuant to Section 6.7.2, Astellas shall provide to the JSC, or to the JCC if such Product is a Cost Share Product, in each case for information purposes, a draft initial Commercialization Plan for the Commercialization of such Product. Astellas shall consider in good faith any reasonable feedback from the JSC (or, if applicable, the JCC). Astellas shall submit such revised Commercialization Plan for any Cost Share Product to the JSC for final approval.

(b) **Amendments and Updates.** The JSC or, as applicable, the JCC, shall discuss each Commercialization Plan on a regular basis, and in no event less frequently than [***]. Either Party, through its representatives on the JSC or JCC, as applicable, may propose amendments to, and comment upon, each Commercialization Plan (including the corresponding Commercialization Budget) from time to time, but [***]. In any event, an updated Commercialization Plan shall be provided by Astellas to the JSC (for review and approval for Cost Share Products, and for information purposes only for any other Products) no later than [***].

(c) **Commercialization Budget.** Each Commercialization Budget will set forth the detailed costs to be incurred with respect to Commercialization of the applicable Cost Share Product for the [***] of such Commercialization Budget and will set forth high-level estimates for each of (i) the [***] period immediately following such [***] and (ii) the [***] period immediately following the [***] described in subsection (i) to the extent Astellas has prepared such an estimate for internal purposes. Each Commercialization Budget shall be updated least [***] with the corresponding Commercialization Plan in accordance with Section 6.7.4(b).

6.7.5 Commercialization Reports. During the Term, for each Product, Astellas, and with respect to each Co-Co Product, CytomX, shall report on the Commercialization status of such Party’s

and its Affiliates', subcontractors and Sublicensees' Commercialization activities under this Agreement with respect to such Product in accordance with the procedures established by (a) in the case of Co-Co Products, the JSC or, if applicable, the JCC and no less frequently than once every [***]; and (b) in the case of all other Products, the JSC and no less frequently than once every [***]. The JSC or, if applicable, the JCC (in the case of the Co-Co Products) or the JSC (in the case of all other Products) shall evaluate the work performed in relation to the goals of the applicable Commercialization Plan. Each Party shall provide such other information pertaining to its Commercialization activities for Products as reasonably requested by the JCC or the JSC, as applicable. Astellas shall also consider in good faith CytomX's views on pricing of the Cost Share Products in the any of the Major Markets through the JSC or, if applicable, the JCC.

ARTICLE 7. FEES, ROYALTIES, & PAYMENTS

Section 7.1 Upfront Payment. As partial consideration for the rights granted by CytomX to Astellas pursuant to the terms of this Agreement, for access to the CytomX Platform Technology and CytomX undertaking its responsibilities under this Agreement, CytomX shall invoice (on the Effective Date) and Astellas shall pay to CytomX a non-refundable (it being understood and agreed that indemnification and other monetary remedies available hereunder shall not be deemed to be a refund) and non-creditable payment of Eighty Million Dollars (\$80,000,000) within [***] Business Days after delivery of such invoice on or after the Effective Date.

Section 7.2 Astellas Expansion Option. In the event that Astellas exercises the Astellas Expansion Option pursuant to Section 3.1.2 with respect to an Additional Target and such Additional Target nominated by Astellas is confirmed Available (and therefore added as a Collaboration Target hereunder), Astellas shall pay CytomX a one-time, non-refundable (it being understood and agreed that indemnification and other monetary remedies available hereunder shall not be deemed to be a refund) and non-creditable (subject to Section 7.7, if applicable), option exercise payment of [***] for each such Additional Target within [***] Business Days of the addition of such Additional Target hereunder. [***]

Section 7.3 Participation in Profits. For any period following the end of the [***] in which any Product becomes a Cost Share Product (following exercise by CytomX of the Cost Share Option with respect to a Cost Share Product pursuant to Section 6.6), the provisions of Exhibit C shall apply to the Parties with respect to such Cost Share Product, including with respect to Net Sales of such Cost Share Product in the U.S. in lieu of the royalty provision in Section 7.5.3(a). For clarity, the provisions of Section 7.5.3(b) shall still apply to Net Sales of such Cost Share Product in all countries in the Territory other than the U.S.

Section 7.4 Milestone Payments.

7.4.1 As partial consideration for the rights granted by CytomX to Astellas pursuant to the terms of this Agreement, for access to the CytomX Platform Technology and CytomX undertaking its responsibilities under this Agreement, on a Product-by-Product basis (but such that, for the avoidance of doubt, if any Product within a Collaboration Target achieves any such milestone hereunder, no other Product may achieve the same milestone hereunder with respect to such Collaboration Target and [***]), Astellas shall pay to CytomX one-time milestone payments ("**Milestone Payments**") following the first occurrence of the corresponding milestone events ("**Milestone Events**") with respect to any Product within a particular Collaboration Target for which such Milestone Event is achieved by or on behalf of Astellas, as set forth in the following tables:

Development and Regulatory Milestone Events

[***]

Commercial Milestone Events

[***]

7.4.2 If a Milestone Event is achieved prior to the achievement of the preceding Milestone Event for the same Product set forth in the relevant chart (i.e., if a lower-listed Milestone Event is achieved before a Milestone Event that is listed higher up in the relevant chart), then upon achievement of the relevant Milestone Event, all preceding Milestone Events for such Product set forth in the relevant chart shall become due and payable if not previously paid for that or another Product Directed Against such Collaboration Target; *provided, however*, that a Milestone Payment in respect of a Milestone Event for [***] shall only be paid upon achievement of [***], as applicable, and not earlier, notwithstanding the order in which it is listed on the chart. For example, if the [***] prior to the [***] for such [***] set forth in the relevant chart to be paid upon [***] shall be paid at the same time as is the [***] to be paid upon [***]. Furthermore, if a given [***], but the [***], the amount payable to a Party upon [***] for [***] for the [***] shall become due (and all amounts for Milestone Events that have not yet been paid for [***] that precede the [***] due upon [***] for [***] shall also become payable upon [***]. The maximum amount payable under this Section 7.4 is [***] for each Collaboration Target (i.e., up to [***] for all Collaboration Targets, if two (2) Additional Targets are added in accordance with the terms of this Agreement), [***]. Astellas shall report to CytomX its achievement of each Milestone Event for which payment to CytomX is due no later than [***] days after the end of the [***] of such achievement of such Milestone Event; *provided* that Astellas shall use good faith efforts to inform CytomX of any Development and Regulatory Milestone Event within [***] Business Days following achievement, and Astellas shall pay to CytomX such Milestone Payment (i) with respect to Development and Regulatory Milestone Events, within [***] days after receipt of an invoice from CytomX in respect of any payment required as a result of such achievement, and (ii) with respect to all other Milestone Events, within [***] days after the end of the [***] during which such Milestone Event is achieved.

Section 7.5 Royalties.

7.5.1 **Royalties.** As partial consideration for the rights granted by CytomX to Astellas pursuant to the terms of this Agreement, for access to the CytomX Platform Technology and CytomX undertaking its responsibilities under this Agreement, subject to the provisions of this Section 7.5, Astellas shall pay to CytomX, on a Product-by-Product and country-by-country basis, royalties on quarterly Net Sales of Products (without duplication of any Net Sales amounts across Products) during the applicable Royalty Term, calculated as set forth in Section 7.5.3. Royalties will be payable on a Calendar Quarter-by-Calendar Quarter basis and any such payments shall be made within [***] days after the end of the Calendar Quarter during which the applicable Net Sales of Products occurred.

7.5.2 **Royalty Term.** Astellas's obligation to pay royalties with respect to a Product in a particular country shall commence upon the First Commercial Sale of such Product in such country and shall expire on a country-by-country and Product-by-Product basis on the latest of (a) expiration of the last Valid Claim of a CytomX Patent or Collaboration Patent in the applicable country that Covers such Product, (b) the loss of Regulatory Exclusivity for such Product in such country, and (c) the tenth (10th) anniversary of the First Commercial Sale of such Product in such country (the "**Royalty Term**").

7.5.3 **Royalty Rates.** The royalty rates payable under Section 7.5.1 shall be calculated as follows:

(a) With respect to each Product for which CytomX has not exercised its Cost Share Option (or with respect to each Cost Share Product until the end of the Calendar Quarter in which the Cost Share Option is exercised for such Cost Share Product):

[***]

(b) With respect to each Cost Share Product, royalties (including in this Section 7.5.3(b)) shall not be payable on Net Sales of such Cost Share Product in the U.S. for any period following the end of the Calendar Quarter in which such Cost Share Product becomes a Cost Share Product, but shall be payable for such periods only on Net Sales of such Cost Share Product in the Territory other than in the U.S., and instead, in the U.S., for such periods the provisions of Section 7.3 and Exhibit C shall apply with respect to Net Sales of such Cost Share Product in the U.S.:

[***]

For the avoidance of doubt, for all royalty payments pursuant to this Section 7.5.3, if the sale of a Product is Covered by more than one Valid Claim, the above royalty shall be paid only once.

7.5.4 **Royalty Reduction.** On a country-by-country and Product-by-Product basis, in the event that (a) the Exploitation of a Product is not Covered by a Valid Claim of a CytomX Patent or Collaboration Patent in such country and (b) a Biosimilar Product is sold in such country, the royalty rates set forth in Section 7.5.3 with respect to Net Sales for such Product in such country for such Calendar Quarter shall be reduced by [***] of the Biosimilar Competition Percentage (such that, for example, a Biosimilar Competition Percentage of [***] would result in a reduction to the royalty rate of [***]). For clarity, unit volume shall be determined in accordance with Section 1.23(a) and (b). Such reductions shall apply with respect to such country only to sales in the Calendar Quarters in which a Biosimilar Product is sold in such country.

7.5.5 **Third Party Intellectual Property.** In the event that [***] a Third Party owns or otherwise controls intellectual property that is necessary for the Exploitation of a Product, Astellas shall have the right (but not the obligation) to obtain a license to such Third Party intellectual property (collectively, "**Third Party IP**"); *provided* that CytomX shall have the first right (but not the obligation) to obtain such license if such Third Party intellectual property primarily relates to the CytomX Platform Technology (and CytomX shall provide reasonable updates to Astellas with respect to its efforts to obtain such license to the extent any such license is related to the Exploitation of a Product), and, if CytomX does not commence efforts to obtain such license within [***] days' notice from Astellas, and thereafter use Commercially Reasonable Efforts to obtain such license, Astellas shall have the right to do so. [***] In the event Astellas (or, at Astellas's direction, its applicable Affiliate, subcontractor or Sublicensee) obtains any license described in this Section 7.5.5, [***] of the royalties that Astellas or such Affiliate, subcontractor or Sublicensee actually pays to such Third Party that are attributable to the Exploitation of such Product in a country during a Calendar Quarter may be credited against royalties otherwise payable by Astellas to CytomX under Section 7.5.1 for such Product in such country in such Calendar Quarter.

7.5.6 **Maximum Reduction.** The maximum aggregate reduction with respect to any Product in any country during any Calendar Quarter pursuant to Section 7.5.4 and Section 7.5.5 (alone or

in combination) shall be capped at [***] of the amount of the royalty that would be payable in respect of Net Sales in such country under Section 7.5.3, prior to any such reductions.

7.5.7 Mutual Convenience of the Parties. The royalty and other payment obligations set forth hereunder have been agreed to by the Parties for the purpose of reflecting and advancing their mutual convenience, including the ease of calculating and paying royalties and other amounts required hereunder.

Section 7.6 Invoicing. To the extent an invoice is required to be submitted hereunder, such invoice shall be addressed to:

If Astellas is the paying Party:

Astellas Pharma Inc.
21 Miyukigaoka
Tsukuba, Ibaraki 305-8585, Japan
Attention: [***]

If CytomX is the paying Party:

CytomX Therapeutics, Inc.
151 Oyster Point Blvd, Suite 400
South San Francisco, CA 94080
Attention: [***]

[***]

Section 7.7 Method of Payment; Offset. Unless otherwise agreed by the Parties, all payments due from the paying Party under this Agreement shall be paid in U.S. Dollars by wire transfer or electronic funds transfer of immediately available funds to an account designated by the non-paying Party. Subject to any specific limitations on offset set forth herein, Astellas shall have the right to offset any undisputed monetary payments that are payable, but that remain unpaid after the later of the due date thereof or the final resolution of any dispute related thereto, against any payments owed by Astellas, if any, under this Agreement.

Section 7.8 Currency Conversion. All royalties shall be payable in U.S. Dollars. Any sales of Products incurred in a currency other than U.S. Dollars shall be converted to the U.S. Dollar equivalent using Astellas's then-current standard exchange rate methodology as applied to its external reporting for the conversion of foreign currency sales into U.S. Dollars consistent with IFRS.

Section 7.9 Reports; Records and Audits. After the First Commercial Sale of the first Product by Astellas and until expiration or termination of this Agreement, Astellas shall prepare and (within [***] after the end of each Calendar Quarter) deliver to CytomX reports of the sale of Products by Astellas or its Affiliates, and their respective Sublicensees for each Calendar Quarter together with the corresponding royalty payment or other consideration to be paid to CytomX, specifying on a Product-by-Product and country-by-country basis, a detailed and itemized calculation of Net Sales. Astellas will keep complete and accurate records of Development Costs and Cost Share Product Costs with respect to each Cost Share Product and all royalty, milestone and other payments required under this Agreement, for a period of [***]

years after the end of the Calendar Year in which such Development Costs and Cost Share Product Costs were incurred or such payment was due. Astellas shall require its Affiliates, and its and their respective Sublicensees to retain and provide to Astellas all records of payments that Astellas would be required to keep as if sales of Product by such Affiliates or Sublicensees were sales of Product by Astellas, to enable CytomX or, if applicable, UCSB to audit such records pursuant to this Section 7.9. CytomX will keep complete and accurate records of its Preclinical Research Costs with respect to each Product and its Cost Share Product Costs with respect to each Co-Co Product for a period of [***] years after the end of the Calendar Year in which such Preclinical Research Costs and Cost Share Product Costs, respectively, were incurred. Each of CytomX and Astellas (the “**Auditing Party**”) will have the right, not more than [***] at its own expense, to have a nationally recognized, independent, certified public accounting firm, selected by it and subject to the other Party’s prior written consent (which shall not be unreasonably withheld, conditioned or delayed), review any such records of the other Party and its Affiliates (the “**Non-Auditing Party**”) in the location(s) where such records are maintained upon reasonable written notice (which shall be no less than [***] days’ prior written notice) and during regular business hours and under obligations of strict confidence, for the sole purpose of verifying the basis and accuracy of payments made under this Agreement within the [***] year period (or, with respect to an audit by UCSB, the [***] year period) preceding the date of the request for review. Upon either Party’s written request, the other Party shall use good faith efforts to conduct audits of its subcontractors and Sublicensees (at the requesting Party’s cost), and the requesting Party shall have the right to receive and retain a copy of the applicable audit report. No Calendar Year will be subject to audit under this Section 7.9 more than once without the consent of the Non-Auditing Party. The Non-Auditing Party will receive a copy of each such report within [***] Business Days following receipt by the Auditing Party, and such accounting firm shall report to the Parties only whether or not such calculations are correct and the amount of any discrepancy. No other information shall be shared. The Auditing Party shall treat the results of any such review of the Non-Auditing Party’s records under this Section 7.9 as Confidential Information of the Non-Auditing Party and subject to the terms of Article 12. Should such inspection lead to the discovery of a discrepancy to the Auditing Party’s detriment, the Non-Auditing Party will, within [***] days after receipt of such report from the accounting firm, pay any undisputed amount of the discrepancy together with interest at the rate set forth in Section 7.10. The Auditing Party will pay the full cost of the review unless the underpayment of amounts due to the Auditing Party (a) with respect to audited royalty, sales milestone, or Profit sharing payments, is more than [***] (or, with respect to an audit by UCSB, [***] of the amount due for the entire period being examined, or (b) with respect to all other audited payments or costs, (1) with respect to an audit by UCSB, is more than [***] of the amount due for the entire period being examined, in which case the Non-Auditing Party will pay the cost charged by such accounting firm for such review, and (2) for a non-UCSB audit, is more than the greater of (i) [***] of the amount due for the entire period being examined and (ii) [***] in which case with respect to (a) or (b), as applicable, the Non-Auditing Party will pay the cost charged by such accounting firm for such review in amount not to exceed [***], with such [***] and [***] amounts adjusted [***]; *provided* that [***]. Should the audit lead to the discovery of a discrepancy to the Non-Auditing Party’s detriment, the Non-Auditing Party may credit the amount of the discrepancy, [***] against future payments payable to the Auditing Party under this Agreement or, if there are no such payments payable, then the Auditing Party shall pay to the Non-Auditing Party the amount of the discrepancy, [***] within [***] days of the Auditing Party’s receipt of the report.

Section 7.10 Late Payments. In the event that any payment due hereunder is not made when due, the payment shall accrue interest beginning on [***] following the due date thereof, calculated at the annual rate of the sum of (a) [***] plus (b) [***] on the date such payment is due, the interest being compounded on [***]; *provided, however*, that in no event shall such annual interest rate exceed the

maximum rate permitted by Law. Each such payment when made shall be accompanied by all interest so accrued. Said interest and the payment and acceptance thereof shall not negate or waive the right of any Party to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment, including termination of this Agreement as set forth in Article 13. With respect to any disputed payments, no interest payment shall be due until such dispute is resolved and the interest which shall be payable thereon shall be based on the finally-resolved amount of such payment, calculated from the original date on which the disputed payment was due through the date on which payment is actually made.

Section 7.11 Taxes.

7.11.1 Withholding. In the event that any Law requires a Party making any payment pursuant to this Agreement (the “**Paying Party**”) to withhold taxes with respect to any such payment, the Paying Party (a) will notify the non-Paying Party of such withholding requirement prior to making the payment to the non-Paying Party (such notice, which shall include the authority, basis and method of calculation for the proposed deduction or withholding, shall be given at least a reasonable period of time before such deduction or withholding is required, in order for the non-Paying Party to obtain reduction of or relief from such deduction or withholding), and (b) provide such assistance to the non-Paying Party, including the provision of such standard documentation as may be required by a tax authority, as may be reasonably necessary in the non-Paying Party’s efforts to claim an exemption from or reduction of such taxes. The Paying Party will, in accordance with such Law, withhold taxes from such payment, remit such taxes to the appropriate tax authority, and furnish the non-Paying Party with proof of payment of such taxes within [***] days following the payment. If taxes are so withheld and paid to a tax authority, the Paying Party shall provide reasonable assistance to the non-Paying Party to obtain a refund of taxes withheld, or obtain a credit with respect to taxes paid. The non-Paying Party shall provide the Paying Party any tax forms (including Internal Revenue Service Forms W-9 or applicable W-8) that may be reasonably necessary in order for the Paying Party to determine whether to withhold tax on any such payments or to withhold tax on such payments at a reduced rate under applicable Law, including any applicable bilateral income tax treaty. [***]

7.11.2 Indirect Taxes. All payments due to the non-Paying Party from the Paying Party pursuant to this Agreement shall be paid exclusive of any value-added tax, sales tax, consumption taxes and other similar taxes (“**Indirect Taxes**”) (which, if applicable, shall be payable by the Paying Party upon receipt of a valid Indirect Tax invoice). If the non-Paying Party determines that it is required to report any such tax, the Paying Party shall promptly provide the non-Paying Party with applicable receipts and other documentation necessary or appropriate for such report. For clarity, this Section 7.11.2 is not intended to limit the Paying Party’s right to deduct value-added taxes in determining Net Sales.

ARTICLE 8. INTELLECTUAL PROPERTY

Section 8.1 Intellectual Property Ownership.

- 8.1.1 Background IP.** Each Party will own all right, title and interest in its Background IP.
- 8.1.2 Collaboration IP.** Ownership of Collaboration IP [***].
- 8.1.3 CytomX Platform Improvements IP.** CytomX shall own all right, title and

interest in and to any and all CytomX Platform Improvements IP. Astellas hereby assigns to CytomX all right, title and interest in and to any such CytomX Platform Improvements IP. Astellas will cooperate with CytomX to execute any agreements, instruments and documents as may be reasonably required to perfect CytomX's right, title and interest in and to such CytomX Platform Improvements IP.

8.1.4 Disclosure; Further Assurances. Each Party shall promptly disclose to the other Party in writing, and shall cause its Affiliates, and Sublicensees to so disclose, the conception of any Collaboration IP, and, in the case of Astellas or its Affiliates, licensees and Sublicensees, CytomX Platform Improvements IP. Each Party shall cause its Sublicensees and Affiliates, and their respective employees, consultants, agents, or independent contractors to so assign to such Party, such person's or entity's right, title and interest in and to the foregoing, and all intellectual property rights therein, as is necessary to enable such Party to fully effect the ownership of the foregoing, and intellectual property rights therein, as provided in this Agreement. Each Party shall also include provisions in its relevant agreements with Third Parties performing activities on its behalf pursuant to this Agreement, that effect the intent of this Article 8. Each Party hereby appoints the other Party as attorney-in-fact of such Party to execute and deliver all documents reasonably required to evidence or record any assignment pursuant to this Agreement if such Party is unable, after making reasonable inquiry, to obtain assistance of such other Party with respect to any such document. Each Party shall, and shall cause its Sublicensees and Affiliates, and their respective employees, consultants, agents, or independent contractors to, cooperate with the other Party and take all reasonable additional actions and execute such agreements, instruments and documents as may be reasonably required to perfect such other Party's right, title and interest in and to Inventions, and intellectual property rights therein, as set forth in this Section 8.1.

Section 8.2 Patent Prosecution and Maintenance.

8.2.1 CytomX Patents. CytomX will be solely responsible, [***], for preparing, filing, prosecuting (including provisional, reissue, reexamination, continuing, divisional, continuation, continuation-in-part, and substitute applications and any foreign counterparts thereof), maintaining all CytomX Patents, and conducting any interferences and oppositions or similar proceedings relating to any CytomX Patents. CytomX will [***].

8.2.2 Astellas Patents. Astellas will be solely responsible, [***], for preparing, filing, prosecuting (including provisional, reissue, reexamination, continuing, divisional, continuation, continuation-in-part, and substitute applications and any foreign counterparts thereof), and maintaining all Astellas Patents, and conducting any interferences and oppositions or similar proceedings relating to any Astellas Patents. CytomX acknowledges and agrees that [***].

8.2.3 Collaboration Patents.

(a) With respect to Collaboration Patents, [***] shall [***] to prepare, file and prosecute specific patent applications for such Collaboration Patents [***]. [***]; *provided* that each Party [***]. The Parties shall [***]. Each Party will [***] at least [***] days before filing. [***]. In the event of disagreement between the Parties, [***]. In the event [***], then: [***].

(b) Notwithstanding the foregoing, Astellas and its Affiliates shall not take any action in connection with the conduct of its activities under this Section 8.2.3 over the objection of CytomX that such action would be materially prejudicial to any element, including the validity,

patentability, scope, priority, construction, inventorship, enforceability, or CytomX's or its Affiliate's ownership, of any CytomX Platform Patent in any forum.

8.2.4 Inventor's Remuneration. Each Party shall be solely responsible for any remuneration that may be due to such Party's inventors under any applicable inventor remuneration Laws.

Section 8.3 Patent Term Extensions; Patent Listings.

8.3.1 The Parties will cooperate with each other in gaining Patent Right term extension (including supplementary protection certificates for Collaboration Patents to the extent applicable to Products; *provided* that, in the case of any disagreement, [***]).

8.3.2 Astellas shall have the sole right to make all filings with Regulatory Authorities in the Territory with respect to Astellas Patents [***] as required or allowed (a) in the United States, in the FDA's Orange Book if in the future legislation employs the Orange Book for biologics, or its alternative, and (b) outside the United States, under the national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 or other international equivalents. [***].

8.3.3 [***] will [***] regarding filings with Regulatory Authorities in the Territory with respect to CytomX Patents as required or allowed (a) in the United States, in the FDA's Orange Book if in the future legislation employs the Orange Book for biologics, or its alternative, and (b) outside the United States, under the national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 or other international equivalents, but in all cases, CytomX shall retain full discretion with respect thereto.

Section 8.4 Defense and Settlement of Third Party Claims. If any Product Exploited by or under authority of either Party, its Affiliates or Sublicensees becomes the subject of a Third Party's claim or assertion of infringement of a Patent Right, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Unless the Parties otherwise agree in writing, Astellas shall have the right to control the defense of such claim, at its sole cost and expense. Astellas shall not enter into any settlement of any claim described in this Section 8.4 that admits to [***], incurs any financial liability on the part of CytomX or requires an admission of liability, wrongdoing or fault on the part of CytomX without CytomX's written consent. In any event, CytomX shall reasonably assist Astellas and cooperate in any such litigation at Astellas's request and expense.

Section 8.5 Third Party Defense or Counterclaim.

8.5.1 If a Third Party asserts, as a defense or as a counterclaim in any infringement action under Section 8.7 that any CytomX Patent, Collaboration Patent or Astellas Patent is invalid or unenforceable, then the Party defending such infringement action shall promptly give written notice to the other Party. Each Party shall reasonably cooperate with the other Party in any such action.

8.5.2 With respect to the [***], [***] shall respond to such defense and use Commercially Reasonable Efforts to defend against such counterclaim (as applicable) and, if [***] is pursuing the applicable infringement action under Section 8.7, [***] shall allow [***] to control such response or defense (as applicable). [***] with respect to such response or defense against such counterclaim [***].

8.5.3 With respect to the [***], [***] shall respond to such defense and use Commercially Reasonable Efforts to defend against such counterclaim (as applicable) and, if [***] is pursuing the applicable infringement action under Section 8.7, [***] shall allow [***] to control such response or defense (as applicable). [***] with respect to such response or defense against such counterclaim [***]. Notwithstanding the foregoing, if [***] fails to assume such defense and use Commercially Reasonable Efforts in respect to [***], [***] or its Affiliate or Sublicensee shall have the right to defend against such action or claim.

Section 8.6 Third Party Declaratory Judgment or Similar Action.

8.6.1 If a Third Party asserts, in a declaratory judgment action or similar action or claim filed by such Third Party, that any Astellas Patent, Collaboration Patent or CytomX Patent is invalid or unenforceable, then the Party first becoming aware of such action or claim shall promptly give written notice to the other Party. Each Party shall reasonably cooperate with the other Party in any such action.

8.6.2 [***] shall use Commercially Reasonable Efforts to defend against such action or claim against an [***]. [***] shall use Commercially Reasonable Efforts to defend against such action or claim against a [***]. [***] with respect to such defense with respect to such Patent Rights [***]. Notwithstanding the foregoing, if [***] fails to assume such defense and use Commercially Reasonable Efforts in respect to [***], [***] or its Affiliate or Sublicensee shall have the right to defend against such action or claim. For clarity, [***].

Section 8.7 Enforcement.

8.7.1 Notice of Infringement. The Parties shall inform each other promptly of any infringement or colorable cause of action for infringement of any Patent Right within the Collaboration Patents, CytomX Patents or Astellas Patents that claim the composition of matter of, methods of making, or methods of using any Product, and the Parties shall promptly confer to consider the best appropriate course of action.

8.7.2 CytomX Enforcement. CytomX shall have the sole right to enforce the CytomX Patents. CytomX shall at all times keep Astellas informed as to the status of such enforcement pursuant to this Section 8.7.2. CytomX may, at its own expense, institute suit against any infringer or alleged infringer and control and defend such suit in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom, subject to Section 8.7.5. Astellas shall reasonably cooperate in any such litigation at CytomX's expense. CytomX shall not enter into any settlement of any claim described in this Section 8.7.2 that admits to [***], incurs any financial liability on the part of Astellas or requires an admission of liability, wrongdoing or fault on the part of Astellas without Astellas's prior written consent, not to be unreasonably withheld, conditioned or delayed.

8.7.3 Astellas Enforcement. Astellas shall have the sole right to enforce the Astellas Patents [***] against any infringement or alleged infringement thereof. Astellas shall not have any right to enforce any [***]. Astellas shall at all times keep CytomX informed as to the status of any enforcement pursuant to this Section 8.7.3. Astellas may, at its own expense, institute suit against any infringer or alleged infringer and control and defend such suit in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom, subject to Section 8.7.5. CytomX shall reasonably cooperate in any such litigation at Astellas's expense. Astellas shall not enter

into any settlement of any claim described in this Section 8.7.3 that admits to [***], incurs any financial liability on the part of CytomX or requires an admission of liability, wrongdoing or fault on the part of CytomX without CytomX's prior written consent, not to be unreasonably withheld, conditioned or delayed. In the event that Astellas does not elect to enforce any [***], then CytomX shall be entitled to do so, unless Astellas has a good faith belief that CytomX's enforcement of such Patent Rights would be reasonably likely to unreasonably jeopardize the Exploitation of a Product. CytomX shall not enter into any settlement of any claim described in this Section 8.7.3 that admits to [***], incurs any financial liability on the part of Astellas or requires an admission of liability, wrongdoing or fault on the part of Astellas without Astellas's prior written consent, not to be unreasonably withheld, conditioned or delayed.

8.7.4 Progress Reporting. The Party initiating or defending any enforcement action under this Section 8.7 (the “**Enforcing Party**”) shall keep the other Party reasonably informed of the progress of any such enforcement action, and such other Party shall have the individual right to participate with counsel of its own choice [***].

8.7.5 Allocation of Recoveries. Except as otherwise expressly provided herein, the costs and expenses of the Party bringing suit under this Section 8.7 shall be borne by such Party, and any damages, settlements or other monetary awards recovered shall be shared as follows: [***].

Section 8.8 Biosimilars. Notwithstanding the provisions of Section 8.6 or Section 8.7, if either Party receives notice of any Biosimilar Application or a copy of a Biosimilar Application referencing a Biosimilar Product or a Product, whether or not such notice or copy is provided under any applicable Laws (including under the BPCIA, the United States Patient Protection and Affordable Care Act, or its successor provisions), or otherwise becomes aware that such a Biosimilar Application has been submitted to a Regulatory Authority for Marketing Approval (such as in an instance described in 42 U.S.C. §262(l)(2)), the remainder of this Section 8.8 will apply. Such Party will promptly, but in any event within [***] Business Days, notify the other Party. [***] then will seek permission to view the Biosimilar Application, information regarding the process or processes used to manufacture the product that is the subject of the Biosimilar Application, and related confidential information from the filer of the Biosimilar Application if necessary under 42 U.S.C. §262(l)(1)(B)(iii). If either Party receives any equivalent or similar communication or notice in the United States or any other jurisdiction, the Party receiving such communication or notice will within [***] Business Days notify the other Party of such communication or notice to the extent permitted by applicable Laws. Regardless of the Party that is the “reference product sponsor,” as defined in 42 U.S.C. §262(l)(1)(A), for purposes of such Biosimilar Application:

8.8.1 [***] will designate, to the extent permitted by applicable Law, or otherwise [***] will designate [***], the outside counsel and in-house counsel who will receive confidential access to the Biosimilar Application, information regarding the process or processes used to manufacture the product that is the subject of the Biosimilar Application, and any related confidential information pursuant to 42 U.S.C. §262(l)(1)(B)(ii).

8.8.2 In each case, after [***], [***] will have the right to (a) list any [***] as required pursuant to 42 U.S.C. §262(l)(3)(A) or 42 U.S.C. §262(l)(7), (b) respond to any communications with respect to such lists from the filer of the Biosimilar Application, (c) negotiate with the filer of the Biosimilar Application as to whether to utilize a different mechanism for information exchange other than that specified in 42 U.S.C. §262(l)(1), and (d) as to [***] that will be subject to the litigation procedure as described in 42 U.S.C. §262(l)(4), decide which Collaboration Patents will be selected for litigation under

42 U.S.C. §262(l)(5)(B)(i)(II), and commence such litigation under 42 U.S.C. §262(l)(6). If [***] is required pursuant to applicable Law to execute any of these tasks [***].

8.8.3 [***] will cooperate with [***] reasonable requests in connection with the foregoing activities to the extent required or permitted by applicable Laws. [***] will consult with [***] prior to identifying any [***] to a Third Party as contemplated by this Section 8.8. [***] will consider in good faith advice and suggestions with respect thereto received from [***], and notify [***] of any such lists or communications promptly after they are made.

8.8.4 Each Party will within [***] Business Days after receiving any notice of commercial marketing provided by the filer of a Biosimilar Application to [***] pursuant to 42 U.S.C. §262(l)(8)(A), notify the other Party. To the extent permitted by applicable Law, [***] will have the first right, but not the obligation, to seek an injunction against such commercial marketing as permitted pursuant to 42 U.S.C. §262(l)(8)(B) and to file an action for infringement. If required pursuant to applicable Law, upon [***] request, [***] will assist in seeking such injunction or filing such infringement action after consulting with [***]. Except as otherwise provided in this Section 8.8, any such action will be subject to the other terms and conditions of Section 8.6 or Section 8.7 as applicable.

Section 8.9 Product Trademarks.

8.9.1 Ownership and Prosecution of Product Trademarks. Astellas shall own all right, title, and interest to trademarks, branding and logos associated specifically with each Product (collectively, “**Product Trademarks**”) in the Territory, and shall be responsible for the registration, prosecution, and maintenance thereof. [***]. CytomX shall provide, [***], assistance and documents reasonably requested by Astellas in support of its prosecution, registration, and maintenance of the Product Trademarks.

8.9.2 Enforcement of Product Trademarks. Astellas shall have the sole right and responsibility for taking such action as Astellas deems necessary against a Third Party based on any alleged, threatened, or actual infringement, dilution, misappropriation, or other violation of, or unfair trade practices or any other like offense relating to, the Product Trademarks by a Third Party in the Territory. [***] with respect thereto, and [***].

8.9.3 Third Party Claims. Astellas shall have the sole right and responsibility for defending against any alleged, threatened, or actual claim by a Third Party that the use or registration of the Product Trademarks in the Territory infringes, dilutes, misappropriates, or otherwise violates any trademark or other right of that Third Party or constitutes unfair trade practices or any other like offense, or any other claims as may be brought by a Third Party against a Party in connection with the use of the Product Trademarks with respect to a Product in the Territory. [***] with respect thereto, and [***].

8.9.4 Notice and Cooperation. Each Party shall provide to the other Party prompt written notice of any actual or threatened infringement of the Product Trademarks in the Territory and of any actual or threatened claim that the use of the Product Trademarks in the Territory violates the rights of any Third Party, promptly after becoming aware of the foregoing. CytomX agrees to cooperate fully with Astellas, [***], with respect to any enforcement action or defense commenced pursuant to this Section 8.9. Astellas shall consult with CytomX and consider any input from CytomX in good faith with respect to the registration, prosecution, maintenance, enforcement or defense of any Product Trademarks used in connection with any Cost Share Products.

ARTICLE 9. REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party, as of the Effective Date, that:

(a) it is duly incorporated and validly existing, in the case of CytomX, under the Law of Delaware, and in the case of Astellas, Japan, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the individual executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action;

(c) this Agreement is legally binding upon it and enforceable in accordance with its terms and the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate action and do not and will not: (x) conflict with, or constitute a default under, any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, or violate any material applicable Law or (y) require any consent or approval of its stockholders or similar action; and

(d) it is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any material respect with the terms of this Agreement.

Section 9.2 Additional CytomX Representations and Warranties. CytomX represents and warrants to Astellas that, as of the Effective Date:

(a) CytomX has full legal or beneficial title and ownership of, or an exclusive license to, the CytomX Patents listed on Exhibit A-1 as of the Effective Date (the “**Existing Patents**”) as is necessary to grant the licenses (or sublicenses) to Astellas to such CytomX Patents that CytomX purports to grant pursuant to this Agreement;

(b) CytomX has the rights necessary to grant the licenses to Astellas under CytomX Know-How that CytomX purports to grant pursuant to this Agreement and, to CytomX’s knowledge, as of the Effective Date, CytomX has the right to (i) use all CytomX Know-How in the conduct of the Preclinical Research Plan and (ii) permit Astellas to use the CytomX Know-How in the conduct of its Exploitation activities under this Agreement;

(c) to CytomX’s knowledge, none of CytomX, its Affiliates or UCSB is in breach of the UCSB Agreement. To CytomX’s knowledge, no party to the UCSB Agreement has threatened to terminate, or has otherwise alleged any material breach under, such agreement. To CytomX’s knowledge, the UCSB Agreement is in full force and effect in accordance with its terms;

(d) a true, correct and complete copy (subject to partial redactions) of the UCSB Agreement existing as of the Effective Date has been provided or made available to Astellas prior to the Effective Date. Except for the UCSB Agreement, as of the Effective Date, there is no other agreement pursuant to which CytomX in-licenses any Existing Patent;

(e) except as otherwise disclosed by CytomX to Astellas prior to the Effective Date, no claim or action has been brought or, to CytomX’s knowledge, threatened by any Third Party alleging that (i) the Existing Patents are invalid or unenforceable, (ii) use of the CytomX IP as contemplated herein

infringes or misappropriates or would infringe or misappropriate any right of any Third Party or (iii) the Development, Manufacturing or Commercialization of the Products as contemplated herein does or will violate, infringe, misappropriate or otherwise conflict or interfere with, any Patent or other intellectual property or proprietary right of any Person, and no Existing Patent is the subject of any interference, opposition, cancellation or other protest proceeding. Except as otherwise disclosed by CytomX to Astellas prior to the Effective Date, CytomX has not received any written notice from any Third Party asserting or alleging that the Exploitation, development, manufacture, use or sale of any Product infringes the rights of such Third Party in the Territory;

(f) the Existing Patents are being diligently prosecuted in the respective patent offices in the Territory in accordance with applicable Law. To CytomX's knowledge, the Existing Patents have been filed and maintained properly and correctly and all applicable fees have been paid on or before the due date for payments;

(g) to CytomX's knowledge, each of the Existing Patents properly identifies each and every inventor of the claims thereof as determined in accordance with the Laws of the jurisdiction in which each such Existing Patent is issued or such application is pending;

(h) to CytomX's knowledge, (i) the conception, development and reduction to practice of the Existing Patents and CytomX Know-How existing as of the Effective Date and licensed to Astellas pursuant to this Agreement have not constituted or involved the misappropriation of any trade secret of any Third Party and (ii) except with respect to the UCSB Agreement, completion by CytomX of any Preclinical Research within the scope of activities set forth in the initial Preclinical Research Plan as of the Effective Date does not require any materials, technology or intellectual property that would require any royalty obligation to a Third Party;

(i) to CytomX's knowledge, no Third Party, including any current or former employee or consultant of CytomX, is infringing or misappropriating, is threatening to infringe or misappropriate, or has infringed or misappropriated any Existing Patents and CytomX Know-How existing as of the Effective Date;

(j) to CytomX's knowledge, each Person who has or has had any rights in or to any Existing Patents or any CytomX Know-How, has assigned and has executed an agreement assigning its entire right, title and interest in and to such Existing Patents and CytomX Know-How to CytomX. To CytomX's knowledge, no current officer, employee, agent or consultant of CytomX or any of its Affiliates is in violation of any term or any assignment or other agreement regarding the protection of Patent Rights or proprietary information of CytomX or such Affiliate or of any employment contract or any other contractual obligation relating to the relationship of any such Person with CytomX;

(k) the CytomX Know-How that constitutes a material trade secret of CytomX has been the subject of reasonable steps by CytomX to maintain its confidentiality. To CytomX's knowledge, no material breach of a confidentiality obligation to CytomX with respect to any material CytomX Know-How that constitutes a trade secret of CytomX has been committed by any Third Party;

(l) to CytomX's knowledge, other than pursuant to the UCSB Agreement, there are no amounts that will be required to be paid to a Third Party based on sales of any Products (other than for ordinary course service agreements), as a result of the Development, Manufacture or Commercialization

of such Products in accordance with this Agreement that arise out of any agreement to which CytomX or any of its Affiliates is a party, and no such agreement will result in any Third Party obtaining any interest in, or any right to assert any claim in or with respect to, any rights granted to Astellas under this Agreement;

(m) except with respect to the Patent Rights licensed under the UCSB Agreement, the inventions claimed or covered by the Existing Patents (i) were not conceived, discovered, developed or otherwise made in connection with any research activities funded, in whole or in part, by the federal government of the United States or any agency thereof, (ii) are not a "subject invention" as that term is described in 35 U.S.C. Section 201(f) and (iii) are not otherwise subject to the provisions of the Bayh-Dole Act; and

(n) [***].

Section 9.3 Covenants.

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

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

(c) Compliance. Each Party shall comply with applicable Law in the course of performing its obligations or exercising its rights pursuant to this Agreement. Neither Party (nor any of their Affiliates) shall be required under this Agreement to take any action or to omit to take any action otherwise required to be taken or omitted by it under this Agreement if the taking or omitting of such action, as the case may be, could in its reasonable opinion violate any settlement, consent order, corporate integrity agreement, or judgment to which it may be subject from time to time during the Term. Notwithstanding anything to the contrary in this Agreement, neither Party nor any of its Affiliates shall be required to take, or shall be penalized for not taking, any action that such Party reasonably believes is not in compliance with applicable Law.

(i) Each Party agrees, on behalf of itself and its officers, directors, employees, Affiliates and agents, that, in connection with the matters that are the subject of this Agreement, and the performance of its obligations hereunder: (A) it will comply with the U.S. Foreign Corrupt Practices Act,

as amended, the UK Bribery Act 2010, as amended, and any other applicable Law relating to or concerning public or commercial bribery or corruption (collectively, “**Anti-Bribery and Anti-Corruption Laws**”) and its applicable anti-corruption policies (“**Anti-Corruption Policies**”), and will not take any action that will cause the other Party or its Affiliates to be in violation of any such laws or policies; (B) it will not, directly or indirectly, pay, offer or promise to pay, or authorize the payment of any money, or give, offer or promise to give or authorize the giving of anything of value to any Public Official or Entity for the purpose of influencing the acts of such Public Official or Entity to induce them to use their influence with any Governmental Authority, or obtaining or retaining business or any improper advantage in connection with this Agreement, or that would otherwise violate any Anti-Bribery and Anti-Corruption Laws or Anti-Corruption Policies; and (C) it will not directly or indirectly solicit, receive or agree to accept any payment of money or anything else of value in violation of the Anti-Bribery and Anti-Corruption Laws or the Anti-Corruption Policies.

(ii) Each Party, on behalf of itself and its officers, directors, employees, Affiliates, agents and representatives, represents and warrants to the other Party that, in connection with the matters that are the subject of this Agreement, and the performance by each Party of its obligations hereunder: (A) to its knowledge, as of the Effective Date, it and its Affiliates have not committed any Material Anti-Corruption Law Violation; and (B) to its knowledge, none of its contracts, licenses or other assets that are the subject of this Agreement were procured in violation of the Anti-Bribery and Anti-Corruption Laws.

(iii) Each Party will keep and maintain accurate books, accounts, invoices and reasonably detailed records in connection with the performance of its obligations under, and payments made in connection with, this Agreement, including all records required to establish compliance with the provisions of this Section 9.3(c), until the later of (A) six (6) years after the end of the period to which such books and records pertain or (B) the expiration of the applicable statute of limitations (or any extension thereof).

(iv) If a Party becomes aware that any of its officers, directors or employees becomes during the Term a Public Official or Entity in a position to take or influence official action for or against a Party in connection with the performance of its obligations under this Agreement, that Party will promptly notify the other Party. A Party shall notify the other Party upon receiving a formal notification that it is the target of a formal investigation by a Governmental Authority for a Material Anti-Corruption Law Violation or upon receipt of information from any of its representatives that any of them is the target of a formal investigation by a Governmental Authority for a Material Anti-Corruption Law Violation in connection, in either case in connection with this Agreement.

(v) If either Party requests that any other Party complete a compliance certification certifying compliance with this Section 9.3(c), which request shall occur no more than twice in the first Calendar Year that a Party makes such request and once per Calendar Year thereafter, such other Party shall promptly complete and deliver such compliance certification truthfully and accurately. If either Party requests, in connection with a corporate integrity agreement or similar arrangement with a Governmental Authority, that any other Party complete a compliance certification certifying adherence to and compliance with such other Party’s code of conduct and compliance program with respect to such other Party’s activities under this Agreement, which request shall occur no more than once per Calendar Year, such other Party shall cooperate with the first Party to promptly complete and deliver such compliance certification truthfully and accurately, and should there be reasonable additional requests of

such other Party as a result of a corporate integrity agreement or similar arrangement with a Governmental Authority of the requesting Party, such other Party shall comply with such requests.

(vi) In the event that a Party has a good faith reason to believe that the other Party may be in breach or violation of any representation, warranty or undertaking in this Section 9.3(c), such Party shall have the right to conduct an examination and audit of relevant books and records of the other Party and, during the pendency of such examination, to suspend any obligations on the part of such Party to the other Party, other than the obligation to pay any payments payable to the other Party pursuant to this Agreement. In the event that a Party becomes aware, whether or not through audit, that the other Party is in breach of or in violation of any representation, warranty or undertaking in this Section 9.3(c), then that Party shall have the right to take such steps as are reasonably necessary in order to avoid a violation or continuing violation of the Anti-Bribery and Anti-Corruption Laws, including by requesting such additional representations, warranties, undertakings and other provisions including a further audit as it believes in good faith are reasonably necessary.

(d) **No Grant of Conflicting Rights.** Neither Party nor any of its respective Affiliates will, during the Term, enter into any agreements or grant any right, title or interest to any Person that is inconsistent with the rights and licenses granted to the other Party hereunder, and each Party will maintain and keep in full force and effect all agreements necessary to perform its obligations, and grant the rights granted to the other Party, hereunder.

Section 9.4 Additional CytomX Covenants.

(a) **Encumbrances.** CytomX will not and will cause its Affiliates not to, without the prior written consent of Astellas, encumber or diminish the rights granted to Astellas hereunder or any portion of the CytomX IP with liens, charges or encumbrances that would adversely affect Astellas' ability to Exploit the Products in any material respect, including by amending or modifying (or permitting to be amended or modified) the UCSB Agreement or entering into, amending or modifying any other agreement between CytomX or any of its Affiliates and a Third Party under which Astellas is granted or requires a sublicense or other rights in order to perform under this Agreement or Exploit any Product without limitation (subject only to the provisions of this Agreement).

(b) **Breach.** Except to the extent of any breach or failure to perform as would not have an adverse effect on Astellas or its rights hereunder in any material respect, CytomX will not, and will cause its Affiliates and its and their respective contractors and agents not to, breach or fail to perform under the UCSB Agreement or any other agreement under which Astellas is granted a sublicense or other rights in order to perform under this Agreement or Exploit any Product without limitation.

Section 9.5 Obtainment of Rights. Each Party has or will obtain from each of its Affiliates, Sublicensees, subcontractors, employees and agents, and from the employees and agents of its Affiliates, Sublicensees, subcontractors and agents, who are performing tests or studies, or are otherwise participating in the Exploitation of the Products or who otherwise have access to any of the other Party's information or other Confidential Information of the other Party, and shall obtain from such Person during the Term, the licenses and other rights necessary for such Party to grant to the other Party the rights and licenses provided herein and for the other Party to perform its obligations hereunder, without payments beyond those required by Article 7.

Section 9.6 Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 9, NEITHER PARTY MAKES ANY REPRESENTATIONS OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, QUALITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR VALIDITY OF PATENT CLAIMS.

ARTICLE 10. INDEMNIFICATION

Section 10.1 Indemnity.

10.1.1 By CytomX. CytomX agrees to defend Astellas, its Affiliates, and each of their respective directors, officers, employees and agents (the “**Astellas Indemnified Parties**”), at CytomX’s cost and expense, and will indemnify and hold Astellas and the other Astellas Indemnified Parties harmless from and against any claims, losses, costs, damages, fees or expenses (including reasonable legal fees and expenses) (collectively, “**Losses**”) in connection with any claims, actions, demands, suits or proceedings brought by a Third Party (including product liability claims) (a “**Third Party Claim**”) to the extent arising out of or resulting from [***]; except, in each case, to the extent such Losses result from clause (a), (b), (c), or (d) of Section 10.1.2.

10.1.2 By Astellas. Astellas agrees to defend CytomX, its Affiliates and their respective directors, officers, employees and agents (the “**CytomX Indemnified Parties**”), at Astellas’s cost and expense, and will indemnify and hold CytomX and the other CytomX Indemnified Parties harmless from and against any Losses in connection with any Third Party Claims to the extent arising out of or resulting from [***]; except, in each case, to the extent such Losses result from clause (a), (b), or (c) of Section 10.1.1 and except for any Losses incurred in connection with Section 13.5 (except to the extent resulting from the gross negligence or willful misconduct of Astellas, its Affiliates or a breach by Astellas of its obligations under Section 13.5).

Section 10.2 Procedure.

10.2.1 Notice. The indemnified Party (“**Indemnitee**”) will promptly notify the indemnifying Party (“**Indemnitor**”) in writing of the assertion or the commencement of the relevant Third Party Claim; *provided, however*, that any failure or delay to notify shall not excuse any obligation of the Indemnitor, except to the extent the Indemnitor is actually prejudiced thereby. Such notice must contain a description of the claim and the nature and amount of any Losses (to the extent that the nature and the amount of such Losses is known at such time). The Indemnitee shall furnish promptly to the Indemnitor copies of all papers and official documents received in respect of any Losses and Third Party Claims.

10.2.2 Control of Defense. The Indemnitee hereby grants the Indemnitor the right to assert sole management and control, at the Indemnitor’s sole expense, of the defense of such Third Party Claim and its settlement; *provided, however*, that the Indemnitor shall not settle any such Third Party Claim without the prior written consent of the Indemnitee if such settlement does not include a complete release from liability or if such settlement would involve the Indemnitee undertaking an obligation (including the payment of money by the Indemnitee), would bind or impair the Indemnitee, or includes any admission of wrongdoing by the Indemnitee or that any intellectual property or proprietary right of Indemnitee or this Agreement is invalid, narrowed in scope or unenforceable. The assertion of the defense of a Third Party Claim by the Indemnitor shall not be construed as an acknowledgment that the Indemnitor

is liable to indemnify the Indemnitee in respect of the Third Party Claim, nor shall it constitute a waiver by the Indemnitor of any defenses it may assert against the Indemnitee's claim for indemnification. Upon assuming the defense of a Third Party Claim, the Indemnitor may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the Indemnitor, which shall be reasonably acceptable to the Indemnitee. In the event the Indemnitor assumes the defense of a Third Party Claim, except as provided in this Section 10.2.2, the Indemnitor shall not be liable to the Indemnitee for any legal expenses subsequently incurred by such Indemnitee in connection with the analysis, defense or settlement of the Third Party Claim unless specifically requested in writing by the Indemnitor. In the event that it is ultimately determined that the Indemnitor is not obligated to indemnify, defend or hold harmless the Indemnitee from and against the Third Party Claim, the Indemnitee shall reimburse the Indemnitor for any Losses incurred by the Indemnitor in defense of the Third Party Claim. The Indemnitee shall have the right (at its own expense) to be present in person or through counsel at all legal proceedings giving rise to the right of indemnification. Notwithstanding the foregoing, the Indemnitee will have the right to employ separate counsel at the Indemnitor's expense and to control its own defense of the applicable Third Party Claim if: (a) the employment thereof, and the assumption by the Indemnitor of such expense, has been specifically authorized by the Indemnitor in writing, (b) the Indemnitor has failed to assume the defense and employ counsel in accordance with this Section 10.2.2 (in which case, the Indemnitee shall control the defense), (c) there are or may be legal defenses available to the Indemnitee that are different from or additional to those available to the Indemnitor, or (d) in the reasonable opinion of counsel to the Indemnitee, a conflict or potential conflict exists between the Indemnitee and the Indemnitor that would make such separate representation advisable; *provided* that in no event will the Indemnitor be required to pay fees and expenses under this sentence for more than one firm of attorneys in any jurisdiction in any one legal action or group of related legal actions. In such event, the Indemnitee shall not settle or compromise such Third Party claim without the prior written consent of the Indemnitor, such consent not to be unreasonably withheld, conditioned or delayed. The Indemnitor shall not be liable for any settlement, compromise or other voluntary disposition of a Loss by an Indemnitee that is reached without the written consent of the Indemnitor.

10.2.3 Cooperation. Regardless of whether the Indemnitor chooses to defend or prosecute any Third Party Claim, Indemnitee shall, and shall cause each other indemnitee to, cooperate in the defense or prosecution thereof and shall furnish such records, proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the Indemnitor to, and reasonable retention by the Indemnitee of, records and information that are reasonably relevant to such Third Party Claim, and making Indemnitees and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the Indemnitor shall reimburse the Indemnitee for all of its reasonable out-of-pocket expenses in connection therewith as set forth in Section 10.2.4.

10.2.4 Expenses. The reasonable and verifiable costs and expenses, including costs, expenses, fees and disbursements of counsel, incurred by the Indemnitee pursuant to Section 10.2.3 shall be reimbursed on a monthly basis in arrears by the Indemnitor, without prejudice to the Indemnitor's right to contest the Indemnitee's right to indemnification and subject to refund in the event the Indemnitor is ultimately held not to be obligated to indemnify the Indemnitee.

ARTICLE 11.LIMITATIONS OF LIABILITY

Section 11.1 LIMITATION OF DAMAGES. EXCEPT FOR WILLFUL MISCONDUCT, IN NO EVENT SHALL A PARTY BE LIABLE TO THE OTHER PARTY WITH RESPECT TO THIS AGREEMENT FOR ANY PUNITIVE, INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST REVENUE, LOST PROFITS, OR LOST SAVINGS) HOWEVER CAUSED AND UNDER ANY THEORY, EVEN IF IT HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMITATIONS SET FORTH IN THIS SECTION 11.1 SHALL NOT APPLY WITH RESPECT TO ANY BREACH OF ARTICLE 12. NOTHING IN THIS SECTION 11.1 WILL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF A PARTY UNDER ARTICLE 10 WITH RESPECT TO ANY DAMAGES PAID OR REQUIRED TO BE PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM.

Section 11.2 Insurance. Each of the Parties will, at their own respective expense, procure and maintain during the Term, insurance policies consistent with the normal business practices of prudent biopharmaceutical companies of similar size and scope (or reasonable self-insurance sufficient to provide materially the same level and type of protection). Such insurance will not create a limit to either Party's liability hereunder.

ARTICLE 12. CONFIDENTIALITY

Section 12.1 Confidential Information.

12.1.1 Confidential Information. Each Party (the "Receiving Party") may receive during the course and conduct of activities under this Agreement, certain proprietary or confidential information of the other Party (the "Disclosing Party") as furnished to the Receiving Party by or on behalf of the Disclosing Party. The term "**Confidential Information**" means all ideas and information of any kind, whether in written, oral, graphical, machine-readable or other form, whether or not marked as confidential or proprietary, which are transferred, disclosed or made available by Disclosing Party or at the request of Receiving Party, including any of the foregoing of Affiliates or Third Parties. Notwithstanding anything to the contrary in the foregoing, (a) any information that includes CytomX Platform Technology or CytomX Platform Improvements IP shall be Confidential Information of CytomX, and CytomX shall be deemed the Disclosing Party thereof for purposes of this Article 12, (b) [***] shall be deemed to be [***], and [***] with respect thereto for purposes of this Article 12, and (c) [***] shall, for the avoidance of doubt, be [***].

12.1.2 Restrictions. During the Term and for [***] years thereafter (or, for any trade secret, for so long as the Disclosing Party maintains such trade secret as a trade secret), Receiving Party will keep all Disclosing Party's Confidential Information in confidence with the same degree of care with which Receiving Party holds its own confidential information (but in no event less than a commercially reasonable degree of care). Receiving Party will not use Disclosing Party's Confidential Information except in connection with the performance of its obligations and exercise of its rights under this Agreement. Receiving Party has the right to disclose Disclosing Party's Confidential Information without Disclosing Party's prior written consent to Receiving Party's Affiliates and their employees, subcontractors, consultants or agents who have a need to know such Confidential Information in order to perform its obligations and exercise its rights under this Agreement and who are bound by restrictions on use and disclosure consistent with this Section 12.1.2. Receiving Party will use diligent efforts to cause those entities and persons to comply with the restrictions on use and disclosure in this Section 12.1.2.

Receiving Party assumes responsibility for those entities and persons maintaining Disclosing Party's Confidential Information in confidence and using same only for the purposes described herein.

12.1.3 Exceptions. Receiving Party's obligation of nondisclosure and the limitations upon the right to use the Disclosing Party's Confidential Information will not apply to the extent that Receiving Party can demonstrate that the Disclosing Party's Confidential Information: (a) was known to Receiving Party or any of its Affiliates prior to the time of disclosure without any obligation of confidentiality with respect to such information (*provided* that subsection (a) shall not apply to Astellas's obligation of nondisclosure and the limitations upon the right to use any information that includes CytomX Platform Technology that is first disclosed by Astellas to CytomX); (b) is or becomes public knowledge through no wrongful act, fault or omission of Receiving Party or any of its Affiliates; (c) is subsequently obtained by Receiving Party or any of its Affiliates from a Third Party not known by the Receiving Party after due inquiry to be under an obligation of confidentiality; (d) has been independently discovered or developed by employees, subcontractors, consultants or agents of Receiving Party or any of its Affiliates without the aid, application or use of Disclosing Party's Confidential Information, as evidenced by contemporaneous written records; or (e) was released from the restrictions set forth in this Agreement by express prior written consent of the Disclosing Party.

12.1.4 Permitted Disclosures. Receiving Party may disclose Disclosing Party's Confidential Information to the extent (and only to the extent) such disclosure is reasonably necessary in the following instances:

(a) in order to comply with applicable Law (including any securities law or regulation or the rules of a securities exchange or as a requirement in filing for an International Nonproprietary Name (INN) or the like) or with a legal or administrative proceeding, or in connection with prosecuting or defending litigation;

(b) in connection with prosecuting and defending litigation, Marketing Approvals and other Regulatory Filings and communications, and filing, prosecuting and enforcing Patent Rights in connection with Receiving Party's rights and obligations pursuant to this Agreement; and

(c) in connection with exercising its rights hereunder, to its Affiliates, potential and future collaborators (including Sublicensees), advisors, or independent contractors; and, to the extent necessary in connection with their evaluation of potential or actual investment, financing, acquisition or other transaction, investment bankers, legal or other advisors, investors, lenders, financial partners and their attorneys and agents, acquirers or permitted assignees who have a need to know and are under written confidentiality and non-use agreements at least as restrictive as hereunder, but may be of shorter duration (except for trade secrets which shall be maintained as confidential as long as they are trade secrets) to the extent such shorter duration is reasonable and customary in the case of investment bankers, legal or other advisors, investors, lenders, or financial partners and their attorneys and agents;

provided, however, that (1) with respect to Sections 12.1.4(a) or 12.1.4(b), where reasonably possible, Receiving Party will notify Disclosing Party of Receiving Party's intent to make any disclosure pursuant thereto sufficiently prior to making such disclosure so as to allow Disclosing Party adequate time to take whatever action it may deem appropriate to protect the confidentiality of the information to be disclosed and, in the event that no protective order or other remedy is obtained, or the Disclosing Party waives compliance with the terms of this Agreement, the Receiving Party shall furnish only that portion of Confidential Information that the Receiving Party is advised by counsel is legally required to be disclosed; and (2) with respect to Section 12.1.4(c), (A) each of those named people and entities are bound by

restrictions on use and disclosure consistent with Section 12.1.2 (other than advisors, investment bankers, investors and lenders, which must be bound prior to disclosure by commercially reasonable obligations of confidentiality) and (B) financial terms shall not be disclosed to any such potential acquirer or investor if it has a competing product to any Product.

12.1.5 Use of Name. Except as expressly provided herein, neither Party shall mention or otherwise use the name, logo or trademark of the other Party or any of its Affiliates (or any abbreviation or adaptation thereof) in any publication, press release, marketing and promotional material, or other form of publicity without the prior written approval of such other Party in each instance. The restrictions imposed by this Section 12.1.5 shall not prohibit either Party from making any disclosure identifying the other Party that, in the opinion of the Disclosing Party's counsel, is required by applicable Law (including any securities law or regulation or the rules of a securities exchange or as a requirement in filing for an International Nonproprietary Name (INN) or the like) or with a legal or administrative proceeding, or in connection with prosecuting or defending litigation; *provided* that such Party shall submit the proposed disclosure identifying the other Party in writing to the other Party as far in advance as reasonably practicable so as to provide a reasonable opportunity to comment thereon.

Section 12.2 Product Information. [***] recognizes that [***]. Accordingly, [***] agrees to [***]; except to the extent [***].

Section 12.3 Terms of this Agreement; Public Announcements.

12.3.1 The Parties agree that the terms of this Agreement will be treated as Confidential Information of both Parties, and thus may be disclosed only as permitted by this Agreement. Except as required by Law or as permitted under Section 12.1.4, each Party agrees not to issue any press release or public statement disclosing information relating to this Agreement or the transactions contemplated hereby or the terms hereof without the prior written consent of the other Party, not to be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, a press release in the form attached hereto as Exhibit E shall be issued by the Parties on or as promptly as practicable after the Effective Date. Without limiting Section 12.1.4, the Parties agree to seek reasonable and customary redactions in any filing of this Agreement with the SEC.

12.3.2 The Parties agree that each Party may issue future announcements concerning the advancement of a Product; *provided* that, except as permitted under Section 12.1.4, any such announcement by CytomX has been mutually agreed upon by the Parties (such agreement not to be unreasonably withheld, conditioned, or delayed) or contains only information that has been previously publicly announced. The foregoing notwithstanding, CytomX may publicly announce the achievement and amount of any milestone entitling CytomX to receive a payment, the exercise of the Cost Share Option, and the exercise of the Co-Commercialization Option ; *provided* that, except as permitted under Section 12.1.4, CytomX shall submit to Astellas for prior review a draft of the proposed announcement and reasonably consider comments made by Astellas and, to the extent practicable if so desired by Astellas, the Parties shall coordinate the timing of any such release.

Section 12.4 Publication.

12.4.1 Subject to the requirements of this Article 12, Astellas will have the sole right to publish and make scientific presentations, issue press releases (except with respect to the terms of this

Agreement, which is governed by Section 12.3) or make other public disclosures with respect to Astellas IP [***] consistent with Astellas's publication policy. CytomX will not issue any such publications without Astellas's prior written consent, except as required by applicable Law or as otherwise permitted under this Agreement. Notwithstanding the foregoing, any such publication or presentation to be made by Astellas that names CytomX will require the prior written consent of CytomX.

12.4.2 Subject to the requirements of this Article 12, CytomX will have the sole right to publish and make scientific presentations, issue press releases (except with respect to the terms of this Agreement, which is governed by Section 12.3) or make other public disclosures with respect to the CytomX Platform Improvements IP consistent with CytomX's publication practices. Astellas will not issue any such publications without CytomX's prior written consent, except as required by applicable Law. Notwithstanding the foregoing, any such publication or presentation to be made by CytomX that names Astellas will require the prior written consent of Astellas.

12.4.3 The Party that is entitled under this Section 12.4 to make a publication or presentation (the "**Publishing Party**") will deliver to the other Party (the "**Non-Publishing Party**") a copy of the proposed written publication or outline of presentation to be made by the Publishing Party at least [***] days in advance of submission (or, where a copy of such publication or presentation is not available at such time, a draft or outline of such publication or a description of such presentation), and the Non-Publishing Party will have the right to: (a) require a delay of submission of not more than [***] days to enable the filing of patent applications and information from such proposed publication or presentation in accordance with this Agreement; and (b) prohibit disclosure of any of the Non-Publishing Party's Confidential Information in any such proposed publication or presentation. If the Non-Publishing Party has not provided any comments or otherwise exercised its rights as described in this Section 12.4.3 within [***] days of receiving a copy of such proposed written publication or outline of presentation, the Publishing Party shall be free to submit such publication or to orally disclose or publish the disclosed information in a manner consistent with this Article 12.

Section 12.5 Relationship to the Confidentiality Agreement. This Agreement supersedes the Confidential Disclosure Agreements; *provided, however*, that all "Confidential Information" disclosed or received by the Parties thereunder will be deemed "Confidential Information" hereunder and will be subject to the terms and conditions of this Agreement.

Section 12.6 Attorney-Client Privilege. Neither Party is waiving, nor will be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges recognized under the applicable Law of any jurisdiction as a result of disclosing information pursuant to this Agreement, or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the Receiving Party, regardless of whether the Disclosing Party has asserted, or is or may be entitled to assert, such privileges and protections. The Parties may become joint defendants in proceedings to which the information covered by such protections and privileges relates and may determine that they share a common legal interest in disclosure between them that is subject to such privileges and protections, and in such event, may enter into a joint defense agreement setting forth, among other things, the foregoing principles but are not obligated to do so.

Section 12.7 Survival. All Confidential Information shall continue to be subject to the terms of this Agreement for the period set forth in Section 12.1.2.

ARTICLE 13. TERM & TERMINATION

Section 13.1 Term. The term of this Agreement shall commence on the Effective Date, and unless terminated earlier as provided in this Article 13, shall continue in full force and effect, on a Product-by-Product and country-by-country basis, until expiration of the obligation to make payments under this Agreement with respect to each Product in each country (the “**Term**”).

Section 13.2 Termination by CytomX.

13.2.1 CytomX will have the right to terminate this Agreement in the event of any material breach by Astellas of any terms and conditions of this Agreement to the extent that such breach materially and adversely impacts the expected benefits to be obtained by CytomX under this Agreement [***]; *provided, however,* that CytomX has [***]; *provided further, however,* such termination will not be effective if such breach has been cured within [***] days after written notice thereof is given by CytomX to Astellas specifying the nature of the alleged breach; *provided further, however,* if such breach (except for payment breaches) is not reasonably subject to cure within [***] days after receipt of written notice thereof, then Astellas shall continue to use good faith efforts to cure such breach and shall have provided to CytomX a written plan intended to cure (and that Astellas reasonably believes will cure) such breach as soon as reasonably practicable thereafter. Notwithstanding the foregoing in this Section 13.2.1, in the event of a good faith dispute as to whether a material breach by Astellas allowing for termination hereunder has occurred, the foregoing cure period with respect thereto will be tolled pending final resolution of such dispute in accordance with the terms of this Agreement; *provided, however,* if such dispute relates to payment, such tolling of the cure period will only apply with respect to payment of the disputed amounts, and not with respect to any undisputed amount.

13.2.2 Notwithstanding Section 13.2.1, if the material breach and failure to cure otherwise meeting the termination standard set forth in Section 13.2.1 is (a) [***], CytomX shall not have the right to terminate this Agreement in its entirety but shall have the right to terminate this Agreement [***] or (b) with respect to Astellas’s obligations under this Agreement with respect to any particular Collaboration Target, CytomX shall not have the right to terminate this Agreement in its entirety but shall have the right to terminate this Agreement solely with respect to such Collaboration Target.

13.2.3 CytomX will have the right to terminate this Agreement if, at any time, Astellas: (a) files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of Astellas or of its assets, in each case that is not dismissed within [***] days after the filing thereof; (b) is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition will not be dismissed within [***] days after the filing thereof; (c) passes a resolution for its winding up or proposes to be or is a party to any dissolution or liquidation; or (d) makes or will make an assignment of substantially all of its assets for the benefit of its creditors.

13.2.4 CytomX will have the right to terminate this Agreement immediately upon written notice to Astellas if Astellas or any of its Sublicensees or Affiliates initiates or asserts any CytomX Patent Challenge and fails to initiate rescission of such CytomX Patent Challenge within [***] Business Days after such written notice and thereafter fails to rescind such CytomX Patent Challenge within [***] days after such written notice. In the event any Sublicensee (or any Person acting on its behalf) of Astellas initiates or asserts any CytomX Patent Challenge in any forum, Astellas shall, upon written request by CytomX, immediately terminate the applicable sublicense agreement with such Sublicensee.

Section 13.3 Termination by Astellas.

13.3.1 CytomX Breach. Astellas will have the right to terminate this Agreement in the event of any material breach by CytomX of any terms and conditions of this Agreement to the extent that such breach materially and adversely impacts the expected benefits to be obtained by Astellas under this Agreement [***]; *provided, however*, that Astellas has [***]; *provided further, however*, that such termination will not be effective if such breach has been cured within [***] days after written notice thereof is given by Astellas to CytomX specifying the nature of the alleged breach; *provided further, however*, if such breach is not reasonably subject to cure within [***] days after receipt of written notice thereof, then CytomX shall continue to use good faith efforts to cure such breach and shall have provided to Astellas a written plan intended to cure (and that CytomX reasonably believes will cure) such breach as soon as reasonably practicable thereafter. Notwithstanding the foregoing in this Section 13.3.1, in the event of a good faith dispute as to whether a material breach by CytomX has occurred, the foregoing cure period with respect thereto will be tolled pending final resolution of such dispute in accordance with the terms of this Agreement; *provided, however*, if such dispute relates to payment, such tolling of the cure period will only apply with respect to payment of the disputed amounts, and not with respect to any undisputed amount.

13.3.2 Notwithstanding Section 13.3.1, if the material breach and failure to cure otherwise meeting the termination standard set forth in Section 13.2.1 is [***], Astellas shall not have the right to terminate this Agreement in its entirety but shall have the right to terminate this Agreement solely with respect to such Collaboration Target.

13.3.3 CytomX Bankruptcy or Insolvency. Astellas will have the right to terminate this Agreement if, at any time, CytomX: (a) files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of CytomX or of its assets, in each case that is not dismissed within [***] days after the filing thereof; (b) is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition will not be dismissed within [***] days after the filing thereof; (c) passes a resolution for its winding up or proposes to be or is a party to any dissolution or liquidation; or (d) makes or will make an assignment of substantially all of its assets for the benefit of its creditors.

13.3.4 Other Termination for Cause. Astellas may terminate this Agreement on a Product-by-Product or Collaboration Target-by-Collaboration Target basis effective immediately upon written notice to CytomX in the event that (a) Astellas in good faith believes it is not advisable for Astellas to continue to Develop or Commercialize any Products as a result of a perceived serious safety issue regarding the use of any Product (as determined by Astellas's senior executive or committee responsible for Product safety), *provided* that Astellas and CytomX shall first discuss such safety issue and attempt to resolve such safety issue in good faith prior to Astellas providing such notice of termination, or (b) CytomX or any of its Sublicensees or Affiliates initiates or asserts any Astellas Patent Challenge and fails to initiate rescission of such Astellas Patent Challenge within [***] Business Days after such written notice and thereafter fails to rescind such Astellas Patent Challenge within [***] days after such written notice. In the event any Sublicensee (or any Person acting on its behalf) of CytomX initiates or asserts any Astellas Patent Challenge in any forum, CytomX shall, upon written request by Astellas, immediately terminate the applicable sublicense agreement with such Sublicensee.

13.3.5 Discretionary Termination. Astellas, in its sole discretion, may terminate this Agreement in its entirety effective as of any time after [***] anniversary of the Effective Date upon delivery of (a) at least [***] days' prior written notice to CytomX [***], (b) at least [***] days' prior written notice to CytomX [***], and (c) at least [***] prior written notice to CytomX [***]. Astellas, in its sole discretion, may terminate this Agreement on a Product-by-Product or country-by-country basis at any time during the Term upon delivery of (i) at least [***] days' prior written notice to CytomX [***], (ii) at least [***] days prior written notice to CytomX [***], and (iii) at least [***] prior written notice to CytomX [***].

Section 13.4 Effects of Termination. Following the expiration of the Term or if this Agreement is terminated pursuant to Section 13.3.1, Section 13.3.3 or Section 13.3.4(b) (or with respect to the terminated portion thereof in a partial termination pursuant to Section 13.3.2(b) or Section 13.3.4(b)), the grants to Astellas in Section 4.1 shall (i) become exclusive, perpetual and irrevocable (and sublicenseable through multiple tiers), [***], (ii) become royalty-free following expiration of the Term and (iii) in the case of any such termination (but not expiration of the Term) of all Collaboration Targets (if this Agreement is terminated in its entirety) or the applicable Collaboration Target (if this Agreement is partially terminated), [***]. Upon termination by a Party, as applicable, under Section 13.2, Section 13.3.4(a) or Section 13.3.5 (or, to the extent this Agreement is terminated solely with respect to a particular Product or a particular jurisdiction pursuant to Section 13.2.2, or Section 13.3.4(a), then the remainder of this Section 13.4 shall only apply to the terminated Product or the terminated jurisdiction), the following shall apply:

13.4.1 Ongoing Clinical Studies. If Astellas is conducting (or having conducted on its behalf) any on-going clinical studies for which it has responsibility hereunder in which patient dosing has commenced, Astellas shall, subject to CytomX's rights under Section 13.5, either (a) continue to conduct such clinical studies, or (b) responsibly wind-down, in accordance with accepted biopharmaceutical industry norms and ethical practices, and [***].

13.4.2 Commercialization. Astellas, its Affiliates and its and their Sublicensees and subcontractors shall be entitled to continue to sell (but not to actively promote after the effective date of termination) any existing inventory of each terminated Product in each terminated country of the Territory for which Marketing Approval therefor has been obtained (*provided* that such Products shall have launched in each such terminated country as of the applicable effective date of termination), in accordance with the terms and conditions of this Agreement (the "**Commercialization Wind-Down Period**"), subject to Astellas's ongoing obligation to pay to CytomX royalties, Profit share and milestones in accordance with this Agreement with respect to such sales.

13.4.3 Termination of Licenses and Sublicense; Payments. Except as set forth herein, all relevant licenses and sublicenses granted under Article 4, as of the effective date of such termination, shall terminate automatically unless otherwise agreed by the Parties, except that Astellas shall retain a non-exclusive, worldwide license under Section 4.1 to sell, offer for sale and import Products during the Commercialization Wind-Down Period. All undisputed amounts due or payable to a Party hereunder that were accrued prior to the date of termination or during the Commercialization Wind-Down Period shall remain due and payable except as otherwise set forth in the last sentence of this Section 13.4.3. Upon the effective date of such termination Astellas will have no further diligence obligations under this Agreement. Astellas will not be required [***].

13.4.4 Destruction of Confidential Information. Each Party shall destroy or cause to be destroyed (or, at the other Party's written request, return or cause to be returned) all Confidential Information of the other Party in the possession of such Party or its Affiliates or Sublicensees as of the effective date of expiration or termination (with the exception of one copy of such Confidential Information, which may be retained by the legal department of the Party that received such Confidential Information to confirm compliance with the non-use and non-disclosure provisions of this Agreement), and any Confidential Information of the other Party contained in its laboratory notebooks or databases; *provided* that each Party may retain and continue to use such Confidential Information of the other Party to the extent necessary to exercise any surviving rights, licenses or obligations under this Agreement. Notwithstanding the foregoing, a Party shall not be required to destroy any computer files created during automatic system back up that are subsequently stored securely by it and not readily accessible to its employees, consultants, or others who received Confidential Information under this Agreement. Astellas shall destroy or cause to be destroyed, or at CytomX's option, return or cause to be returned to CytomX, all Materials of CytomX in the possession of Astellas or its Affiliates or Sublicensees as of the effective date of expiration or termination.

Section 13.5 Product Reversion. Upon termination by CytomX pursuant to Section 13.2 or by Astellas pursuant to Section 13.3.5, in each case only with respect to the Initial Target or any other Collaboration Target that was nominated by CytomX pursuant to a request from Astellas that CytomX nominate a Collaboration Target in accordance with Section 3.1 (and, for the avoidance of doubt, only with respect to the applicable terminated countries if the termination is limited to certain countries) (a "**Reversion Product**"), within [***] days after the effective date of such termination, [***]:

(a) To the extent that Astellas or its Affiliates holds any Regulatory Filings and/or Marketing Approvals [***] the Reversion Products, at CytomX's request Astellas shall (and shall cause its Affiliates to) transfer any of their respective rights, title and interests therein (to the extent permitted) to CytomX or its designee at CytomX's sole cost and expense. At CytomX's request within such [***] day period, a copy of all material documents that relate to the Reversion Products [***] to the extent Controlled by Astellas, and all of Astellas's and its Affiliates' right, title and interest therein and thereto, shall be provided to CytomX or its designee as promptly as reasonably practicable thereafter (to the extent permitted), [***]. At CytomX's election within such [***] day period, Astellas shall transition to CytomX (or its designee) the conduct of any ongoing clinical studies for which Astellas has responsibility hereunder and in which patient dosing has commenced, to the extent permitted by applicable Law and not reasonably expected by Astellas to have a serious adverse effect on patient safety.

(b) At CytomX's request within such [***] day period, should Astellas or its Affiliates own or control any inventory of any Reversion Product suitable for use or sale in the terminated portion of the Territory, Astellas shall notify CytomX in writing and CytomX shall have the right (but not the obligation) to purchase such Reversion Product from Astellas at a price equal to Astellas's or its Affiliate's actual cost of procuring such Reversion Product.

(c) At CytomX's request within such [***] day period, Astellas shall assign (or, if applicable, cause its Affiliate to assign) to CytomX all of Astellas's (and such Affiliates') right, title and interest in and to any trademark or internet domain name that relates solely to the Reversion Products in the applicable terminated Territory and used by Astellas or any of its Affiliates solely in the Exploitation of the Reversion Products prior to such termination of this Agreement.

(d) For the avoidance of doubt, none of Section 13.5(a), (b) or (c) shall include the transfer or assignment of any Reversion Technology.

(e) At CytomX's request within such [***] day period, upon the effectiveness of such termination, [***] (i) Astellas would [***] and (ii) continue to supply (to the extent Manufacturing has begun for such terminated Product) from Astellas, its Affiliate(s) or their applicable third party manufacturers (it being understood and agreed that, to the extent of third party manufacturers, [***]). The payment terms of such agreement shall [***].

(f) The Parties will use Commercially Reasonable Efforts to complete all transfer and transition activities required in this Section 13.5 as promptly as practicable following the effective date of such termination. If the Parties are unable to agree on the terms of the agreement referenced in Section 13.5(e) within [***] days, then the Parties shall submit such disagreement for resolution to the dispute resolution requirements of Section 14.5.1. If the Parties are not able to then finalize the terms pursuant to Section 14.5.1, [***].

(g) All transfers of materials, documents, inventory, information or agreements hereunder, and the reasonable expenses of transferring such materials, documents, inventory, information and agreements, and of otherwise complying with this Section 13.5 (other than a breach by Astellas of this Section 13.5), shall be [***]. Notwithstanding anything to the contrary in this Agreement, [***].

Section 13.6 Remedies. Except as otherwise expressly provided herein, any termination in accordance with the provisions hereof shall not limit remedies that may otherwise be available in law or equity.

Section 13.7 Survival. In addition to the expiration or termination consequences set forth in Section 13.4, Section 13.5, Section 13.6 and this Section 13.7, the following provisions will survive termination or expiration of this Agreement: Article 1, Article 10, Article 11 and Article 14, Section 4.1 (with respect to the license grants to Astellas that expressly survive such termination or expiration in accordance with Section 13.4), Section 6.7.5 (with respect to Commercialization activities performed before the effective date of such expiration or termination or during the Commercialization Wind-Down Period), Section 7.3 (with respect to costs incurred or sales made before the effective date of such expiration or termination or during the Commercialization Wind-Down Period), Section 7.4 (in the case of a termination pursuant to Section 13.2, with respect to a milestone reached prior to the date of the notice of termination by CytomX, and in the case of any other termination or expiration, with respect to a milestone reached prior to the effective date of such expiration or termination or during the Commercialization Wind-Down Period), Section 7.5 (with respect to sales made before the effective date of such expiration or termination or during the Commercialization Wind-Down Period), Section 7.6 through Section 7.11 inclusive (with respect to periods with sales of Products made before the effective date of such expiration or termination or during the Commercialization Wind-Down Period), Section 8.1, Section 8.4 through Section 8.9 (with respect to any action initiated prior to the effective date of such expiration or termination or during the Commercialization Wind-Down Period), Section 9.6, Section 12.1, Section 12.3, Section 12.4 (with respect to any paper or presentation proposed, or any paper or presentation including data or results of clinical studies conducted, prior to the effective date of such expiration or termination), Section 12.5, Section 12.6 (solely the first sentence) and Section 2.1 of Exhibit C (with respect to sales made before the effective date of such expiration or termination or during the Commercialization Wind-Down Period). Termination or expiration of this Agreement are neither Party's exclusive remedy and will not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. All other rights and obligations will terminate upon termination or expiration of this Agreement.

ARTICLE 14. MISCELLANEOUS

Section 14.1 Entire Agreement; Amendment. This Agreement and all Exhibits attached hereto or thereto, constitute the entire agreement between the Parties as to the subject matter hereof (and all references to this Agreement shall be deemed to include the Exhibits hereto). All prior and contemporaneous negotiations, representations, warranties, agreements, statements, promises and understandings with respect to the subject matter of this Agreement, including the Confidential Disclosure Agreements, are hereby superseded and merged into, extinguished by and completely expressed by this Agreement. Neither of the Parties shall be bound by or charged with any written or oral agreements, representations, warranties, statements, promises or understandings not specifically set forth in this Agreement. No amendment, supplement or other modification to any provision of this Agreement shall be binding unless in writing and signed by Astellas and CytomX.

Section 14.2 Section 365(n) of the Bankruptcy Code. All rights and licenses granted under or pursuant to any section of this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to “intellectual property” as defined under Section 101(35A) of the U.S. Bankruptcy Code to the extent permitted thereunder. The Parties shall retain and may fully exercise all of their respective rights and elections under the U.S. Bankruptcy Code. Upon the bankruptcy of any Party, the non-bankrupt Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property, and such, if not already in its possession, shall be promptly delivered to the non-bankrupt Party, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement. All rights granted to either Party under this Agreement shall be deemed to exist immediately before the occurrence of any bankruptcy case in which the other Party is the debtor.

Section 14.3 Independent Contractors. The relationship between Astellas and CytomX created by this Agreement is solely that of independent contractors. This Agreement does not create any agency, distributorship, employee-employer, partnership, joint venture or similar business relationship between the Parties, including for all tax purposes. No such Party is a legal representative of the other Party, and no such Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever. Each such Party shall use its own discretion and shall have complete and authoritative control over its employees and the details of performing its obligations under this Agreement.

Section 14.4 Governing Law; Jurisdiction. This Agreement and its effect are subject to and shall be construed and enforced in accordance with the law of the State of New York, without regard to its conflicts of laws, except as to any issue which depends upon the validity, scope or enforceability of any Patent Right, which issue shall be determined in accordance with the laws of the country in which such patent was issued. Except to the extent otherwise set forth in Section 14.5, each of the Parties hereby irrevocably and unconditionally (a) consents to submit to the exclusive jurisdiction of the courts of the State of New York located in the City of New York for any matter arising out of or relating to this Agreement and the transactions contemplated hereby, and agrees not to commence any litigation relating thereto except in such courts, (b) waives any objection to the laying of venue of any matter arising out of this Agreement or the transactions contemplated hereby in the courts of the State of New York located in the City of New York, and (c) waives and agrees not to plead or claim in any such court that any such matter brought in any such court has been brought in an inconvenient forum. The Parties agree that a final judgment in any such matter shall be conclusive and may be enforced in other jurisdictions by suits on the

judgment or in any other manner provided by law. Any proceeding brought by either Party under this Agreement shall be exclusively conducted in the English language.

Section 14.5 Dispute Resolution

14.5.1 Disputes; Resolution by Executive Officers. The Parties recognize that disputes as to certain matters may from time to time arise during the Term that relate to decisions to be made by the Parties herein or to the Parties' respective rights and/or obligations hereunder. It is the desire of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to arbitration or litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Section 14.5 if and when a dispute arises under this Agreement, subject to Section 2.1.5 and Section 14.5.3. Accordingly, any disputes, controversies or claims that may arise between the Parties out of or in relation to or in connection with this Agreement shall be promptly presented to the Alliance Managers for resolution. If the Alliance Managers are unable to resolve such dispute within [***] Business Days after a matter has been presented to them, then upon the request of either Party by written notice, the Parties agree to meet and discuss in good faith a possible resolution thereof, which good faith efforts shall include at least one in-person meeting between the Executive Officers of each Party within [***] Business Days after receipt by the other Party of such written notice. If any such matter, other than a matter within the final decision-making authority of Astellas, is not resolved within [***] Business Days following presentation to the Executive Officers, then either Party may invoke the provisions of Section 14.5.2.

14.5.2 Arbitration. Any dispute that is not resolved pursuant to Section 14.5.1, shall be settled by binding arbitration to be conducted as set forth in this Section 14.5.2.

(a) Either Party, following the end of the [***] Business Day period referenced in Section 14.5.1, may refer such issue to arbitration by submitting a written notice of such request to the other Party. In any proceeding under this Section 14.5.2, there shall be one (1) arbitrator chosen upon mutual agreement of the Parties. If the Parties do not agree upon a single arbitrator within [***] days after delivery of such notice, each Party will nominate one arbitrator in accordance with the then current rules of the Judicial Arbitration and Mediation Services ("JAMS"). The two (2) arbitrators so nominated will nominate a third arbitrator to serve as the single arbitrator of the dispute, such nomination to be made within [***] days after the selection of the second arbitrator. The arbitrator shall be neutral and independent of both Parties and all of their respective Affiliates, shall have significant experience and expertise in licensing and partnering agreements in the pharmaceutical and biotechnology industries, shall have appropriate experience with respect to the matter(s) to be arbitrated, and shall have some experience in mediating or arbitrating issues relating to such agreements. In the case of any dispute involving Section 6.3 (Diligence), including an alleged failure to use Commercially Reasonable Efforts, the arbitrator shall in addition be an individual with experience and expertise in the worldwide development and commercialization of pharmaceuticals and the business, legal and scientific considerations related thereto. In the case of a dispute involving a scientific or accounting matter or determination, an expert having applicable expertise and experience will be selected by the Parties to assist the arbitrator in such scientific or accounting matter or determination (and the arbitrator will select such expert if the Parties cannot agree on such expert within [***] days following the selection of the arbitrator). The governing law in Section 14.4 shall govern such proceedings. No individual will be appointed to arbitrate a dispute pursuant to this Agreement unless he or she agrees in writing to be bound by the provisions of this Section 14.5.2. The

place of arbitration will be New York, New York, United States unless otherwise agreed to by the Parties, and the arbitration shall be conducted in English.

(b) The arbitrator shall set a date for a hearing that shall be held no later than [***] days following his or her appointment as the arbitrator. The Parties shall have the right to be represented by counsel. Except as provided herein, the arbitration shall be governed by the Comprehensive Arbitration Rules of JAMS applicable at the time of the notice of arbitration pursuant to Section 14.5.2(a), including the right of each Party to undertake document requests and up to [***] depositions.

(c) The arbitrator shall use his or her best efforts to rule on each disputed issue within [***] days after completion of the hearing described in Section 14.5.2(b). The determination of the arbitrator as to the resolution of any dispute shall be binding and conclusive upon the Parties. All rulings of the arbitrator shall be in writing and shall be delivered to the Parties as soon as is reasonably possible. Nothing contained herein shall be construed to permit the arbitrator to award punitive, exemplary or any similar damages. The arbitrator shall render a “reasoned decision” within the meaning of the Commercial Arbitration Rules, which shall include findings of fact and conclusions of law. Any arbitration award may be entered in and enforced by a court in accordance with Section 14.5.2(d).

(d) Any award to be paid by one Party to the other Party as determined by the arbitrator as set forth above under Section 14.5.2 shall be promptly paid in Dollars free of any tax, deduction or offset; and any costs, fees or taxes incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the Party resisting enforcement. Each Party agrees to abide by the award rendered in any arbitration conducted pursuant to this Section 14.5, and agrees that, subject to the Federal Arbitration Act, judgment may be entered upon the final award in a court of competent jurisdiction and that other courts may award full faith and credit to such judgment in order to enforce such award. With respect to money damages, nothing contained herein shall be construed to permit the arbitrator or any court or any other forum to award punitive or exemplary damages. By entering into this agreement to arbitrate, the Parties expressly waive any claim for punitive or exemplary damages. The only damages recoverable under this Agreement are compensatory damages.

(e) Each Party shall bear its own legal fees in connection with any arbitration procedure. The arbitrator may in his or her discretion assess the arbitrator’s cost, fees and expenses (and those of any expert hired by the arbitrator) against the Party losing the arbitration.

14.5.3 Injunctive Relief. Nothing in this Section 14.5 will preclude either Party from seeking equitable relief or interim or provisional relief from a court of competent jurisdiction, including a temporary restraining order, preliminary injunction or other interim equitable relief, concerning a dispute either prior to or during any arbitration if necessary to protect the interests of such Party or to preserve the status quo pending the arbitration proceeding. Each Party further acknowledges and agrees that the restrictions set forth in Section 2.4, Article 4, Article 8 and Article 12 are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such restrictions, and that any breach or threatened breach of any provision of such Section or Article may result in irreparable injury to such other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of such Section or Articles, the non-breaching Party shall be authorized and entitled to seek from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, specific performance, and an equitable accounting of all earnings, profits, and other benefits arising from such breach, which rights

shall be cumulative and in addition to any other rights or remedies to which such non-breaching Party may be entitled in law or equity. Both Parties agree to waive any requirement that the other (a) post a bond or other security as a condition for obtaining any such relief, and (b) show irreparable harm, balancing of harms, consideration of the public interest, or inadequacy of monetary damages as a remedy. For the avoidance of doubt, nothing in this Section 14.5.3 shall otherwise limit either Party's opportunity to cure a material breach as permitted in accordance with Article 13.

14.5.4 Confidentiality. The arbitration proceedings shall be confidential and the arbitrator shall issue appropriate protective orders to safeguard each Party's Confidential Information. Except as required by applicable Law, no Party shall make (or instruct the arbitrator to make) any public announcement with respect to the proceedings or decision of the arbitrator without prior written consent of the other Party. The existence of any dispute submitted to arbitration, and any award, shall be kept in confidence by the Parties and the arbitrator, except as required in connection with the enforcement of such award or as otherwise required by applicable Law. Notwithstanding the foregoing, each Party shall have the right to disclose information regarding the arbitration proceedings to the same extent as it may disclose Confidential Information of the other Party under Article 12.

14.5.5 Survival. Any duty to arbitrate under this Agreement shall remain in effect and be enforceable after termination of this Agreement for any reason.

14.5.6 Patent and Trademark Disputes. Notwithstanding Section 14.5.2, and without prejudice to CytomX's rights pursuant to Section 13.2.4 or Astellas's rights pursuant to Section 13.3.4(b), any dispute, controversy or claim relating to the inventorship, scope, validity, enforceability or infringement of any Patents Covering, or the scope, validity, enforceability or infringement of any trademark used in connection with, the manufacture, use, importation, offer for sale or sale of Products shall be submitted to a court of competent jurisdiction in the country in which such patent or trademark rights were granted or arose.

Section 14.6 Notice. Any notice required or permitted to be given by this Agreement shall be in writing, in English. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective if (a) delivered by hand or by overnight courier with tracking capabilities, (b) mailed postage prepaid by first class, registered, or certified mail, or (c) delivered by facsimile followed by delivery via either of the methods set forth in clauses (a) and (b) of this Section 14.6, in each case, addressed as set forth below unless changed by notice so given:

If to CytomX:

CytomX Therapeutics, Inc.
151 Oyster Point Blvd., Suite 400
South San Francisco, CA 94080 USA
Attn: [***]
with copies (which shall not constitute notice) to:

CytomX Therapeutics, Inc.
151 Oyster Point Blvd., Suite 400
South San Francisco, CA 94080 USA
Attn: [***]
[***]
Latham & Watkins LLP
140 Scott Drive
Menlo Park, CA 94025 USA

If to Astellas:¹

Astellas Pharma Inc.
5-1, Nihonbashi-Honcho 2-chome, Chuo-ku
Tokyo 103-8411, Japan
Attn: [***]
with copies (which shall not constitute notice) to:

Astellas US LLC
1 Astellas Way
Northbrook, IL 60062 USA
Attn: [***]

and

Faegre Drinker Biddle & Reath LLP
311 South Wacker Drive, Suite 4300
Chicago, IL 60606 USA
Attn: [***]

Any such notice shall be deemed given on the date received, except any notice received after 5:00 p.m. (in the time zone of the receiving Party) on a Business Day or received on a non-Business Day shall be deemed to have been received on the next Business Day. A Party may add, delete, or change the Person or address to which notices should be sent at any time upon written notice delivered to the Party's notices in accordance with this Section 14.6.

Section 14.7 Compliance With Law; Severability. Nothing in this Agreement shall be construed to require the commission of any act contrary to Law. If any one or more provisions of this Agreement is held to be invalid, illegal or unenforceable, the affected provisions of this Agreement shall be curtailed and limited only to the extent necessary to bring it within the applicable legal requirements and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 14.8 Non-Use of Names. Neither Party shall use the name, trademark, logo, or physical likeness of the other Party or any of its respective officers, directors or employees, or any adaptation of

¹ Astellas to confirm whether their notice information should be redacted.

any of them, in any advertising, promotional or sales literature, without the other Party's prior written consent. Each Party shall require its Affiliates to comply with the foregoing.

Section 14.9 Successors and Assigns. Neither this Agreement nor any of the rights or obligations created herein may be assigned by either Party, in whole or in part, without the prior written consent of the other Party, not to be unreasonably withheld, conditioned or delayed, except that either Party shall be free to assign this Agreement (a) to an Affiliate of such Party (for so long as such Affiliate remains an Affiliate); *provided* that such Party shall remain liable and responsible to the other Party for the performance and observance of all such duties and obligations by such Affiliate, or (b) in connection with any sale of all or substantially all of the assets of the Party that relate to this Agreement to a Third Party, whether by merger, consolidation, divestiture, restructure, sale of stock, sale of assets or otherwise (a "**Sale Transaction**"; such Third Party, a "**Third Party Acquirer**"); *provided* that the party to which this Agreement is assigned expressly agrees in writing to assume and be bound by all obligations of the assigning Party under this Agreement, and *provided, further*, that if any such assignment by a paying Party would result in withholding or other similar taxes becoming due on payments to a non-paying Party under this Agreement (which withholding or other similar taxes would not have been due if the assignment did not occur), then any such assignment will require prior written consent absent an express agreement by the paying Party or the assignee to pay or reimburse the non-paying Party for any increase in such taxes resulting from such assignment that are not deductible or creditable by the non-paying Party under applicable Law, such consent not to be unreasonably withheld, conditioned or delayed. A copy of such written agreement by such assignee shall be provided to the non-assigning Party within [***] days of execution of such written agreement.

Section 14.10 [*]**

Section 14.11 Waivers. A Party's consent to or waiver, express or implied, of any other Party's breach of its obligations hereunder shall not be deemed to be or construed as a consent to or waiver of any other breach of the same or any other obligations of such breaching Party. A Party's failure to complain of any act, or failure to act, by the other Party, to declare the other Party in default, to insist upon the strict performance of any obligation or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof, no matter how long such failure continues, shall not constitute a waiver by such Party of its rights hereunder, of any such breach, or of any other obligation or condition. A Party's consent in any one instance shall not limit or waive the necessity to obtain such Party's consent in any future instance and in any event no consent or waiver shall be effective for any purpose hereunder unless such consent or waiver is in writing and signed by the Party granting such consent or waiver.

Section 14.12 Performance by Affiliates. Each Party may use one (1) or more of its Affiliates to perform its obligations and duties hereunder and such Affiliates are expressly granted certain rights herein; *provided* that each such Affiliate shall be bound by the corresponding obligations of such Party and such Party shall remain liable hereunder for the prompt payment and performance of all of their respective obligations hereunder.

Section 14.13 Force Majeure. Each Party shall be excused from the performance of its obligations (except payment obligations) under this Agreement to the extent that such performance is prevented by Force Majeure (defined below) and the nonperforming Party promptly provides notice of such prevention to the other Party. Such excuse shall be continued so long as the condition constituting Force Majeure continues. The Party affected by such Force Majeure also shall notify the other Party of the anticipated duration of such Force Majeure, any actions being taken to avoid or minimize its effect after such occurrence, and shall take reasonable efforts to remove the condition constituting such Force

Majeure. For purposes of this Agreement, “**Force Majeure**” shall mean conditions beyond the control of the Parties, including acts of God, acts of terrorism, voluntary or involuntary compliance with any Law of any Governmental Authority, embargoes, insurrections, war, acts of war (whether war be declared or not), shortages, epidemics, quarantines, labor strikes, lock-outs or other labor disturbances (whether involving the workforce of the non-performing Party or of any other Person), civil commotion, riots, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, hurricane, storm, flood, or like catastrophe, or delays in acting by any Governmental Authority (except to the extent such delay results from the breach by the nonperforming Party or any of its Affiliates of any term or condition of this Agreement). The suspension of performance shall be of no greater scope and no longer duration than is necessary and the non-performing Party shall use Commercially Reasonable Efforts to remedy its ability to perform. The Party not subject to such Force Majeure may terminate this Agreement if such Force Majeure exists for [***] consecutive days in any 365-day period pursuant to Section 13.2.1 or Section 13.3.1, as applicable, unless the Party affected by such Force Majeure continues to use Commercially Reasonable Efforts to remove such Force Majeure if it is reasonably expected that such efforts would be capable of removing such Force Majeure.

Section 14.14 No Third Party Beneficiaries. Nothing in this Agreement shall be construed as giving any Person, other than the Parties and their successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof, except for the provisions of Article 10 (with respect to which the persons to which Article 10 applies shall be Third Party beneficiaries for Article 10 only in accordance with the terms and conditions of Article 10).

Section 14.15 Headings; Exhibits; Appendices. Article and Section headings used herein are for convenient reference only, and are not a part of this Agreement, and in no way define, describe, extend, or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. All Exhibits are incorporated herein by this reference.

Section 14.16 Interpretation. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders and the word “or” is used in the inclusive sense (and/or). The term “including,” “include,” or “includes” as used herein means including, without limiting the generality of any description preceding such term. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The words “herein”, “hereof” and “hereunder” and words of similar import will be construed to refer to this Agreement in its entirety and not to any particular provision hereof. The language in all parts of this Agreement shall be deemed to be the language mutually chosen by the Parties. Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The Parties and their counsel have cooperated in the drafting and preparation of this Agreement, and this Agreement therefore shall not be construed against any Party by virtue of its role as the drafter thereof.

Section 14.17 Counterparts Electronic or Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed and delivered electronically or by facsimile and upon such delivery such electronic or facsimile signature will be deemed to have the same effect as if the original signature had been delivered to the other Party.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

CYTOMX THERAPEUTICS INC.

By: /s/ Sean A. McCarthy

Name: Sean A. McCarthy, D. Phil.

Title: President, Chief Executive Officer & Chairman of the Board of Directors

ASTELLAS PHARMA INC.

By: /s/ Kenji Yasukawa

Name: Kenji Yasukawa, Ph.D.

Title: President & Chief Executive Officer

[Signature Page to Collaboration and License Agreement]

Exhibit A-1
CytomX Patents
[***]

Exhibit A-2

Tools

[***]

Exhibit B

Initial Preclinical Research Plan

[***]

Exhibit C

U.S. Profit Share

1. DEFINED TERMS

- 1.1 “**Clinical Supply Costs**” means, [***].
- 1.2 “**Commercialize**” means [***].
- 1.3 “**Commercialization Costs**” means, [***].
- 1.4 “**Commercialization FTE Rate**” means (i) for the period commencing on the Effective Date and ending on December 31, 2020, [***] per FTE per year (and Astellas hereby confirms that such amount is consistent with the current rate applicable to its other similar commercial products), and (ii) for each Calendar Year thereafter, [***]. For clarity, the same Commercialization FTE Rate shall apply with respect to each of the Parties.
- 1.5 “**Cost Share Product Costs**” means, [***].
- 1.6 “**Costs**” means [***].
- 1.7 “**Deferral Payment Commencement Date**” means, [***].
- 1.8 “**Detail**” or “**Detailing**” means, with respect to a Co-Co Product, the face-to-face communication, in an individual or group practice setting, including a hospital setting, (or other method of individual contact if mutually agreed by the Parties) of product information by a Sales Representative to one or more health care professionals licensed or authorized to prescribe drugs, during which information regarding a Co-Co Product is communicated in a manner consistent with applicable Law and industry standards as either the leading product (i.e., “first position”), second product (i.e., “second position”) or third product (i.e., “third position”). For the avoidance of doubt, discussions at conventions, exhibit booths, or other scientific meetings or a reminder or sample drop shall not constitute “Details” or “Detailing”.
- 1.9 “**Develop**” or “**Development**” means [***].
- 1.10 “**Development Costs**” means, [***].
- 1.11 “**Development FTE Costs**” means, [***].
- 1.12 “**FTE**” means a full-time equivalent person (i.e., one fully-dedicated or multiple partially-dedicated employees aggregating to one full-time employee employed or contracted by CytomX or Astellas (or Affiliate thereof), as applicable, based upon a total of [***] hours per year undertaken in connection with the conduct of Preclinical Research, Development, or Commercialization in accordance with the applicable Preclinical Research Plan, Development Plan, Commercialization, Manufacturing, or other activities, including Medical Affairs Activities, consistent with the Collaboration and License Agreement. Overtime, and work on weekends, holidays and the like shall not be counted with any multiplier (e.g., time-and-a-half or double time) toward the number of hours that are used to calculate the FTE contribution.
- 1.13 “[***] **Costs**” means: [***].
-

- 1.14 “**Manufacturing**” or “**Manufacture**” means [***].
- 1.15 “**Manufacturing Costs**” means, [***].
- 1.16 “**Medical Affairs Activities**” means [***].
- 1.17 “**Medical Affairs Activities Costs**” means, [***].
- 1.18 “**Medical Liaison**” means those health care professionals employed or engaged by Astellas or any of its Affiliates (or their designees) with appropriate health care experience to engage in in-depth dialogues with physicians regarding medical issues associated with a Cost Share Product, and are not Sales Representatives or otherwise engaged in direct selling or promotion of a Cost Share Product.
- 1.19 “**Out-of-Pocket Development Expenses**” means, [***].
- 1.20 “**Profit**” means, [***].
- 1.21 “**R&D FTE Rate**” means (i) for the period commencing on the Effective Date and ending on December 31, 2020, [***] and (ii) for each Calendar Year thereafter, [***].
- 1.22 “**Sales Representative**” means a pharmaceutical sales representative who is trained with respect to any of the Co-Co Products, including its labeling and promotional materials, engaged or employed by a Party or its Affiliates to conduct Detailing with respect to such Co-Co Product in accordance with the terms of the Collaboration and License Agreement or the Commercialization Agreement.
- 1.23 “**Sublicensing Revenues**” means [***].

2. **U.S. PROFIT SHARE IN ACCORDANCE WITH SECTION 7.3 OF THE COLLABORATION AND LICENSE AGREEMENT.**

2.1 **Allocation of Profit.** Subject to Section 2.3 of this Exhibit C, Astellas shall account for Cost Share Product Costs and Development Costs in accordance with its accounting standards. Astellas shall be entitled to share in [***] of the Profit and CytomX shall be entitled to share in [***] of the Profit in any Calendar Quarter for which a Profit exists. For the avoidance of doubt, in the event CytomX exercises the Cost Share Option with respect to a Product, the provisions of this Exhibit C shall apply to Net Sales of such Product in the U.S. in lieu of the royalty provision in Section 7.5.3 of the Collaboration and License Agreement, which for clarity shall still apply to Net Sales of such Product in the Territory other than the U.S.

2.2 **Allocation of Costs.**

2.2.1 **Development Costs.** Subject to Section 2.3 of this Exhibit C, Astellas shall pay [***] of Development Costs and CytomX shall pay [***] of Development Costs. Astellas shall have the right to invoice CytomX for its [***] allocation of Development Costs on a Calendar Quarter basis, and CytomX shall pay such amounts [***] days after receipt of such invoice. Notwithstanding anything to the contrary in the foregoing, with respect to any clinical trial that includes [***] CytomX will be responsible for [***] of Development Costs for such clinical trial.

2.2.2 **Cost Share Product Costs.** Astellas shall be responsible for all Cost Share Product Costs incurred by either Party or its respective Affiliates with respect to each Cost

Share Product (but only to the extent of costs incurred by or on behalf of CytomX if CytomX or its Affiliates has incurred such costs for activities CytomX is responsible for as set forth in (and subject to the budget with respect to) the applicable Commercialization Plan or in the Commercialization Agreement or this Agreement. For clarity, any Cost Share Product Costs of CytomX reimbursed by Astellas hereunder shall be included as a deduction in the calculation of Profit pursuant to Section 1.19 and Section 2.1 of this Exhibit C. CytomX shall invoice Astellas for any Cost Share Product Costs reimbursable to CytomX not later than [***] days after the end of the Calendar Quarter in which such Cost Share Product Costs were incurred in order to allow Astellas to properly match such Cost Share Product Costs to that Calendar Quarter's Profit, and Astellas shall pay such reimbursable amounts within [***] days after receipt of such invoice.

2.3 [***]

2.4 **Reports and Payments.** From and after the effective date of the exercise by CytomX of the Cost Share Option with respect to a Product, within [***] days after the end of each Calendar Quarter, Astellas shall provide CytomX with a report specifying in reasonable detail Net Sales of such Product in the U.S., as well as Development Costs and Cost Share Product Costs incurred by or on behalf of Astellas or any of its Affiliates, in such Calendar Quarter with respect to such Product. Such report will include an allocation of the Development Costs and Cost Share Product Costs between the Parties in accordance with Sections 2.1 and 2.2 of this Exhibit C and the calculation of Profit in accordance with Section 2.1 of this Exhibit C, and the amount payable by the applicable Party to the other Party in order to achieve the cost allocations and Profit-sharing contemplated by such Sections (after giving effect to Section 2.3 of this Exhibit C, if applicable). Based on such report, the Party to whom a payment is owed in order to achieve such cost allocations and Profit-sharing shall issue an invoice to the other Party for the appropriate amount in accordance with Section 7.6 of the Collaboration and License Agreement, and the owing Party shall make the applicable payment within [***] days after receiving such invoice in accordance with Section 7.7 of the Collaboration and License Agreement.

2.5 **Tax Matters.** For the avoidance of doubt, each Party shall be responsible for all income taxes imposed on such Party's share of the Profit.

Exhibit D
Principal Terms of Commercialization Agreement
[***]

Exhibit E
Form of Press Release

Exhibit F
Permitted Subcontractors
[***]

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

I, Sean A. McCarthy, President and Chief Executive Officer of CytomX Therapeutics, Inc., certify that:

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

Date: May 7, 2020

By: /s/ Sean A. McCarthy
Name: Sean A. McCarthy
Title: President and Chief Executive Officer

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

I, Carlos Campoy, Chief Financial Officer of CytomX Therapeutics, Inc., certify that:

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

Date: May 7, 2020

By: /s/ Carlos Campoy
Name: Carlos Campoy
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CytomX Therapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean A. McCarthy, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

By: /s/ Sean A. McCarthy

Name: Sean A. McCarthy

Title: President and Chief Executive Officer

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CytomX Therapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carlos Campoy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

By: /s/ Carlos Campoy

Name: Carlos Campoy

Title: Chief Financial Officer

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