

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

FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**CYTOMX THERAPEUTICS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**2834**  
(Primary Standard Industrial Classification Code Number)

**27-3521219**  
(I.R.S. Employer Identification Number)

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Suite 100  
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(650) 515-3185

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE(3)
Common Stock, par value \$0.00001 per share	\$	\$

(1) The proposed maximum aggregate offering price includes the offering price of additional shares that the underwriters have the option to purchase.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(3) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

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



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**Explanatory Note**

Unless we state otherwise or the context otherwise requires, references in this prospectus to:

- “we,” “our,” “us,” “our company” and “CytomX” refer to CytomX Therapeutics, Inc.;
- the “FDA” refer to the U.S. Food and Drug Administration;
- “preferred stock” refer to our redeemable convertible preferred stock and convertible preferred stock;
- the “JOBS Act” refer to the Jumpstart Our Business Startups Act of 2012;
- the “Securities Act” refer to the Securities Act of 1933, as amended;
- the “Exchange Act” refer to the Securities Exchange Act of 1934, as amended; and
- the “SEC” refer to the Securities and Exchange Commission.

### **About This Prospectus**

We and the underwriters have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus or such other date as may be specified in this prospectus.

We have proprietary rights to trademarks, trade names and service marks appearing in this prospectus that are important to our business. Solely for convenience, the trademarks, trade names and service marks may appear in this prospectus without the ® and TM symbols, but any such references are not intended to indicate, in any way, that we forgo or will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, trade names and service marks. All trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

Any discrepancies included in this prospectus between totals and the sums of the percentages and dollar amounts presented are due to rounding.

For investors outside the United States: Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

## PROSPECTUS SUMMARY

*This summary highlights selected information contained in greater detail elsewhere in this prospectus and does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including our financial statements and the related notes included elsewhere in this prospectus. You should also consider, among other things, the matters described under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in each case, appearing elsewhere in this prospectus.*

### **Our Company**

#### **Overview**

We are an oncology-focused biopharmaceutical company pioneering a novel class of antibody therapeutics based on our Probody technology platform. We are using our platform to create proprietary cancer immunotherapies against clinically-validated targets as well as to develop first-in-class cancer therapeutics against novel targets. We believe that our Probody platform will allow us to improve the combined efficacy and safety profile, or therapeutic window, of monoclonal antibody modalities including cancer immunotherapies, antibody drug conjugates (“ADCs”) and T-cell-recruiting bispecific antibodies. Our Probody therapeutics are designed to take advantage of unique conditions in the tumor microenvironment to enhance the tumor-targeting features of an antibody and reduce drug activity in healthy tissues. We are currently developing Probody therapeutics that address clinically-validated cancer targets in immuno-oncology, such as PD-L1, as well as novel targets, such as CD-166, that are difficult to drug and lead to damage to healthy tissues, or toxicities. In addition to our proprietary programs, we are collaborating with strategic partners including Bristol-Myers Squibb Company (“BMS”), Pfizer Inc. (“Pfizer”) and ImmunoGen, Inc. (“ImmunoGen”) to develop selected Probody therapeutics. Our broad technology platform and lead product candidates are supported by a decade of thorough scientific research and strong intellectual property, and we are advancing these candidates toward clinical trials. Our vision is to transform lives with safer, more effective therapies. To realize this vision we are executing on our mission of changing the treatment of cancer by urgently advancing our Probody pipeline.

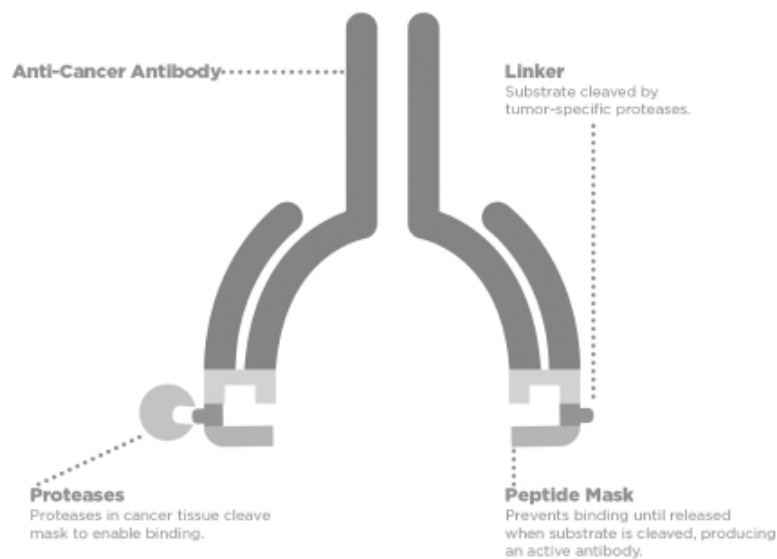
The premise of our Probody platform is to apply the prodrug concept to create a therapeutic antibody that remains inactive until it reaches the tumor. Probody therapeutics therefore have the potential to produce additional tumor specificity and enhanced safety profiles because they are designed to have limited interaction with their molecular targets in healthy tissue. This approach of dosing drugs in a form such that they are only activated after reaching certain tissues is called the prodrug approach, and has been used with many small molecule drugs, but has never before been effectively pursued using therapeutic antibodies.

Cancer is the second leading cause of death in the United States, accounting for nearly one in every four deaths. Over the past several decades, cancer research and treatment has evolved from small molecule chemotherapy agents to more targeted monoclonal antibodies and, more recently, cancer immunotherapies that aim to enhance the ability of the immune system to attack tumors. Despite these advancements, many therapeutic antibodies have the inherent limitation of suboptimal therapeutic window. We believe that there remains a significant need for therapeutics that are efficacious, safe and tolerable and that our technology represents the next evolution of targeted cancer therapies.

#### **Our Platform**

A Probody therapeutic consists of three components produced as a single protein by standard antibody production methodology: an active anti-cancer antibody, a mask for the antibody and a protease-cleavable linker. The mask is a peptide designed to disguise the active binding site of the antibody to prevent the therapeutic from

binding to healthy tissues. The following graphic depicts the three components of a Probody therapeutic, interacting with a protease:



When a Probody therapeutic enters a tumor, it encounters proteases, which are enzymes that cleave proteins and are active primarily in the tumor microenvironment. The proteases in the tumor cleave the linker, releasing the mask and allowing the antibody to attack the tumor.

The activity of proteases is a hallmark of virtually every type of solid tumor that has been studied, with thousands of scientific papers documenting this phenomenon. Our Probody technology is designed to take advantage of the fact that while proteases are active in cancerous tissues, they remain under tight physiological control in healthy tissues. Probody technology uses tumor-associated proteases to selectively cleave and activate Probody therapeutics in the immediate vicinity of tumors. Our Probody therapeutics are therefore designed to be activated by proteases predominantly in the tumor microenvironment while remaining largely in an inactive state in healthy tissues.



### ***Key Advantages of our Probody Platform***

We believe that our Probody platform provides the following key advantages:

- *A novel therapeutic antibody class enabled by our proprietary platform.* We believe we have a differentiated technology platform that gives us a substantial competitive advantage supported by more than a decade of research and strong intellectual property.
- *Potential to improve the therapeutic window of antibody-based therapeutics.* By engineering our therapeutics to selectively activate in the tumor microenvironment, our Probody product candidates have the potential to improve safety and tolerability while simultaneously achieving better outcomes.
- *Ability to combine more effectively with other therapies.* We believe the therapeutic window and tumor specificity of our candidates will reduce the dose-limiting toxicities observed in combination therapies and thus enable new combinations with other cancer therapies that were previously difficult or impossible to use.
- *Applicability across many molecular targets.* We believe that our technology addresses many different molecular targets expressed by many different kinds of tumors—including targets that are difficult to address because they are also expressed on healthy tissue—because Probody therapeutics are designed to have limited interaction with non-cancerous tissues.
- *Versatility across antibody modalities.* We believe that our technology can be applied to any antibody-based therapy, including novel potent modalities like ADCs, T-cell-recruiting bispecific antibodies and CARs, which are cell-based therapies that contain chimeric antigen receptors.

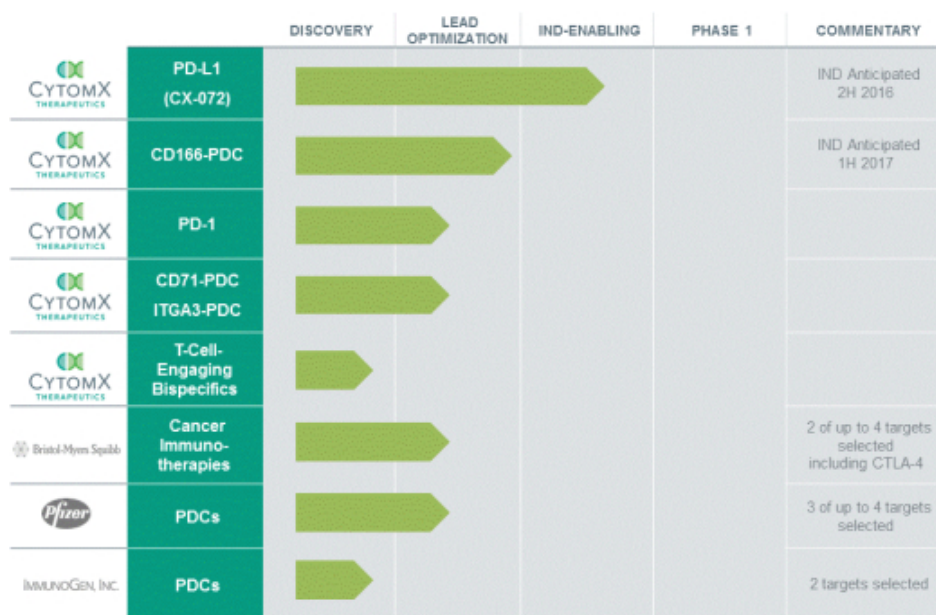
### ***Pipeline Strategies***

We have three pipeline strategies that we are pursuing with our Probody platform:

- *Develop a novel class of cancer immunotherapies directed against clinically-validated targets.* Through our technology platform, we believe that we can expand the therapeutic window where current therapies have encountered challenges with respect to safety or efficacy.
- *Develop novel first-in-class therapeutics directed against difficult-to-drug targets.* We believe we can create a therapeutic window for targets where none exists because current approaches have not been viable as a result of toxicity concerns.
- *Collaborate with leading biopharmaceutical companies to discover and develop Probody therapeutics against selected targets.* Since 2013, we have entered into product-focused collaborations with BMS, Pfizer and ImmunoGen to develop certain Probody therapeutics.

**Our Pipeline**

The following chart provides an overview of the status of each of our programs:



**Our Lead Probody Therapeutics Candidates**

**CX-072.** The normal role of the PD-L1/PD-1 pathway is to prevent autoimmune attacks against healthy tissue in the body. Due to the systemic inhibition of this pathway by current cancer immunotherapies, patients face the risk of a number of adverse events associated with inappropriate activation of the immune system beyond the tumor site, including severe lung inflammation. Thus, although PD-L1/PD-1 pathway inhibitors are highly promising in multiple cancers, their toxicity presents a challenge that has not been successfully addressed by existing therapies, particularly when used in combination with other immunotherapies. Our PD-L1 Probody therapeutic, CX-072, is based on a monoclonal antibody targeting PD-L1 that we developed. We anticipate filing an Investigational New Drug application (an “IND”), or similar regulatory filing, for CX-072 with the FDA or a foreign regulatory authority in the second half of 2016. CX-072 has *in vivo* efficacy comparable to well-published reference PD-L1-targeting antibodies in various animal models. We expect the tolerability of CX-072 to be higher than other PD-L1-targeting antibodies due to the fact that CX-072’s activity has been shown to be attenuated by the mask such that it does not significantly inhibit the PD-L1/PD-1 checkpoint pathway outside of the tumor.

**CD-166 Probody Therapeutic.** CD-166, also referred to as activated leukocyte cell adhesion molecule (“ALCAM”), is involved with cell adhesion and migration. Its expression has been linked to cancer stem cells and overall poor prognosis in cancers such as colorectal cancer. However, CD-166 is a poor candidate for standard antibody-based therapies, including ADCs, because it is widely expressed in many normal tissues. Our CD-166 PDC is a Probody drug conjugate (a “PDC”), composed of a Probody therapeutic targeting the CD-166 protein antigen coupled to a highly potent cytotoxic drug. We anticipate filing an IND for CD-166 PDC in the first half of 2017. We believe that the wide expression of CD-166 would rule out the development of a standard



ADC against this target. By contrast, based on preclinical findings, our Probody platform enables us to generate a CD-166 antibody product candidate that remains largely inactive until it reaches the tumor, thus reducing the unwanted toxicity associated with binding to cells in normal tissue. As a result, we believe we can create a therapeutic window for CD-166 where none existed before. We chose to conjugate the antibody component of our CD-166 Probody candidate with a highly potent cytotoxic drug, DM4, developed by and licensed from our partner ImmunoGen.

*CTLA-4 Probody product candidate in collaboration with BMS.* We are developing a CTLA-4 Probody therapeutic with BMS. Cytotoxic T-lymphocyte-associated antigen 4 (“CTLA-4”) is an immune checkpoint involved in regulating T-cell activation. BMS is currently marketing a CTLA-4 monoclonal antibody, Yervoy, that has been approved for unresectable or metastatic melanoma. CTLA-4 antibodies lead to T-cell activation for a wide range of antigens, including tumor antigens, which is the basis for its anti-tumor effect, and self-antigens, which may be the basis for the autoimmune toxicities associated with CTLA-4 antibody therapies. We believe that our CTLA-4 Probody therapeutic can be dosed systemically, achieve localized tumor-specific activation, and thus achieve a clinically important improvement in safety.

### ***Our Business Strategy***

We are utilizing our innovative Probody platform to build a long-term, multiproduct company focused on the development of new cancer treatments. Our strategy encompasses the following key elements:

- Develop and advance our pipeline of Probody cancer immunotherapies directed against clinically-validated targets.
- Develop and advance our pipeline of first-in-class Probody cancer therapies directed against novel targets.
- Establish collaborations on selected programs with leading biopharmaceutical companies while retaining significant ownership of our pipeline.
- Maximize value creation by advancing our lead product candidates to commercialization, by ourselves or with partners.
- Maintain our competitive advantage by continuing to invest in our Probody platform for the long term.
- Nurture and reinforce our company’s culture and core values to drive the highest levels of performance and continue to attract the best talent.

### ***Risks Related to Our Business***

Our ability to implement our current business strategy is subject to numerous risks, as more fully described in the section entitled “Risk Factors” beginning on page 12 of this prospectus. These risks include, among others, the following.

- We are a preclinical biopharmaceutical company with a limited operating history, which has incurred significant losses since inception, may never become profitable and may continue to incur substantial and increasing net losses for the foreseeable future as we continue development of, and seek regulatory approvals for, our product candidates.

- Even if we consummate this offering, we will need to raise additional funds to support our operations. If we are unable to raise capital when needed, we would be forced to delay, reduce or eliminate some or all of our product development programs or commercialization efforts.
- We are very early in our development efforts, and none of our product candidates have ever been administered to a human subject. Our product candidates may fail in development or suffer delays that materially and adversely affect their commercial viability. If we are unable to advance our product candidates to clinical development, obtain regulatory approval and ultimately commercialize our product candidates or experience significant delays in doing so, our business, financial condition, results of operations and prospects may be materially and adversely affected.
- Our approach to the discovery and development of innovative therapeutic treatments based on novel technologies is unproven and may not result in products with commercial value.
- If clinical trials of our product candidates fail to demonstrate safety and efficacy, we may be delayed, unable to obtain regulatory approvals and commercialize our product candidates.
- We are subject to regulatory approval processes that are lengthy, time-consuming and unpredictable. We may not obtain approval for any of our product candidates from the FDA or foreign regulatory authorities.
- Even if we obtain regulatory approval, the market may not be receptive to our product candidates or we may be unable to market any of our product candidates to achieve acceptance and use by the medical community.
- We may seek to establish additional collaborations, and, if we are not able to establish them on commercially reasonable terms, we may have to alter our development and commercialization plans.
- If our existing collaboration agreements are terminated or one or more product candidates are not advanced under the collaboration agreements, our revenue and cash resources from milestone payments will be substantially less than we anticipate.
- It is difficult and costly to protect our intellectual property rights.
- We may face competition from other companies in our field or claims from third parties alleging infringement of their intellectual property.
- We may be unable to recruit or retain key employees, including members of our senior management team.
- We depend on the performance of third parties, including contract research organizations (“CROs”) and third-party manufacturers.

Biopharmaceutical product development, particularly in the field of oncology, is a highly speculative undertaking and involves a substantial degree of risk. We do not currently have any product candidates in clinical trials or approved for sale, and we continue to incur significant research and development and general and administrative expenses related to our operations. We are not profitable and have incurred losses in each year since our founding in 2008. Our net loss for the years ended December 31, 2013 and 2014 was \$15.1 million and \$30.3 million, respectively. Our net loss for the three months ended March 31, 2015 was \$6.2 million. As of March 31, 2015, we had an accumulated deficit of \$85.6 million. We expect to continue to incur significant losses for the foreseeable future. Even if we achieve profitability in the future, we may not be able to sustain that profitability in subsequent periods.

We will not be permitted to market our product candidates in the U.S. until we receive regulatory approval from the FDA, and approval by foreign regulatory agencies will be required to market our product candidates in other countries. We have not submitted an application for or received marketing approval for any of our product candidates. Regulatory approval of our product candidates is not guaranteed, and the approval process is expensive, complex and may take several years.

### ***Implications of Being an Emerging Growth Company***

As a company with less than \$1.0 billion in revenues during our last fiscal year, we qualify and intend to characterize ourselves as an “emerging growth company” under the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we may present only two years of audited financial statements and only two years of related management discussion and analysis of financial condition and results of operations;
- we are exempt from the requirement to obtain an attestation and report from our auditors on management’s assessment of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”);
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We have elected to take advantage of the scaled disclosure requirements and other relief described above in this prospectus and may take advantage of these exemptions for so long as we remain an emerging growth company. In general, we will be an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of \$1.0 billion or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of this offering, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt and (iv) the date on which we are deemed to be a “large accelerated filer,” which will occur at such time that we (a) have an aggregate worldwide market value of common equity securities held by non-affiliates of \$700 million or more as of the last business day of our most recently completed second fiscal quarter, (b) have been required to file annual and quarterly reports under the Exchange Act for a period of at least 12 months and (c) have filed at least one annual report pursuant to the Exchange Act.

In addition to scaled disclosure and the other relief described above, the JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We do not intend to take advantage of this extended transition period, which means that the financial statements included in this prospectus, as well as any financial statements that we file in the future, will be subject to all new or revised accounting standards generally applicable to public companies.

### ***Corporate Information***

Our operations commenced in February 2008 when our predecessor entity was formed. We were incorporated in Delaware in September 2010. We maintain our executive offices at 343 Oyster Point Blvd., Suite 100, South San Francisco, California 94080, and our main telephone number is (650) 515-3185. We maintain a website at [www.cytomx.com](http://www.cytomx.com), which contains information about us. The information contained in, or that can be accessed through, our website is not part of, and is not incorporated into, this prospectus and should not be considered part of this prospectus.

**THE OFFERING**

Issuer	CytomX Therapeutics, Inc.
Common stock offered by us	shares.
Common stock to be outstanding immediately after this offering	shares ( shares if the underwriters exercise in full their option to purchase additional shares of common stock).
Underwriters' option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to additional shares at the public offering price less estimated underwriting discounts and commissions.
Dividend policy	We have never paid cash dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future. See "Dividend Policy."
Use of proceeds	We estimate that the net proceeds from this offering will be approximately \$ million (approximately \$ million if the underwriters exercise in full their option to purchase additional shares of common stock), at an assumed public offering price of \$ per share, after deducting the estimated underwriting discounts and commissions and our estimated offering expenses. This offering is intended to provide funding through first-in-human studies of our two lead programs. In particular, we intend to use the net proceeds from this offering for (i) the development of CX-072, including our planned Phase 1 clinical trials and drug manufacturing; (ii) the development of our Probody therapeutic directed against CD166, including our planned Phase 1 clinical trials and drug manufacturing; (iii) research and development activities, including discovery of additional cancer immunotherapies and first-in-class therapeutics directed against difficult-to-drug targets; and for working capital and other general corporate purposes. See "Use of Proceeds" for additional information.
Proposed NASDAQ symbol	"CTMX"
Risk factors	You should carefully read and consider the information set forth under "Risk Factors" beginning on page 12 and all other information included in this prospectus for a discussion of factors that you should consider before deciding to invest in shares of our common stock.

The number of shares of our common stock to be outstanding after this offering is based on shares of our common stock outstanding as of March 31, 2015, which includes the conversion of all of our shares of preferred stock outstanding as of March 31, 2015 into shares of our common stock.

The number of shares of common stock to be outstanding after this offering excludes:

- 41,528,239 shares of common stock issuable upon conversion of the like number of shares of Series C preferred stock issued after March 31, 2015 and 471,882,536 shares of common stock issuable upon conversion of the like number of shares of Series D preferred stock issued after March 31, 2015;

- 41,698,134 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2015 under our 2010 Stock Incentive Plan (the “2010 Plan”);
- 139,399,398 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2015 under our 2011 Stock Incentive Plan, as amended (the “2011 Plan”);
- 73,694,443 shares of common stock reserved for issuance pursuant to future awards under the 2011 Plan as of March 31, 2015;
- \_\_\_\_\_ shares of common stock reserved for issuance pursuant to future awards under our 2015 Performance Incentive Plan, which will become effective upon the closing of this offering; and
- \_\_\_\_\_ shares of common stock reserved for issuance pursuant to future awards under our 2015 Employee Stock Purchase Plan, which will become effective upon the closing of this offering.

Unless otherwise expressly stated or the context otherwise requires, the information in this prospectus assumes or reflects:

- a \_\_\_\_\_ for \_\_\_\_\_ reverse stock split of our common stock, to be effected prior to the effectiveness of the registration statement to which this prospectus relates;
- the conversion of all of our outstanding shares of preferred stock into an aggregate of 1,196,043,117 shares of common stock immediately prior to the completion of this offering;
- the net exercise of all outstanding warrants to purchase shares of our preferred stock resulting in the issuance of an aggregate of \_\_\_\_\_ shares of our common stock, which will occur upon the closing of this offering;
- no exercise of the underwriters’ option to purchase additional shares of our common stock;
- the amendment and restatement of our certificate of incorporation and bylaws, which will occur immediately prior to the completion of this offering; and
- no exercise of outstanding stock options subsequent to March 31, 2015.

**SUMMARY FINANCIAL AND OTHER DATA**

The following tables set forth a summary of our historical financial data as of and for the periods indicated. We have derived the summary statements of operations data for the years ended December 31, 2013 and 2014 from our audited financial statements included elsewhere in this prospectus. We have derived the summary statements of operations data for the three months ended March 31, 2014 and 2015, and the summary balance sheet data as of March 31, 2015, from our unaudited interim financial statements included elsewhere in this prospectus. We have prepared the unaudited interim financial statements on the same basis as the audited financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair statement of the financial information set forth in those statements. Our historical results are not necessarily indicative of our future results and our interim results are not necessarily indicative of results to be expected for the full year ending December 31, 2015, or any other period. The following summary financial data should be read in conjunction with “Selected Historical Financial Information and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		Three Months Ended March 31,	
	2013	2014	2014	2015
(In thousands, except share and per share data)				
<b>Statements of Operations Data:</b>				
Revenue	\$ 888	\$ 5,077	\$ 635	\$ 1,742
Operating expenses:				
Research and development	10,890	28,302	16,041	4,664
General and administrative	4,954	6,540	1,441	1,946
Total operating expenses	<u>15,844</u>	<u>34,842</u>	<u>17,482</u>	<u>6,610</u>
Loss from operations	(14,956)	(29,765)	(16,847)	(4,868)
Interest income	6	7	1	138
Interest expense	(254)	(487)	(134)	(230)
Other income (expense), net	<u>71</u>	<u>(55)</u>	<u>(24)</u>	<u>(1,251)</u>
Net loss before provision for income taxes	(15,133)	(30,300)	(17,004)	(6,211)
Provision for income taxes	<u>10</u>	<u>10</u>	<u>—</u>	<u>—</u>
Net loss	(15,143)	(30,310)	(17,004)	(6,211)
Accretion of redemption value and cumulative dividends on preferred stock	<u>(3,751)</u>	<u>(4,566)</u>	<u>(1,051)</u>	<u>(1,432)</u>
Net loss attributable to common stockholders	<u>\$ (18,894)</u>	<u>\$ (34,876)</u>	<u>\$ (18,055)</u>	<u>\$ (7,643)</u>
Net loss per share attributable to common stockholders, basic and diluted <sup>(1)</sup>	<u>\$ (0.39)</u>	<u>\$ (0.56)</u>	<u>\$ (0.29)</u>	<u>\$ (0.12)</u>
Shares used to compute net loss per share attributable to common stockholders, basic and diluted <sup>(1)</sup>	<u>48,653,814</u>	<u>62,332,585</u>	<u>62,273,240</u>	<u>62,779,765</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) <sup>(1)</sup>		<u>\$</u>		<u>\$</u>
Shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) <sup>(1)</sup>				

(1) See Notes 3 and 19 to our financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share attributable to common stockholders, pro forma net loss per share attributable to common stockholders, and the weighted-average number of shares used in the computation of the per share amounts.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering that will be determined at pricing.

	As of March 31, 2015		
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)(3)
	(In thousands)		
<b>Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 7,819	\$	\$
Short-term investments	51,654		
Working capital	50,184		
Total assets	67,242		
Long-term debt, current and non-current	2,644		
Convertible preferred stock warrant liability	408		
Convertible preferred stock liability	1,426		
Redeemable convertible preferred stock	79,143		
Convertible preferred stock	474		
Accumulated deficit	(85,606)		
Total stockholders' (deficit) equity	(86,021)		

- (1) Reflects (i) the conversion of all of our outstanding shares of preferred stock into an aggregate of 1,196,043,117 shares of our common stock immediately prior to the completion of this offering; (ii) the net exercise of all outstanding warrants to purchase shares of preferred stock resulting in the issuance of an aggregate of \_\_\_\_\_ shares of our common stock upon the closing of this offering and the related reclassification of preferred stock warrant liability to additional paid-in capital; and (iii) the filing and effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to the consummation of this offering.
- (2) Reflects the pro forma adjustments described in footnote (1) and the sale and issuance of \_\_\_\_\_ shares of our common stock by us in this offering, at the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately \$ \_\_\_\_\_ million, assuming that the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) the amount of our cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately \$ \_\_\_\_\_ million, assuming an initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. If any of the following risks, as well as other risks and uncertainties occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that case, the market price of our common stock could decline and you could lose some or all of your investment.*

### Risks Related to Our Business

***We are a preclinical stage biopharmaceutical company with 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 preclinical stage biopharmaceutical company with a limited operating history, developing a novel class of therapeutic antibody drugs, 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, 2015, we had an accumulated deficit of \$85.6 million. For the years ended December 31, 2013 and 2014 and for the three months ended March 31, 2015, our net loss was \$15.1 million, \$30.3 million and \$6.2 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 never generated any revenue from product sales, and have not obtained regulatory approval for any of our product candidates.

Furthermore, we 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 enter into clinical development of our lead programs. 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 existing or future 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 existing or future 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.

***Even if we consummate this offering, we will need substantial additional funds to advance development of our product candidates, and we cannot guarantee that we will have sufficient funds available in the future to develop and commercialize our current or future product candidates.***

The development of biopharmaceutical drugs is capital-intensive. If our product candidates enter and advance through preclinical studies and clinical trials, we will need substantial additional funds to expand our development, regulatory, manufacturing, marketing and sales capabilities. We have used substantial funds to develop our technology and product candidates and will require significant funds to conduct further research and development and preclinical testing and clinical trials of our product candidates, to seek regulatory approvals for our product candidates and to manufacture and market products, if any, that are approved for commercial sale. In addition, upon the closing of this offering, we expect to incur additional costs associated with operating as a public company.



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As of March 31, 2015, we had \$59.5 million in cash, cash equivalents and short-term investments. Based on our current operating plan, we believe that our available cash, cash equivalents and short-term investments, together with the net proceeds from this offering, will be sufficient to fund our anticipated level of operations through mid-2018. 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 new and ongoing research and development and other corporate activities. Because the length of time and activities associated with successful research and development of our product candidates is highly uncertain, we are unable to estimate the actual funds we will require for development and any approved marketing and commercialization activities. The timing and amount of our operating expenditures will depend largely on:

- the timing and progress of preclinical and clinical development activities;
- the number and scope of preclinical and clinical programs we decide to pursue;
- 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 milestone payments we may receive under our collaborations 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;
- the cost and timing of regulatory approvals; and
- our efforts to enhance operational systems and hire additional personnel, including personnel to support development 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, if any, 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 primarily financed our operations through the sale of equity securities and payments received under our collaboration agreements. 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. 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.

***Our product candidates are in early stages of development and have never been tested in a human subject. Our product candidates may fail in development or suffer delays that materially and adversely affect their commercial viability.***

We have no products on the market and all of our product candidates, including cancer immunotherapies, PDCs and bispecific antibodies, are in early stages of development. In particular, none of our

product candidates have ever been tested in a human subject. 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 an existing or future collaborator must conduct extensive preclinical tests and clinical trials to demonstrate the safety and efficacy in humans of our product candidates. Preclinical testing and clinical trials are expensive, difficult to design and implement, can take many years to complete and are uncertain as to outcome. The start or end of a clinical study is often delayed or halted due to changing regulatory requirements, manufacturing challenges, required clinical trial administrative actions, slower-than-anticipated patient enrollment, changing standards of care, availability or prevalence of use of a comparative drug or required prior therapy, clinical outcomes or financial constraints. For instance, delays or difficulties in patient enrollment or difficulties in retaining trial participants can result in increased costs, longer development times or termination of a clinical trial. Clinical trials of a new product candidate require the enrollment of a sufficient number of patients, including patients who are suffering from the disease the product candidate is intended to treat and who meet other eligibility criteria. Rates of patient enrollment for our clinical trials will be affected by many factors, including the availability of effective treatments for the relevant type of cancer, the stage of severity of disease, the size of the patient population and the eligibility criteria for the clinical trial.

A product candidate can unexpectedly fail at any stage of development and particularly in the early stages of development. The historical failure rate for product candidates is high due to scientific feasibility, safety, efficacy, changing standards of medical care and numerous other variables. In addition, the results from preclinical testing or early clinical trials of a product candidate may not predict the results that will be obtained in later-phase clinical trials of the product candidate. We, the FDA or other applicable regulatory authorities may suspend clinical trials of a product candidate at any time for various reasons, including a finding that subjects participating in such trials are being exposed to an unreasonable and significant risk of illness or injury. 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 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 or by individuals using drugs 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;
- greater than anticipated clinical trial costs;
- poor effectiveness of our product candidates during clinical trials;
- 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.

***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 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 drug 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 existing products, which 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. Further, the scientific evidence to support the feasibility of developing therapeutic treatments based on our Probody platform is both preliminary and limited.

No product candidates based on our Probody platform have been tested in humans. We may ultimately discover that our Probody platform and any product candidates resulting therefrom do not possess certain properties required for a drug to be effective. For example, when administered in a human, the peptide mask may not be cleaved, which would limit the potential efficacy of the antibody and reduce the potential to limit the toxicity of the anti-cancer agent. Probody product candidates may also be unable to remain stable in the human body for the period of time required for the drug to reach the target tissue or they may trigger immune responses that inhibit the ability of the drug to reach the target tissue or that cause adverse side effects in humans that were not identified in non-human animals. We currently have only limited data, and no conclusive evidence, to suggest that we can introduce these necessary drug-like properties into our Probody platform and any product candidates. We may spend substantial funds attempting to introduce these properties and may never succeed in doing so. 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 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. As a result, we may never succeed in developing a marketable product, we may not become profitable and the value of our common stock will decline.

Further, we are not aware of any company currently developing a therapeutic using a prodrug approach to antibody drug development and no regulatory authority has granted approval for such therapeutic. As such, we believe the FDA has limited early experience with Probody-based therapeutics in oncology or other disease areas, which may increase the complexity, uncertainty and length of the regulatory approval process for our product candidates. For example, our Probody product candidates contain a linker that is cleaved by proteases in the tumor microenvironment, which releases the peptide mask. This may result in unforeseen events when administered in a human. We and our existing or future collaborators may never receive approval to market and commercialize any product candidate. Even if we or an existing or future collaborator obtains regulatory approval, the approval may be for targets, disease indications or patient populations that are not as broad as we intended or desired or may require labeling that includes significant use or distribution restrictions or safety warnings. We or an existing or future collaborator 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 our Probody technologies prove to be ineffective, unsafe or commercially unviable, our entire platform and pipeline would 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 otherwise 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 existing or future collaborators. 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;
- 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;
- 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 adequate government and third-party payor reimbursement;
- the pricing of our products, particularly as compared to alternative treatments; and
- 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 Pfizer, BMS and ImmunoGen to develop certain Probody therapeutics. In addition, 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 the

amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements.

Collaborations involving our product candidate currently pose, and will continue to pose, the following risks to us:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- 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 external factors such as an acquisition that diverts resources or creates competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our 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 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.

Collaboration agreements may not lead to development or commercialization of our product candidates in the most efficient manner or at all. If a collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our product development or commercialization program could be delayed, diminished or terminated.

***If our collaborators cease development efforts under our existing or future 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, and a significant portion of our future revenue and cash resources is expected to be derived from these

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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 existing or future collaborators were to terminate a collaboration agreement, we may be forced to independently develop these product candidates, including funding preclinical or clinical trials, assuming marketing and distribution costs and defending intellectual property rights, or, in certain instances, abandon product candidates altogether, any of which could result in a change to our business plan and a material and adverse effect on our business, financial condition, results of operations and prospects.

***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.***

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. 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 third parties on which we intend to rely to conduct our preclinical studies, or any future clinical trials, do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, our development program could be delayed with material and adverse effects on our business, financial condition, results of operations and prospects.***

We intend to rely on third party clinical investigators, CROs, clinical data management organizations and consultants to design, conduct, supervise and monitor preclinical studies of our product candidates and will do the same for any clinical trials. Because we intend to rely on these third parties and will not have the ability to conduct preclinical studies or clinical trials independently, we will have less control over the timing, quality and

other aspects of preclinical studies and clinical trials than we would have had we conducted them on our own. These investigators, CROs and consultants will not be our employees and we will 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 may 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.

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.

***Because we rely on third party manufacturing and supply partners, 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 preclinical and clinical trial product supplies. We do not own manufacturing facilities for producing such supplies. There can be no assurance that our supply of preclinical and clinical development drugs will not be limited, interrupted, or of satisfactory quality or continue to be available at acceptable prices. In particular, any replacement of our manufacturer could require significant effort and expertise because there may be a limited number of qualified replacements.

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, or if our supply of components or other materials becomes limited or interrupted for other reasons, 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. Our or a third party's failure to execute on our manufacturing requirements and comply with cGMP 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 an existing or future collaborator;
- subjecting our product candidates 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.

***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.***

In order to conduct clinical trials of our product candidates, we will need to manufacture them in large quantities. We, or any manufacturing partners, may be unable to successfully increase the manufacturing capacity for any of our product candidates in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities. 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.***

We may acquire additional technologies and assets, form strategic alliances or create joint ventures with third parties that we believe will complement or augment our existing business. If we acquire assets with promising markets or technologies, we may not be able to realize the benefit of acquiring such assets if we are unable to successfully integrate them with our existing technologies. We may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition that delay or prevent us from realizing their expected benefits or enhancing our business. We cannot assure you that, following any such acquisition, we will achieve the expected synergies to justify the transaction.

***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. As a result, we may forgo or delay pursuit of opportunities 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 drugs. 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 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 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. There is intense and rapidly evolving competition in the biotechnology, biopharmaceutical and antibody and immunoregulatory therapeutics fields. 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. Our competitors include larger and better funded biopharmaceutical, biotechnological and therapeutics companies. Moreover, we also compete with current and future therapeutics developed at universities and other research institutions.

We are aware of several companies that are developing cancer immunotherapies and ADCs. Many of these companies are well-capitalized and, in contrast to us, have significant clinical experience, and may include our existing or future collaborators. In addition, these companies compete with us in recruiting scientific and managerial talent.

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.

If our lead product candidates are approved, they will compete with a range of therapeutic treatments that are either in development or currently marketed. Indeed, a variety of oncology biologics are on the market or in clinical development. Such marketed therapies range from ADCs such as Genentech, Inc.'s Kadcyla, immune checkpoint inhibitors such as BMS's Opdivo and T-cell engager immunotherapies such as Amgen, Inc.'s BLINCYTO. In addition, numerous compounds are in clinical development for cancer treatment. With respect to immunogenic cancers such as melanoma, the most common treatments are chemotherapeutic compounds, radiation therapy and now immunotherapeutic antibodies such as ipilimumab and pembrolizumab. The clinical development pipeline for cancer includes small molecules, antibodies and immunotherapies from a variety of groups.

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 obsolete 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, and W. Michael Kavanaugh, M.D., our chief scientific 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 materially harm 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.

***If our product candidates advance into clinical trials, we may experience difficulties in managing our growth and expanding our operations.***

We have limited experience in drug development and have not begun clinical trials for any of our product candidates. As our product candidates enter and advance through preclinical studies and any clinical trials, we will need to expand our development, regulatory and manufacturing capabilities or contract with other organizations to provide these capabilities for us. In the future, we expect to have to manage additional relationships with collaborators or partners, suppliers and other organizations. Our ability to manage our operations and future growth will require us to continue to 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.

***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.

***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 adversely affected.

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

As we move into conducting clinical trials of our product candidates we will be exposed to significant product liability risks inherent in the development, testing, manufacturing and marketing of therapeutic treatments. Product liability claims could delay or prevent completion of our development programs. If we succeed in marketing products, such claims could result in an FDA investigation of the safety and effectiveness of our products, our manufacturing processes and facilities 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 product liability insurance that we believe is appropriate for our stage of development and may need to obtain higher levels 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 may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.***

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees 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 healthcare fraud and abuse 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. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, financial condition, results of operations and prospects, including the imposition of significant fines or other sanctions.

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

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants we may utilize, 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 preclinical data or data from any future clinical trial involving our product candidates could result in delays in our development and regulatory filing efforts and significantly increase our costs. 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 and the development of our product candidates could be delayed.

***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, development and manufacturing involves 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, development and manufacturing 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

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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 information technology systems could face serious disruptions that could adversely affect our business.***

Our information technology and other internal infrastructure systems, including corporate firewalls, servers, leased lines and connection to the Internet, face the risk of systemic failure that could disrupt our operations. A significant disruption in the availability of our information technology and other internal infrastructure systems could cause interruptions and delays in our research and development work.

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

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change” (generally defined as a greater than 50 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 may be limited. We may have experienced such ownership changes in the past, and we may experience ownership changes in the future as a result of this offering or subsequent shifts in our stock ownership, some of which are outside our company’s control. As of December 31, 2014, we had federal net operating loss carryforwards of approximately \$60.4 million, and our ability to utilize those net operating loss carryforwards could be limited by an “ownership change” as described above, which could result in increased tax liability to our company.

## 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. As of July 23, 2015, we solely own 4 patents and 96 pending patent applications; we co-own 3 and 9 pending patent applications with the Regents of the University of California (“UC”); and we have an exclusive license to use 11 patents and 8 pending patent applications for therapeutic uses and certain diagnostic uses granted by UC to us under an exclusive, worldwide license agreement (the “UC Agreement”), for research and development of our Probody technologies and product 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 unmodified. 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 partes 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 existing or future 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 existing or future 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 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 an 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.

***We license patent rights from a third-party licensee and in the future may license rights from others. If such licensee does not properly or successfully obtain, maintain or enforce the patents underlying such licenses, our competitive position and business prospects may be adversely affected.***

We license intellectual property rights from a third party to protect our technology. The license gives us rights to third-party intellectual property that is useful for our business, including composition of matter and method of use patents. Specifically, we have a license from UC to certain patent rights, which provide platform intellectual property for research and development of our Probody technologies. See “Business—Intellectual Property—In-Licenses—License from UCSB—University of California license agreement.” We may also license additional third-party intellectual property in the future. Our success may depend in part on the ability of our licensors to obtain, maintain and enforce patent protection for our licensed intellectual property, in particular, those patents to which we have secured exclusive rights. Our licensors may not successfully prosecute the patent applications licensed to us. Even if patents issue or are granted, our licensors may fail to maintain these patents,

may determine not to pursue litigation against other companies that are infringing these patents, or may pursue litigation less aggressively than we would. Further, we may not obtain exclusive rights, which would allow for third parties to develop competing products. Without protection for, or exclusive right to, the intellectual property we license, other companies might be able to offer substantially identical products for sale, which could adversely affect our competitive business position and harm our business prospects. In addition, the U.S. government has certain rights to the inventions covered by the patent rights and UC, as an academic research and medical center, has the right to practice the licensed patent rights for educational, research and clinical uses.

***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 several of these patents from a third party on an exclusive basis for therapeutics applications. The issued patents and pending patent applications in the U.S. 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 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 drugs 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, European Union, Japan, Australia and Canada and, depending on the individual case, also in any or all of, *inter alia*, Brazil, China, Hong Kong, India, Israel, New Zealand, South Africa, South Korea, Mexico 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 the UC Agreement to indemnify and hold harmless UC for damages arising from intellectual property infringement by us. 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 existing or future 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 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, 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 directed to antibodies generally. Our competitive position may suffer if patents issued to third parties or other third party intellectual property rights cover our products 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 technologies. And there may be pending patent applications of which we are not aware, that if they result in issued patents, could be alleged to be infringed by our Probody 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 or misappropriating 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 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 intellectual property rights that are necessary for developing and protecting our product candidates or we could lose certain rights to grant sublicenses.***

Our current license imposes, and any future licenses we enter into are likely to impose, various development, commercialization, funding, milestone, royalty, diligence, sublicensing, insurance, patent prosecution and enforcement and/or other obligations on us. 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 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 or otherwise violating the licensor's rights. In addition, while we cannot currently determine the amount of the royalty obligations we would be required to pay on sales of future products, if any, the amounts may be significant. The amount of our future royalty 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.

***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 U.S. or foreign regulatory approval and, as a result, unable to commercialize our product candidates.***

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. 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 can be marketed. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. 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.

We have very 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. 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.

Because the drugs we are developing may represent a new class of drug, the FDA and its foreign counterparts have not yet established any definitive policies, practices or guidelines in relation to these drugs. While we believe the product candidates that we are currently developing are regulated as new drugs under the Federal Food, Drug, and Cosmetic Act (the “FDCA”), the FDA could decide to regulate them or other products we may develop as biologics under the Public Health Service Act. The lack of policies, practices or guidelines may hinder or slow review by the FDA of any regulatory filings that we may submit. Moreover, the FDA may respond to these 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 the FDA’s standards, especially regarding drug 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 risk evaluation and mitigation strategies (“REMS”) plan as part of a New Drug Application (an “NDA”) or 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.

***Healthcare legislative reform measures may have a material 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 changes the way health care is financed by both governmental and private insurers, and significantly impacts the U.S. pharmaceutical industry. The ACA, among other things, subjects biologic products to potential competition by lower-cost biosimilars, addresses a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increases the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and

extends the rebate program to individuals enrolled in Medicaid managed care organizations, establishes annual fees and taxes on manufacturers of certain branded prescription drugs, and a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes 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 2024 unless additional Congressional action is taken. 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.

Moreover, payment methodologies may be subject to changes in healthcare legislation and regulatory initiatives. For example, the Middle Class Tax Relief and Job Creation Act of 2012 required that the Centers for Medicare & Medicaid Services ("CMS"), the agency responsible for administering the Medicare program, reduce the Medicare clinical laboratory fee schedule by 2% in 2013, which served as a base for 2014 and subsequent years. In addition, effective January 1, 2014, CMS also began bundling the Medicare payments for certain laboratory tests ordered while a patient received services in a hospital outpatient setting. 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.

***If we or existing or future 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 drug candidates for which we obtain marketing approval. 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 willingly 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

or 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 executing 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 of 2009 and its implementing regulations (“HITECH”), which impose 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 federal Open Payments regulations under the National Physician Payment Transparency Program have been issued under the ACA, which require that manufacturers of biopharmaceutical and biological drugs reimbursable under Medicare, Medicaid, and Children’s Health Insurance Programs to report to the Department of Health and Human Services all consulting fees, travel reimbursements, research grants, and other payments or gifts with values over \$10 made to physicians and teaching hospitals; 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; and some state laws 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 manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures, 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. 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 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.

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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. 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 existing or future 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.



***Even if we are able to commercialize any product candidate, such 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 vary widely from country to country. Some countries require approval of the sale price of a drug 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 reimbursement for these products and related treatments will be available from government health administration 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.

We currently expect that certain/some drugs we develop may need to be administered under the supervision of a physician on an outpatient basis. Under currently applicable U.S. law, certain drugs that are not usually self-administered (including injectable drugs) may be eligible for coverage under the Medicare Part B program if:

- they are incident to a physician's services;
- they are reasonable and necessary for the diagnosis or treatment of the illness or injury for which they are administered according to accepted standards of medical practice; and
- they have been approved by the FDA and meet other requirements of the statute.

There may be significant delays in obtaining reimbursement for newly-approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or similar regulatory authorities outside of the United States. Moreover, eligibility for reimbursement does not imply that any drug 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, 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 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 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 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 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 believe that the efforts of governments and third-party payors to contain or reduce the cost of healthcare and legislative and regulatory proposals to broaden the availability of healthcare will continue to affect the business and financial condition of pharmaceutical and biopharmaceutical companies. A number of legislative and regulatory changes in the healthcare system in the U.S. and other major healthcare markets have been proposed in recent years, and such efforts have expanded substantially in recent years. These developments have included prescription drug benefit legislation that was enacted and took effect in January 2006, healthcare reform legislation enacted by certain states, and major healthcare reform legislation that was passed by Congress and enacted into law in the U.S. in 2010. These developments could, directly or indirectly, affect our ability to sell our products, if approved, at a favorable price.

In March 2010, President Obama signed into law the ACA, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending and enhance remedies against fraud and abuse. The ACA also contains provisions that will affect companies in the pharmaceutical industry and other healthcare related industries by imposing additional costs and changes to business practices. Provisions affecting pharmaceutical companies include the following.

- Mandatory rebates for drugs sold into the Medicaid program have been increased, and the rebate requirement has been extended to drugs used in risk-based Medicaid managed care plans.
- The 340B Drug Pricing Program under the Public Health Services Act has been extended to require mandatory discounts for drug products sold to certain critical access hospitals, cancer hospitals and other covered entities.
- Pharmaceutical companies are required to offer discounts on brand-name drugs to patients who fall within the Medicare Part D coverage gap, commonly referred to as the “Donut Hole.”
- Pharmaceutical companies are required to pay an annual non-tax deductible fee to the federal government based on each company’s market share of prior year total sales of branded products to certain federal healthcare programs, such as Medicare, Medicaid, Department of Veterans Affairs and Department of Defense. Since we expect our branded pharmaceutical sales to constitute a small portion of the total federal health program pharmaceutical market, we do not expect this annual assessment to have a material impact on our financial condition.
- For product candidates classified as biologics, approval of an application for a follow-on biologic product may not become effective until 12 years after the date on which the reference innovator biologic product was first licensed by the FDA, with a possible six-month extension for pediatric products. After this exclusivity ends, it will be easier for biosimilar manufacturers to enter the market, which is likely to reduce the pricing for such products and could affect our profitability.

The full effects of the U.S. healthcare reform legislation cannot be known until the new law is fully implemented through regulations or guidance issued by the Centers for Medicare & Medicaid Services and other federal and state healthcare agencies. The financial impact of the U.S. healthcare reform legislation over the next few years will depend on a number of factors, including but not limited to, the policies reflected in implementing regulations and guidance and changes in sales volumes for products affected by the new system of rebates, discounts and fees. The new legislation may also have a positive impact on our future net sales, if any, by increasing the aggregate number of persons with healthcare coverage in the U.S.

Moreover, we cannot predict what healthcare reform initiatives may be adopted in the future. Further federal and state legislative and regulatory developments are likely, and we expect ongoing initiatives in the U.S. to increase pressure on drug pricing. Such reforms could have an adverse effect on anticipated revenues from product candidates that we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates.

***Our ability to obtain services, reimbursement or funding from the federal government may be impacted by possible reductions in federal spending.***

U.S. federal government agencies currently face potentially significant spending reductions. Under the Budget Control Act of 2011, the failure of Congress to enact deficit reduction measures of at least \$1.2 trillion for the years 2013 through 2021 triggered automatic cuts to most federal programs. These cuts would include aggregate reductions to Medicare payments to providers of up to two percent per fiscal year, starting in 2013. Under the American Taxpayer Relief Act of 2012, which was enacted on January 1, 2013, the imposition of these automatic cuts was delayed until March 1, 2013. Certain of these automatic cuts have been implemented. The full impact on our business, financial condition, results of operations and prospects of these automatic cuts is uncertain. If federal spending is 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 drug research and development, manufacturing, and marketing activities, which may delay our ability to develop, market and sell any products we may develop.

***If any of our product candidates receives marketing approval and we or others later identify undesirable side effects caused by the product candidate, our ability to market and derive revenue from the product candidates could be compromised.***

In the event that any of our product candidates receive regulatory approval and we or others identify undesirable side effects caused by one of our products, 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 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.

***A Breakthrough Therapy Designation by the FDA for our product candidates may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that our product candidates will receive marketing approval.***

We may seek a Breakthrough Therapy Designation for some of our product candidates. A breakthrough therapy is defined as a product that is intended, alone or in combination with one or more other products, to treat

a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For products that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Products designated as breakthrough therapies by the FDA can also be eligible for accelerated approval.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe one of our product candidates 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 a Breakthrough Therapy Designation for a product candidate may not result in a faster development process, review or approval compared to products considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualify as breakthrough therapies, the FDA may later decide that the products no longer meet the conditions for qualification and rescind the breakthrough designation.

***A Fast Track Designation by the FDA may not actually lead to a faster development or regulatory review or approval process.***

We may seek Fast Track Designation for some of our product candidates. If a product is intended for the treatment of a serious or life-threatening condition and the product demonstrates the potential to address unmet medical needs 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 withdraw Fast Track Designation if it believes that the designation is no longer supported by data from our clinical development program.

***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 for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a drug as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually 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 will be recovered from sales in the United States. In the United States, Orphan Drug Designation entitles a party to incentives such as tax advantages and user-fee waivers.

#### **Risks Related to Our Common Stock and This Offering**

***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;

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- 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;
- 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 likely to be volatile. As a result of this volatility, investors may not be able to sell their common stock at or above the initial public offering price. The market price for our common stock may be influenced by many factors, including the other risks described in this section of the prospectus titled “Risk Factors” and the following:

- results of preclinical and clinical studies of our product candidates, or those of our competitors or our existing or future 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;

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- the success of our efforts to acquire or in-license additional technologies, products or product candidates;
- developments concerning any 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.

In addition, the stock markets in general, and the markets for pharmaceutical, biopharmaceutical and biotechnology stocks in particular, have experienced extreme volatility 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.

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***You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.***

If you purchase common stock in this offering, assuming a public offering price of \$ \_\_\_\_\_, the midpoint of the range set forth on the cover of this prospectus, you will incur immediate and substantial dilution of \$ \_\_\_\_\_ per share, representing the difference between the assumed initial public offering price of \$ \_\_\_\_\_ per share and our pro forma net tangible book value per share as of March 31, 2015 after giving effect to this offering and the conversion of all outstanding shares of our preferred stock upon the closing of this offering and the net exercise of all of our warrants to purchase shares of our preferred stock into shares of our common stock. Moreover, we issued options in the past to acquire common stock at prices significantly below the assumed initial public offering price. As of March 31, 2015, there were 181,097,532 shares of common stock subject to outstanding options. To the extent that these outstanding options are ultimately exercised, you will incur further dilution.

***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. Future issuances of our common stock or other equity securities, 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.***

Sean A. McCarthy, D. Phil. our president and chief executive officer, is entitled to receive a lump sum payment equal to one year of his base salary as well as continued medical and dental coverage for a period of one year following his 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 Dr. McCarthy would similarly receive one year of his base salary as well as continued medical and dental coverage for a period of one year, as well as an additional lump sum payment equal to his target annual bonus for the calendar year in which his employment is terminated and full vesting of his 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 trading market for our common stock may not develop.***

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our common stock will be determined through negotiations with the underwriters. Although our common stock will be listed on The NASDAQ Global Market, an active trading market for our shares may never develop or be sustained following this offering. If an active market for our common stock does not develop, it may be difficult for you to sell shares you purchase in this offering without depressing the market price for the shares or at all.

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***Because our management will have broad discretion over the use of the net proceeds from this offering, you may not agree with how we use them and the proceeds may not be invested successfully.***

We intend to use the net proceeds to us from this offering to discover new product candidates, fund preclinical development and clinical trials of product candidates, continued Probody technology platform development, working capital and general corporate purposes, as well as potential acquisition or in-licensing and collaboration activities, and therefore, our management will have broad discretion as to the use of the offering proceeds. Accordingly, you will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the proceeds will be invested in a way that does not yield a favorable, or any, return for our company.

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

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no or few securities or industry analysts commence coverage of us, the trading price for our stock would be negatively impacted. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our target 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.***

Based on the beneficial ownership of our common stock as of June 30, 2015, after this offering, our executive officers and directors, together with holders of five percent or more of our outstanding common stock before this offering and their respective affiliates, will beneficially own approximately percent of our outstanding common stock (assuming no exercise of the underwriters' option to purchase additional shares of common stock). As a result, these stockholders, if acting together, will continue to have significant influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets and any other significant corporate transaction. The interests of these stockholders may not be the same as or may even conflict with your interests. For example, these stockholders could delay or prevent a change of control of our company, even if such a change of control would benefit our other stockholders, which could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company or our assets and might affect the prevailing market price of our common stock. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

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

We are an "emerging growth company" as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act ("Section 404"), (2) reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and (3) exemptions from the requirements of holding a nonbinding advisory vote on



executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, as an emerging growth company, we are only required to provide two years of audited financial statements and two years of selected financial data in this prospectus. We could be an emerging growth company for up to five years following the completion of this offering, although circumstances could cause us to lose that status earlier, including if we are deemed to be a “large accelerated filer,” which occurs when the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30, or if we have total annual gross revenue of \$1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31, or if we issue more than \$1.0 billion in non-convertible debt during any three-year period before that time, in which case we would no longer be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” which would allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our share price may be more volatile.

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

***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 certificate of incorporation and our 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; 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

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

As a public company, and particularly after we are no longer an emerging growth company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The NASDAQ Global 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 will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect 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.

We are not currently required to comply with the SEC's rules that implement Section 404, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Pursuant to Section 404, we will be required to furnish a report by our management on our internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, if we are not able to continue to meet these requirements, we may not be able to remain listed on The NASDAQ Global Market.

***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. In addition, under our Loan and Security Agreement with ATEL Ventures, Inc., we are prohibited from paying any cash dividends on our capital stock. 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 designates 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.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. 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 initiation, timing, progress and results of our research and development programs, preclinical studies, any clinical trials and IND, Clinical Trial Application, NDA and other regulatory submissions;
- our receipt and timing of any milestone payments or royalties under any existing or future research collaboration and license agreements or arrangements;
- our expectations regarding the activity of our product candidates once administered in a human subject;
- our expectations and beliefs regarding the evolution of the market for cancer therapies and development of the immuno-oncology industry;
- our ability to identify and develop products for novel cancer targets;
- our dependence on existing and future collaborators for developing, obtaining regulatory approval for and commercializing product candidates in the collaboration;
- our ability to identify and develop product candidates for treatment of additional disease indications;
- our or an existing or future collaborator’s ability to obtain and maintain regulatory approval of any of our product candidates;
- the rate and degree of market acceptance of any approved products candidates;
- the commercialization of any approved product candidates;
- our ability to establish and maintain collaborations and retain commercial rights for our product candidates in the collaborations;
- the implementation of our business model and strategic plans for our business, technologies and product candidates;

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- our estimates of our expenses, ongoing losses, future revenue and capital requirements;
- our ability to obtain additional funds for our operations;
- our or any existing or future 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 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 drug supplies;
- our ability to attract and retain qualified key management and technical personnel;
- our use of net proceeds to us from this offering;
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act;
- our financial performance; and
- developments relating to our competitors or our industry.

The foregoing factors should not be considered exhaustive and should be read together with the other cautionary statements included in this prospectus. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

This prospectus also contains estimates, projections and other information concerning our industry, our business and the markets for certain drugs, 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.

## STATISTICAL DATA AND MARKET INFORMATION

This prospectus contains estimates, projections and other statistical data made by independent parties and by us relating to market size and growth, the incidence of certain medical conditions and other industry data or sector information. These data, to the extent they contain estimates or projections, involve a number of assumptions and limitations, and you are cautioned not to give undue weight to any such estimates or projections. Industry publications and other reports we have obtained from independent parties generally state that the data and other information contained in these publications or other reports have been obtained in good faith or from sources considered to be reliable, but they do not guarantee the accuracy or completeness of such data or information and we have not independently verified them. The industry in which we operate is subject to risks and uncertainties due to a variety of factors, including those described in the “Risk Factors” section of this prospectus. These and other factors could cause results to differ materially from those expressed in these publications and reports.

## USE OF PROCEEDS

We estimate that our net proceeds from the sale of the shares of common stock will be approximately \$ \_\_\_\_\_, based upon the assumed initial public offering price of per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional shares in full, we estimate that we will receive net proceeds from this offering of approximately \$ \_\_\_\_\_, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share would increase (decrease) our net proceeds from this offering by approximately \$ \_\_\_\_\_, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts, commissions and estimated offering expenses. Each increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) the net proceeds from this offering by approximately \$ \_\_\_\_\_ million, based upon the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

This offering is intended to provide funding through first-in-human studies of our two lead programs. In particular, we currently expect to use the net proceeds from this offering as follows:

- approximately \$ \_\_\_\_\_ million to \$ \_\_\_\_\_ million for the development of CX-072, including our planned Phase 1 clinical trials and drug manufacturing;
- approximately \$ \_\_\_\_\_ million to \$ \_\_\_\_\_ million for the development of our Probody therapeutic directed against CD166, including our planned Phase 1 clinical trials and drug manufacturing; and
- approximately \$ \_\_\_\_\_ million to \$ \_\_\_\_\_ million for research and development activities, including discovery of additional cancer immunotherapies and first-in-class therapeutics directed against difficult-to-drug targets and continued development of our Probody technology platform.

We may use a portion of the proceeds to make payments of principal and interest on our outstanding loan with ATEL Ventures, Inc. For additional information related to our outstanding loan, including the interest rate and maturity, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash Flows— Indebtedness.” We expect to use the remainder of the net proceeds from this offering for working capital and other general corporate purposes, which may include funding for the hiring of additional personnel, capital expenditures and the costs of operating as a public company.

The expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions, which could change in the future as our plans and business conditions evolve. The amounts and timing of our actual expenditures depend on numerous factors, including the progress of our preclinical development efforts, the results of any clinical trials and other studies and any unforeseen cash needs. All of our research and development programs are at an early stage and successful development of product candidates from these programs is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each product candidate and are difficult to predict. Accordingly, we will have broad discretion in the use of the net proceeds from this offering. We believe the net proceeds from this offering, together with our existing cash, cash equivalents and short-term investments, will be sufficient to fund our operations through at least mid-2018, including through data read out of our planned Phase 1 clinical trials of CX-072 and our CD166 Probody therapeutics.

Pending the use of the proceeds from this offering, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities, certificates of deposit or government securities.

## **DIVIDEND POLICY**

We have never declared or paid cash dividends on our common stock and we do not intend to pay any cash dividends on our common stock for the foreseeable future. Under our Master Loan and Security Agreement with ATEL Ventures, Inc., we are prohibited from paying any cash dividends on our capital stock. We currently intend to retain future earnings, if any, for use in the operation of our business and to fund future growth. Any future determination related to our dividend policy will be made at the discretion of our board of directors in light of conditions then-existing, including factors such as our results of operations, financial condition and requirements, business conditions and covenants under any applicable contractual arrangements.



**CAPITALIZATION**

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of March 31, 2015 on:

- An actual basis;
- A pro forma basis, giving effect to (i) the conversion of all of our outstanding shares of our preferred stock into an aggregate of 1,196,043,117 shares of our common stock immediately prior to the completion of this offering; (ii) the net exercise of all outstanding warrants to purchase shares of our preferred stock resulting in the issuance of an aggregate of \_\_\_\_\_ shares of our common stock and the related reclassification of our preferred stock warrant liability to additional paid in capital immediately prior to the completion of this offering; and (iii) the filing and effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to the consummation of this offering; and
- A pro forma as adjusted basis, giving effect to (i) the pro forma adjustments set forth above; (ii) the sale and issuance of \_\_\_\_\_ shares of our common stock by us in this offering, based upon the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

You should read this table together with the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

	March 31, 2015		
	Actual	Pro Forma	Pro Forma as Adjusted <sup>(1)</sup>
	(In thousands, except share and per share data)		
Cash, cash equivalents and short-term investments	\$ 59,473	\$ _____	\$ _____
Long-term debt, current and non-current	\$ 2,644		
Convertible preferred stock warrant liability	408		
Convertible preferred stock liability	1,426		
Redeemable convertible preferred stock, \$0.00001 par value—1,370,793,023 shares authorized; 1,180,622,550 shares issued and outstanding; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	79,143		
Convertible preferred stock, \$0.00001 par value—15,420,567 shares authorized, issued and outstanding; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	474		
Stockholders’ (deficit) equity:			
Common stock, \$0.00001 par value—1,800,000,000 shares authorized; 62,779,765 shares issued and outstanding, actual; _____ shares authorized, _____ shares issued and outstanding, pro forma; and _____ shares issued and outstanding, pro forma as adjusted	1		
Stockholder notes receivable	(406)		
Additional paid-in capital	—		
Accumulated other comprehensive loss	(10)		
Accumulated deficit	(85,606)		
Total stockholders’ (deficit) equity	(86,021)		
Total capitalization	\$ (1,926)	\$ _____	\$ _____

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- (1) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately \$ \_\_\_\_\_ million, assuming that the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) the amount of our cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately \$ \_\_\_\_\_ million, based upon the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The number of shares of our common stock to be outstanding after the completion of this offering excludes:

- 41,528,239 shares of common stock issuable upon conversion of the like number of shares of Series C preferred stock issued after March 31, 2015 and 471,882,536 shares of common stock issuable upon conversion of the like number of shares of Series D preferred stock issued after March 31, 2015;
- 41,698,134 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2015 under our 2010 Stock Incentive Plan (the "2010 Plan");
- 139,399,398 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2015 under our 2011 Stock Incentive Plan, as amended (the "2011 Plan");
- 73,694,443 shares of common stock reserved for issuance pursuant to future awards under the 2011 Plan as of March 31, 2015;
- \_\_\_\_\_ shares of common stock reserved for issuance pursuant to future awards under our 2015 Performance Incentive Plan, which will become effective upon the closing of this offering; and
- \_\_\_\_\_ shares of common stock reserved for issuance pursuant to future awards under our 2015 Employee Stock Purchase Plan, which will become effective upon the closing of this offering.

## DILUTION

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

As of March 31, 2015, our historical net tangible book value (deficit) was approximately \$       million, or \$       per share of common stock. Historical net tangible book value (deficit) per share represents our total tangible assets less total liabilities, less preferred stock, divided by the number of our outstanding shares of common stock.

As of March 31, 2015, our pro forma net tangible book value was approximately \$       million, or \$       per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of March 31, 2015, assuming the conversion of all outstanding shares of our preferred stock into an aggregate 1,196,043,117 shares of our common stock, which will occur immediately prior to the completion of this offering, and the net exercise of all outstanding warrants to purchase shares of our preferred stock resulting in the issuance of an aggregate of       shares of common stock upon the closing of this offering.

After giving further effect to the sale of       shares of our common stock in this offering, at the assumed initial public offering price of \$       per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2015 would have been approximately \$       million, or \$       per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$       per share to our existing stockholders and an immediate dilution of \$       per share to investors purchasing shares in this offering.

The following table illustrates this dilution:

Assumed initial public offering price per share	\$
Historical net tangible book value per share as of March 31, 2015	\$
Pro forma increase in net tangible book value per share	_____
Pro forma net tangible book value per share as of March 31, 2015	_____
Increase in pro forma net tangible book value per share attributable to investors purchasing shares in this offering	_____
Pro forma net tangible book value, as adjusted to give effect to this offering	_____
Dilution in pro forma net tangible book value per share to investors purchasing shares in this offering	\$ _____

A \$1.00 increase (decrease) in the assumed initial public offering price of \$       per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value by approximately \$       per share and the dilution per share to new investors in this offering by \$       per share, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a 1,000,000 increase (decrease) in the number of shares of our common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value by approximately \$       per share and the dilution per share to new investors in this offering by \$       per share, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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If the underwriters exercise their option to purchase additional shares in full, the pro forma as adjusted net tangible book value per share of our common stock would be \$ \_\_\_\_\_ per share, and the dilution in pro forma net tangible book value per share to investors purchasing shares in this offering would be \$ \_\_\_\_\_ per share.

The following table summarizes, on a pro forma as adjusted basis as of March 31, 2015, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid, before deducting estimated underwriting discounts and commissions and estimated offering expenses:

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average Price Per Share</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Per Share</u>
Existing stockholders		%	\$	%	\$
Investors purchasing shares in this offering					
<b>Total</b>		<b>100.0%</b>	<b>\$</b>	<b>100.0%</b>	

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ \_\_\_\_\_ million, assuming that the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Similarly, a 1,000,000 increase (decrease) in the number of shares of our common stock offered by us would increase (decrease) the shares purchased by new investors and total shares purchased by all stockholders by 1,000,000, would increase (decrease) the percentage of shares purchased by new investors by \_\_\_\_\_ %, and would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ \_\_\_\_\_ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares. If the underwriters exercise their option to purchase additional shares in full, our existing stockholders would own \_\_\_\_\_ % and our new investors would own \_\_\_\_\_ % of the total number of shares of our common stock outstanding upon the completion of this offering.

The number of shares of our common stock reflected in the discussion and tables above excludes the following:

- 41,528,239 shares of common stock issuable upon conversion of the like number of shares of Series C preferred stock issued after March 31, 2015 and 471,882,536 shares of common stock issuable upon conversion of the like number of shares of Series D preferred stock issued after March 31, 2015;
- 41,698,134 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2015 under our 2010 Stock Incentive Plan (the "2010 Plan");
- 139,399,398 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2015 under our 2011 Stock Incentive Plan, as amended (the "2011 Plan");
- 73,694,443 shares of common stock reserved for issuance pursuant to future awards under the 2011 Plan as of March 31, 2015;
- \_\_\_\_\_ shares of common stock reserved for issuance pursuant to future awards under our 2015 Performance Incentive Plan, which will become effective upon the closing of this offering; and

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- shares of common stock reserved for issuance pursuant to future awards under our 2015 Employee Stock Purchase Plan, which will become effective upon the closing of this offering.

To the extent that any outstanding options to purchase shares of our common stock or new awards are granted under our equity compensation plans, there will be further dilution to investors participating in this offering.

### SELECTED HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following selected statement of operations data for the years ended December 31, 2013 and 2014 and the balance sheet data as of December 31, 2013 and 2014 have been derived from our audited financial statements included elsewhere in this prospectus. The statements of operations data for the three months ended March 31, 2014 and 2015, and the balance sheet data as of March 31, 2015, are derived from our unaudited interim financial statements included elsewhere in this prospectus. We have prepared the unaudited interim financial statements on the same basis as the audited financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair statement of the financial information set forth in those statements. Our historical results are not necessarily indicative of our future results and our interim results are not necessarily indicative of results to be expected for the full year ending December 31, 2015, or any other period. You should read the following selected financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		Three Months Ended March 31,	
	2013	2014	2014	2015
	(In thousands, except share and per share data)			
<b>Statements of Operations Data:</b>				
Revenue	\$ 888	\$ 5,077	\$ 635	\$ 1,742
Operating expenses:				
Research and development	10,890	28,302	16,041	4,664
General and administrative	4,954	6,540	1,441	1,946
Total operating expenses	<u>15,844</u>	<u>34,842</u>	<u>17,482</u>	<u>6,610</u>
Loss from operations	(14,956)	(29,765)	(16,847)	(4,868)
Interest income	6	7	1	138
Interest expense	(254)	(487)	(134)	(230)
Other income (expense), net	<u>71</u>	<u>(55)</u>	<u>(24)</u>	<u>(1,251)</u>
Net loss before provision for income taxes	(15,133)	(30,300)	(17,004)	(6,211)
Provision for income taxes	<u>10</u>	<u>10</u>	<u>—</u>	<u>—</u>
Net loss and comprehensive loss	(15,143)	(30,310)	(17,004)	(6,211)
Accretion of redemption value and cumulative dividends on preferred stock	<u>(3,751)</u>	<u>(4,566)</u>	<u>(1,051)</u>	<u>(1,432)</u>
Net loss attributable to common stockholders	<u>\$ (18,894)</u>	<u>\$ (34,876)</u>	<u>\$ (18,055)</u>	<u>\$ (7,643)</u>
Net loss per share attributable to common stockholders, basic and diluted <sup>(1)</sup>	<u>\$ (0.39)</u>	<u>\$ (0.56)</u>	<u>\$ (0.29)</u>	<u>\$ (0.12)</u>
Shares used to compute net loss per share attributable to common stockholders, basic and diluted <sup>(1)</sup>	<u>48,653,814</u>	<u>62,332,585</u>	<u>62,273,240</u>	<u>62,779,765</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) <sup>(1)</sup>		<u>\$</u>		<u>\$</u>
Shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) <sup>(1)</sup>		<u></u>		<u></u>

<sup>(1)</sup> See Notes 3 and 19 to our financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share attributable to common stockholders, pro forma net loss per share attributable to common stockholders, and the weighted-average number of shares used in the computation of the per share amounts.

	<u>As of December 31,</u>		<u>As of March 31,</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 8,703	\$ 64,396	\$ 7,819
Short-term investments	—	—	51,654
Working capital	5,094	55,690	50,184
Total assets	14,183	73,062	67,242
Total long-term debt, current and non-current	4,203	2,987	2,644
Redeemable convertible preferred stock	44,244	76,236	79,143
Convertible preferred stock	474	474	474
Accumulated deficit	(43,881)	(78,138)	(85,606)
Total stockholders' deficit	(44,279)	(78,541)	(86,021)

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

*You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Historical Financial and Other Data" and the financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in "Risk Factors" and in other parts of this prospectus.*

### Overview

We are an oncology-focused biopharmaceutical company pioneering a novel class of antibody therapeutics based on our Probody technology platform. We are using our platform to create proprietary cancer immunotherapies against clinically-validated targets as well as to develop first-in-class cancer therapeutics against novel targets. We believe that our Probody platform will allow us to improve the combined efficacy and safety profile, or therapeutic window, of monoclonal antibody modalities including cancer immunotherapies, antibody drug conjugates ("ADCs") and T-cell-recruiting bispecific antibodies. Our Probody therapeutics are designed to take advantage of unique conditions in the tumor microenvironment to enhance the tumor-targeting features of an antibody and reduce drug activity in healthy tissues. We are currently developing Probody therapeutics that address clinically-validated cancer targets in immuno-oncology, such as PD-L1, as well as novel targets, such as CD-166, that are difficult to drug and lead to damage to healthy tissues, or toxicities. In addition to our proprietary programs, we are collaborating with strategic partners including Bristol-Myers Squibb Company ("BMS"), Pfizer Inc. ("Pfizer") and ImmunoGen, Inc. ("ImmunoGen") to develop selected Probody therapeutics. Our broad technology platform and lead product candidates are supported by a decade of thorough scientific research and strong intellectual property, and we are advancing these candidates toward clinical trials. Our vision is to transform lives with safer, more effective therapies. To realize this vision we are executing on our mission of changing the treatment of cancer by urgently advancing our Probody pipeline.

We do not currently have any product candidates in clinical trials or 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 loss for the years ended December 31, 2013 and 2014 was \$15.1 million and \$30.3 million, respectively. Our net loss for the three months ended March 31, 2015 was \$6.2 million. As of March 31, 2015, we had an accumulated deficit of \$85.6 million. We expect to continue to incur significant losses for the foreseeable future.

We have three pipeline strategies that we are pursuing with our Probody platform: (i) developing a novel class of immune-oncology therapies directed against clinically-validated targets, (ii) developing first-in-class therapeutics directed against difficult-to-drug targets and (iii) collaborating with leading pharmaceutical companies to discover and develop Probody therapeutics against selected targets.

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 have product candidates that are still in research and preclinical development, which means that they have not yet been tested on humans. We will need to commit significant time and resources to develop these and additional product candidates. Many drugs in human clinical trials fail to demonstrate the desired safety and efficacy characteristics. 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, we cannot predict with any certainty 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. We have no commercial manufacturing facility for our product candidates. 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.



## **Components of Results of Operations**

### ***Revenue***

Our revenue to date has been primarily derived from non-refundable license payments and reimbursements for research and development expenses under our research, collaboration, and license agreements. We recognize revenue from upfront payments ratably over the term of our estimated period of performance under the agreement. In addition to receiving upfront payments, we may also be entitled to milestone and other contingent payments upon achieving predefined objectives. Revenue from milestones, if they are nonrefundable and deemed substantive, is recognized upon successful accomplishment of the milestones. To the extent that non-substantive milestones are achieved and we have remaining performance obligations, milestones are deferred and recognized as revenue over the estimated remaining period of performance. Reimbursements from Pfizer and BMS for research and development costs 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 regulatory approval. We expect that any revenue we do 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 collaborations with BMS, Pfizer and ImmunoGen, and any future 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.

### ***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 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 they are incurred.

We expect our research and development expenses to increase substantially in absolute dollars in the future as we advance our product candidates into and through clinical trials and pursue regulatory approval of our product candidates. 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 legal, accounting and audit services and other consulting fees. Allocated expenses consist of rent expense related to our office and research and development facility. We expect to incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission, and those of any national securities exchange on which our securities are traded, additional insurance expenses, investor relations activities and other administrative and professional services. We also expect to increase our administrative headcount significantly to operate as public company and as we advance our product candidates through clinical development, which will also increase our general and administrative expenses.

[Table of Contents](#)[Index to Financial Statements](#)**Interest Income**

Interest income primarily consists of interest income from our cash equivalents and short-term investments.

**Interest Expense**

Interest expense primarily consists of interest costs related to our outstanding borrowings under our loan agreements and amortization of premiums on our short-term investments.

**Other Income (Expense), Net**

Other income (expense), net consists primarily of changes to the estimated fair value of the convertible preferred stock warrant liability and the convertible preferred stock liability. We will continue to record adjustments to the estimated fair value of the convertible preferred stock warrants until such time as these instruments are exercised, expire or convert into warrants to purchase shares of our common stock. We will continue to record adjustments to the estimated fair value of the convertible preferred stock liability until the option to purchase the shares is exercised or expires.

**Results of Operations****Comparison of the Three Months Ended March 31, 2014 and 2015**

	Three Months Ended		\$	% Change
	2014	2015		
Revenue	\$ 635	\$ 1,742	\$ 1,107	174
Operating expenses:				
Research and development	16,041	4,664	(11,377)	(71)
General and administrative	1,441	1,946	505	35
Total operating expenses	17,482	6,610	(10,872)	(62)
Loss from operations	(16,847)	(4,868)	11,979	(71)
Interest income	1	138	137	*
Interest expense	(134)	(230)	(96)	72
Other income (expense), net	(24)	(1,251)	(1,227)	*
Net loss	(17,004)	(6,211)	10,793	(63)
Accretion of redemption value and cumulative dividends on preferred stock	(1,051)	(1,432)	(381)	36
Net loss attributable to common stockholders	<u>\$(18,055)</u>	<u>\$(7,643)</u>	<u>\$ 10,412</u>	(58)

\* Not meaningful

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*Revenue*

Revenue increased \$1.1 million, or 174% during the three months ended March 31, 2015 compared to the corresponding period in 2014. The increase in revenue was primarily due to \$1.4 million of revenue recognized in the first quarter of 2015 related to the BMS agreement entered into in July 2014, partially offset by a decrease of \$0.2 million in reimbursement for research and development services primarily due to the completion of a project in the fourth quarter of 2014.

*Research and Development Expense*

Research and development expense decreased \$11.4 million, or 71%, during the three months ended March 31, 2015 compared to the corresponding period in 2014. The decrease was primarily attributable to \$12.8 million expensed in the first quarter of 2014 related to the ImmunoGen collaboration agreement, partially offset by an increase of \$0.4 million in personnel-related expenses due to an increase in headcount, an increase of \$0.7 million in lab services and supplies primarily due to costs related to advancement of our product pipeline, an increase of \$0.2 million in allocated facility costs partly due to a new lease we entered into in September 2014, and an increase of \$0.1 million of depreciation due to additional purchases of lab equipment.

*General and Administrative Expense*

General and administrative expense increased \$0.5 million, or 35% during the three months ended March 31, 2015 compared to the corresponding period in 2014. The increase was attributable to an increase of \$0.3 million in personnel-related expenses due to an increase in headcount, and an increase of \$0.2 million in consulting and professional services expenses relating to our 2014 audit.

*Interest Income*

Interest income increased \$0.1 million during the three months ended March 31, 2015 compared to the corresponding period in 2014. The increase was attributable to interest income earned on cash equivalents and short-term investments due to the proceeds received from our preferred stock financing in December 2014.

*Interest Expense*

Interest expense increased \$0.1 million during the three months ended March 31, 2015, compared to the corresponding period in 2014. The increase was primarily attributable to amortization of premiums on our short-term investments.

*Other Income (Expense), Net*

Other income (expense), net increased \$1.2 million during the three months ended March 31, 2015, compared to the corresponding period in 2014. The increase was primarily attributable to a loss of \$1.0 million related to the remeasurement of the convertible preferred stock liability and an increase in the fair value of the convertible preferred stock warrant liability of \$0.2 million.

*Comparison of the Years Ended December 31, 2013 and 2014*

	<b>Years Ended December 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2013</b>	<b>2014</b>		
Revenue	\$ 888	\$ 5,077	\$ 4,189	*
Operating expenses:				
Research and development	10,890	28,302	17,412	160
General and administrative	4,954	6,540	1,586	32
Total operating expenses	<u>15,844</u>	<u>34,842</u>	<u>18,998</u>	120
Loss from operations	(14,956)	(29,765)	(14,809)	99
Interest income	6	7	1	17
Interest expense	(254)	(487)	(233)	92
Other income (expense), net	71	(55)	(126)	*
Loss before provision for income taxes	(15,133)	(30,300)	(15,167)	101
Provision for income taxes	10	10	—	*
Net loss	\$(15,143)	\$(30,310)	\$(15,167)	101
Accretion of redemption value and cumulative dividends on preferred stock	<u>(3,751)</u>	<u>(4,566)</u>	<u>(815)</u>	22
Net loss attributable to common stockholders	<u><u>\$(18,894)</u></u>	<u><u>\$(34,876)</u></u>	<u><u>\$(15,982)</u></u>	85

\* Not meaningful

*Revenue*

Revenue increased \$4.2 million during the year ended December 31, 2014 compared the corresponding period in 2013. The increase in revenue is primarily attributable to an increase of \$1.4 million of revenue recognized related to the Pfizer agreement entered into in May 2013 and \$2.8 million of revenue recognized in 2014 related to the BMS agreement entered into in July 2014.

*Research and Development Expenses*

Research and development expenses increased \$17.4 million, or 160%, during the year ended December 31, 2014 compared to the corresponding period in 2013. The increase was primarily attributable to \$12.8 million expensed in 2014 related to the ImmunoGen collaboration agreement, a \$1.7 million increase in personnel-related expenses due to headcount, increased consulting costs, and increased recruiting expenses primarily related to recruiting key personnel, an increase of \$2.7 million in lab services and supplies arising from the research and collaboration agreements entered into in 2014 with BMS, and an increase of \$0.4 million in rent and occupancy costs due to new leases entered into in August 2013 and September 2014.

*General and Administrative Expenses*

General and administrative expenses increased \$1.6 million, or 32%, during the year ended December 31, 2014 compared to the corresponding period in 2013. The increase was attributable to a \$0.8 million increase in personnel-related expenses as a result of increased headcount and an increase in recruiting costs primarily related to the recruiting of key personnel, a \$0.6 million increase in legal costs due to the new research and collaboration agreements entered into, and a \$0.4 million increase in consulting costs. The increase was partially offset by a decrease of \$0.2 million in allocated facility costs.

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### *Interest Expense*

Interest expense increased \$0.2 million during the year ended December 31, 2014 compared to the corresponding period in 2013. The increase was due to the drawdown of an additional \$3.0 million from our debt facility in December 2013.

### *Other Income (Expense), Net*

Other income (expense), net changed by (\$0.1) million to an expense of \$55,000 during the year ended December 31, 2014 compared to the corresponding period in 2013. The change was primarily due to the fair value remeasurement of the convertible preferred stock warrant liability.

## **Liquidity and Capital Expenditures**

### ***Sources of Liquidity***

As of March 31, 2015, we had cash, cash equivalents and short-term investments of \$59.5 million and an accumulated deficit of \$85.6 million, compared to cash and cash equivalents of \$64.4 million and an accumulated deficit of \$78.1 million as of December 31, 2014. We have financed our operations primarily through sales of our convertible preferred securities and payments received under our collaboration agreements. In May 2015, an investor exercised its option to purchase 41,528,239 shares of Series C redeemable convertible preferred stock for proceeds of \$3.5 million. In June 2015, we issued 471,882,536 shares of Series D redeemable convertible preferred stock for \$70.0 million in gross proceeds.

### ***Plan of Operation and Future Funding Requirements***

We use our cash primarily to fund operating expenses, primarily research and development expenditures. We plan to increase our research and development expenses for the foreseeable future as we continue the preclinical and move into clinical development of our product candidates. At this time, due to the inherently unpredictable nature of preclinical and clinical development and given the early stage of our product candidates, we cannot reasonably estimate the costs we will incur and the timelines that will be required to complete development, obtain marketing approval, and commercialize our current product candidates or any future product candidates. For the same reasons, we are also unable to predict when, if ever, we will generate revenue from product sales or whether, or when, if ever, we may achieve profitability. Clinical and preclinical development timelines, the probability of success, and development costs can differ materially from expectations. In addition, we cannot forecast which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

Due to our significant research and development expenditures, we have generated substantial operating losses in each period since inception. We have incurred an accumulated deficit of \$78.1 million through March 31, 2015. We expect to incur substantial additional losses in the future as we expand our research and development activities. Based on our research and development plans, we expect that the net proceeds from this offering, together with our existing cash, cash equivalents and short-term investments, will be sufficient to fund our anticipated level of operations through at least mid-2018, during which we expect to generate data from first-in-human clinical trials for our two lead product candidates. We have based this estimate on assumptions that may prove to be wrong, however, and we could use our capital resources sooner than we expect.

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

- the timing and progress of preclinical and clinical development activities;

- the number and scope of preclinical and clinical programs we decide to pursue;
- 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 milestone payments we may receive under our collaboration 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;
- the cost and timing of regulatory approvals; and
- our efforts to enhance operational systems and hire additional personnel, including personnel to support development of our product candidates and satisfy our obligations as a public company.

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to fund our operations and capital funding needs through equity and/or debt financing. We may also consider entering into additional collaboration arrangements or selectively partnering for clinical development and commercialization. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned programs. Any of these actions could harm our business, results of operations, financial condition and future prospects.

## Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Year Ended December 31,		Three Months Ended March 31,	
	2013	2014	2014	2015
Net cash provided by (used in):				
Operating activities	\$(8,008)	\$31,802	\$(4,880)	\$ (5,369)
Investing activities	(732)	(1,663)	(246)	(52,043)
Financing activities	2,697	25,554	8,135	835
Net (decrease) increase in cash and cash equivalents	<u>\$(6,043)</u>	<u>\$55,693</u>	<u>\$ 3,009</u>	<u>\$(56,577)</u>

### *Cash Flows from Operating Activities*

During the three months ended March 31, 2015, cash used in operating activities was \$5.4 million, which consisted of a net loss of \$6.2 million, adjusted by non-cash charges of \$1.8 million and a net decrease of \$1.0 million in our net operating assets. The non-cash charges primarily consist of depreciation and amortization of \$0.3 million, stock-based compensation of \$0.2 million, amortization of premiums on our short-term investments of \$0.1 million, a loss on remeasurement of our convertible preferred stock warrant liability of \$0.2 million and a \$1.0 million loss from the revaluation of the convertible preferred stock liability. The change in our net operating assets and liabilities was primarily due to a \$0.7 million decrease in accounts payable and accrued liabilities mainly due to the payment of the 2014 annual bonus in 2015 as well as legal costs for patent filings, a decrease of \$1.5 million in deferred revenue due to the recognition of upfront fees received and an

increase of \$0.4 million in prepaid expenses and other assets mainly due to accrued interest receivable from our short-term investments and prepayment of rent for our facility, partially offset by an decrease of \$1.7 million in accounts receivable primarily due to the receipt of the \$1.5 million upfront payment from the Pfizer agreement in the first quarter of 2015.

During the three months ended March 31, 2014, cash used in operating activities was \$4.9 million, which consisted of a net loss of \$17.0 million, adjusted by non-cash charges of \$0.3 million and a net change of \$11.8 million in our net operating assets. The non-cash charges primarily consist of depreciation and amortization of \$0.2 million and stock-based compensation of \$0.1 million. The change in our net operating assets and liabilities was primarily due to an increase of \$13.0 million in deferred revenue resulting from \$13.2 million related to the ImmunoGen collaboration agreement partially offset by \$0.2 million of amortization of upfront payments, a \$0.4 million decrease in accounts payable and accrued liabilities mainly due to the payment of the 2013 annual bonus in the first quarter of 2014, an increase of \$0.2 million in accounts receivable from a higher level of research activity related to the Pfizer agreement, an increase in prepaid expenses and other assets of \$0.6 million mainly due to deferred costs related to the ImmunoGen collaboration agreement.

In 2014, cash provided by operating activities was \$31.8 million, which consisted of a net loss of \$30.4 million adjusted by non-cash charges of \$1.4 million, adjusted by a net change of \$60.8 million in our net operating assets. The non-cash charges primarily consist of \$0.8 million from depreciation and amortization and \$0.6 million from stock-based compensation. The change in our net operating assets and liabilities was primarily due to an increase of \$61.5 million in deferred revenue resulting from the upfront payments of \$50.0 million received from BMS and of \$1.5 million received from Pfizer and \$13.3 million related to the ImmunoGen collaboration agreement, partially offset by recognition of upfront fees of \$3.3 million, and a \$1.5 million increase in accounts payable and accrued liabilities due to our increased research and development activities as a result of our agreements with BMS and ImmunoGen. The increase is partially offset by an increase of \$1.6 million in accounts receivable primarily due to the \$1.5 million upfront payment due from Pfizer and a \$0.6 million increase in prepaid expenses and other assets due to deferred costs related to the ImmunoGen collaboration agreement.

In 2013, cash used in operating activities was \$8.0 million, which consisted of a net loss of \$15.1 million, adjusted by non-cash charges of \$1.2 million and a net decrease of \$6.0 million in our net operating assets. The non-cash charges primarily consist of depreciation and amortization of \$0.7 million, stock-based compensation of \$0.3 million, a charge of \$0.2 million related to common stock issued in connection with a license agreement partially offset by a \$0.1 million gain from the revaluation of the convertible preferred stock liability. The change in our net operating assets and liabilities was primarily due to an increase of \$5.5 million in deferred revenue due to the receipt of an upfront fee from Pfizer and a \$0.9 million increase in accounts payable and accrued liabilities due to an increase in our research and development activities as a result of our agreement with Pfizer, primarily offset by an increase of \$0.3 million in accounts receivable and prepaid expenses and other current assets resulted from our increased business activities.

#### *Cash Flows from Investing Activities*

Cash used in investing activities during the three months ended March 31, 2015 was \$52.0 million, which consisted of \$0.3 million of capital expenditures to purchase property and equipment and \$51.8 million of purchases of short-term investments.

Cash used in investing activities during the three months ended March 31, 2014 was \$0.2 million, which consisted of capital expenditures to purchase property and equipment.

Cash used in investing activities during the year ended December 31, 2014 was \$1.7 million, which consisted of capital expenditures to purchase of property and equipment.

Cash used in investing activities during the year ended December 31, 2013 was \$0.7 million, which consisted of capital expenditures to purchase of property and equipment.

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*Cash Flows from Financing Activities*

During the three months ended March 31, 2015, cash provided by financing activities was \$0.8 million consisting of \$1.2 million in net proceeds from the issuance of preferred stock, partially offset by repayments on our borrowings of \$0.4 million.

During the three months ended March 31, 2014, cash provided by financing activities was \$8.1 million consisting of \$8.4 million in net proceeds from the issuance of preferred stock, partially offset by repayments on our borrowings of \$0.3 million.

In 2014, cash provided by financing activities was \$25.6 million primarily consisting of net proceeds of \$26.8 million from the issuance of preferred stock, offset by \$1.3 million in payments on our borrowings.

In 2013, cash provided by financing activities was \$2.7 million consisting of proceeds of \$3.4 million from the issuance of long-term debt and proceeds of \$0.1 million from the exercise of stock options, offset by \$0.7 million in payments on our borrowings.

**Indebtedness**

In May 2012, we entered into a Master Loan and Security Agreement (the “Debt Facility”) with ATEL Ventures, Inc. Under the terms of the Debt Facility, an aggregate of \$2.0 million could be drawn down during the initial basic loan term of 42 months. In January and December 2013, we amended the Debt Facility to borrow an additional \$0.3 million and \$3.0 million, respectively, with similar terms. Borrowings under the Debt Facility bear interest at 11.74% per annum. As of December 31, 2013, the total amount available for borrowing under the Debt Facility had been fully drawn down. The carrying value of our borrowings was \$4.2 million, \$3.0 million and \$2.6 million as of December 31, 2013, December 31, 2014 and March 31, 2015, respectively.

Our obligations under the Debt Facility are collateralized by a security interest in substantially all of our assets, excluding our intellectual property. The Debt Facility also contains customary conditions related to borrowing, events of default, and covenants, including covenants limiting our ability to dispose of assets, undergo a change in control, merge with or acquire other entities, incur debt, incur liens, pay dividends or other distributions to holders of our capital stock, repurchase stock and make investments, in each case subject to certain exceptions. The agreement also allows the lender to call the debt in the event there is a material adverse change in our business or financial condition. As of December 31, 2014 and March 31, 2015, we were in compliance with all covenants in the facility.

In connection with the execution and the amendment of the Debt Facility, we issued warrants to the lender to purchase an aggregate of 5,141,847 shares of our Series B-1 redeemable convertible preferred stock. The warrants expire at the earlier of (i) the tenth anniversary of issuance, (ii) the closing of certain change of control events, or (iii) upon the closing of an initial public offering. The warrants are exercisable in cash at an exercise price of \$0.048961 per share or through a cashless exercise provision.

**Off-Balance Sheet Arrangements**

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



## Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2014 (in thousands):

	Payments Due by Period <sup>(3)</sup>				Total
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	
Debt principal and interest	\$ 1,662	\$1,742	\$ 15	\$ —	\$3,419
Royalty obligations <sup>(1)</sup>	125	300	—	—	425
Operating leases <sup>(2)</sup>	941	1,790	970	—	3,701
Total contractual obligations	<u>\$ 2,728</u>	<u>\$3,832</u>	<u>\$985</u>	<u>\$ —</u>	<u>\$7,545</u>

(1) We have royalty obligations under the terms of certain exclusive licensed patent rights. See Note 9 of our financial statements included elsewhere in this prospectus.

(2) We lease our facility under a long-term operating lease, which expires in 2019.

(3) This table does not include any milestone payments or royalty payments to third parties as the amounts, timing and likelihood of such payments are not known.

## Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires our management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be material. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

### Revenue Recognition

We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; transfer of technology has been completed or services have been rendered; the price to the customer is fixed or determinable and collectability is reasonably assured.

Our revenues are primarily derived through its license, research, development and commercialization agreements. The terms of these types of agreements may include (i) licenses to our technology, (ii) research and development services, and (iii) services or obligations in connection with participation in research or steering committees. Payments to us under these arrangements typically include one or more of the following: nonrefundable upfront and license fees, research funding, milestone and other contingent payments 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.

In arrangements involving the delivery of more than one element, each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting. The determination is based on whether the deliverable has "standalone value" to the customer. If a deliverable does not qualify as a separate unit of accounting, it is combined with the other applicable undelivered item(s) within the arrangement and these combined deliverables are treated as a single unit of accounting.

The arrangement's consideration that is fixed or determinable is allocated to each separate unit of accounting based on the relative selling price methodology in accordance with the selling price hierarchy, which includes vendor-specific objective evidence ("VSOE") of selling price, if available, or third party evidence of selling price if VSOE is not available, or the best estimate of selling price, if neither VSOE nor third party evidence is available.

Payments or reimbursements for our research and development efforts for the arrangements where such efforts are considered as deliverables are recognized as the services are performed and are presented on a gross basis. When upfront payments are received and if there is no discernible pattern of performance and/or objectively measurable performance measures do not exist, we recognize revenue ratably over the associated period of performance.

Our collaboration and license agreements may include contingent payments related to specified research, development and regulatory milestones and sales-based milestones. Such 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, upon receipt of actual marketing approvals of a covered product or for additional indications, or upon the first commercial sale of a covered product. Sales-based milestones are typically payable when annual sales of a covered product reach specified levels. Each contingent and milestone payment is evaluated to determine whether it is substantive and at risk to both parties. We recognize any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved. Any payments that are contingent upon achievement of a non-substantive milestone are recognized as revenue prospectively, when such payments become due and collectible, over the remaining expected performance period under the arrangement, which is generally the remaining period over which the research and development services are expected to be provided.

### **Stock-based Compensation**

We recognize compensation costs related to stock options granted to employees based on the estimated fair value of the awards on the date of grant, net of estimated forfeitures. We estimate 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).

We estimate the fair value of our stock-based awards using the Black-Scholes option-pricing model, which requires the input of highly subjective assumptions. Our assumptions are as follows:

- *Expected term.* The expected term represents the period that the stock-based awards are expected to be outstanding. We use the simplified method to determine the expected term, which is calculated as the average of the time to vesting and the contractual life of the options.
- *Expected volatility.* As our common stock has never been publicly traded, the expected volatility is derived from the average historical volatilities of publicly traded companies within our industry that we consider to be comparable to our business over a period approximately equal to the expected term for employees' options and the remaining contractual life for nonemployees' options.
- *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 option in effect at the time of grant.
- *Dividend yield.* The expected dividend is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock.

In addition to the assumptions used in the Black-Scholes option-pricing model, we also estimate a forfeiture rate to calculate the stock-based compensation for our equity awards. We will continue to use judgment in evaluating the expected volatility, expected terms and forfeiture rates utilized for our stock-based compensation calculations on a prospective basis.

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Stock-based compensation expense for options granted to non-employees as consideration for services received is measured on the date of performance at the fair value of the consideration received or the fair value of the equity instruments issued, using the Black-Scholes option-pricing model, whichever can be more reliably measured. Stock-based compensation expense for options granted to non-employees is periodically remeasured as the underlying options vest.

We recorded stock-based compensation expense of \$0.3 million and \$0.6 million for the years ended December 31, 2013 and 2014, respectively, and \$0.1 million and \$0.2 million in the three months ended March 31, 2014 and 2015, respectively. We expect to continue to grant stock options and other equity-based awards in the future, and to the extent that we do, our stock-based compensation expense recognized in future periods will likely increase.

Historically, for all periods prior to this offering, the fair values of the shares of common stock underlying our share-based awards were estimated on each grant date by our board of directors. In order to determine the fair value of our common stock underlying option grants, our board of directors considered, among other things, contemporaneous valuations of our common stock prepared by an unrelated third-party valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

The Practice Guide identifies various available methods for allocating enterprise value across classes and series of capital stock to determine the estimated fair value of common stock at each valuation date. In determining a fair value for our common stock, we used the following methods:

- Probability-Weighted Expected Return Method. The probability-weighted expected return method (“PWERM”) is a scenario-based analysis that estimates value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.
- Option Pricing Method. Under the option pricing method (“OPM”) shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The estimated fair values of the preferred stock and common stock are inferred by analyzing these options.

Given the absence of a public trading market for our common stock, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including:

- our stage of development;
- the status of research and development efforts;
- the status of our strategic and collaboration transactions;
- the rights, preferences and privileges of our preferred stock relative to those of our common stock;
- our operating results and financial condition, including our levels of available capital resources;
- equity market conditions affecting comparable public companies;
- general U.S. market conditions; and
- the lack of marketability of our common stock.

For valuations after the completion of this offering, the fair value of each share of underlying common stock will be based on the closing price of our common stock as reported on the date of grant.

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The intrinsic value of all outstanding options as of March 31, 2015 was \$            million based on an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover of this prospectus.

### ***Convertible Preferred Stock Warrant Liability***

Freestanding warrants for shares that are either puttable or redeemable are classified as liabilities on the balance sheet at their estimated fair value. At the end of each reporting period, changes in estimated fair value during the period are recorded in other income (expense), net. We will continue to adjust the carrying value of the warrants until such time as these instruments are exercised, expire or convert into warrants to purchase shares of our common stock. At that time, the liabilities will be reclassified to additional paid-in capital, a component of stockholders' equity (deficit). The consummation of this initial public offering will result in this reclassification as the warrants will automatically net exercise into shares of our common stock.

### ***Convertible Preferred Stock Liability***

We have determined that our obligation to issue additional shares of Series B-1 and Series C redeemable convertible preferred stock represents a freestanding financial instrument, which we accounted for as a liability. The freestanding convertible preferred stock liability was initially recorded at fair value, with changes in fair value recognized in other income (expense), net. We estimate the fair value of this liability using option-pricing models that include assumptions for future financings, expected volatility, expected life, yield and risk-free interest rate.

### ***Goodwill and Intangible Assets***

Goodwill represents the excess of the purchase price paid over the fair value of tangible and identifiable intangible net 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. We assess goodwill impairment indicators annually 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.

### ***JOBS Act Accounting Election***

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We also intend to rely on other exemptions provided by the JOBS Act, including without limitation, providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least \$1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700.0 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

### ***Quantitative and Qualitative Disclosures 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 and cash equivalents of \$64.4 million, as of December 31, 2014 and cash, cash equivalents and short-term investments of \$59.5 million as of March 31, 2015, which consist of bank deposits, money market funds and U.S. government securities. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations of interest income have not been significant.

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As of March 31, 2015, we had total outstanding long-term debt of \$2.6 million. The long-term debt carries a fixed interest rate equal to 11.7%. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers, 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 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will be effective for the Company on January 1, 2018, which is the effective date for public companies. Early application is permitted as of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 requires management to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. In doing so, companies will have reduced diversity in the timing and content of footnote disclosures than under today’s guidance. ASU 2014-15 is effective in the first quarter of 2016 with early adoption permitted. We do not believe the impact of adopting ASU 2014-15 on our financial statements will be material.

## BUSINESS

### Overview

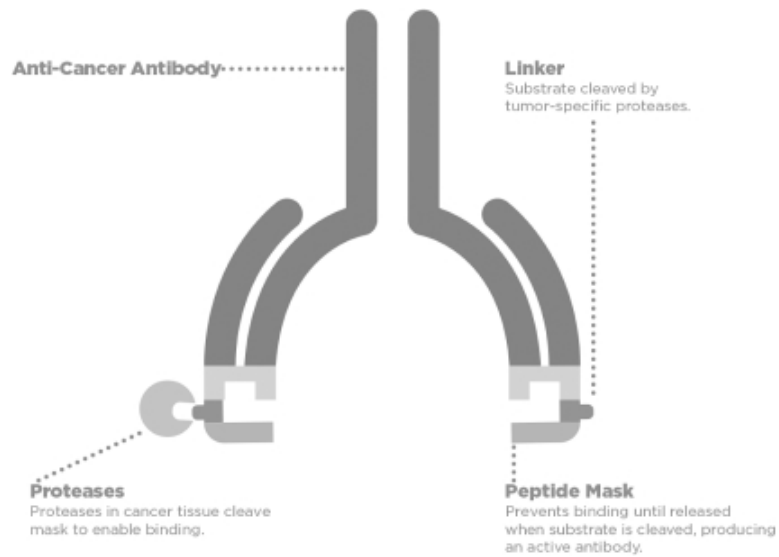
We are an oncology-focused biopharmaceutical company pioneering a novel class of antibody therapeutics based on our Probody technology platform. We are using our platform to create proprietary cancer immunotherapies against clinically-validated targets as well as to develop first-in-class cancer therapeutics against novel targets. We believe that our Probody platform will allow us to improve the combined efficacy and safety profile, or therapeutic window, of monoclonal antibody modalities including cancer immunotherapies, antibody drug conjugates (“ADCs”) and T-cell-recruiting bispecific antibodies. Our Probody therapeutics are designed to take advantage of unique conditions in the tumor microenvironment to enhance the tumor-targeting features of an antibody and reduce drug activity in healthy tissues. We are currently developing Probody therapeutics that address clinically-validated cancer targets in immuno-oncology, such as PD-L1, as well as novel targets, such as CD-166, that are difficult to drug and lead to damage to healthy tissues, or toxicities. In addition to our proprietary programs, we are collaborating with strategic partners including Bristol-Myers Squibb Company (“BMS”), Pfizer Inc. (“Pfizer”) and ImmunoGen, Inc. (“ImmunoGen”) to develop selected Probody therapeutics. Our broad technology platform and lead product candidates are supported by a decade of thorough scientific research and strong intellectual property, and we are advancing these candidates toward clinical trials. Our vision is to transform lives with safer, more effective therapies. To realize this vision we are executing on our mission of changing the treatment of cancer by urgently advancing our Probody pipeline.

The premise of our Probody platform is to apply the prodrug concept to create a therapeutic antibody that remains inactive until it reaches the tumor. Probody therapeutics therefore have the potential to produce additional tumor specificity and enhanced safety profiles because they are designed to have limited interaction with their molecular targets in healthy tissue. This approach of dosing drugs in a form such that they are only activated after reaching certain tissues is called the prodrug approach, and has been used with many small molecule drugs, but has never before been effectively pursued using therapeutic antibodies.

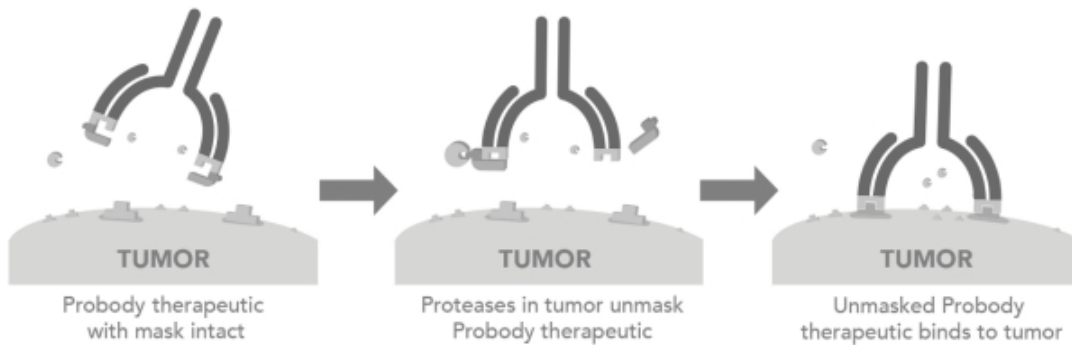
Cancer is the second leading cause of mortality in the United States and accounts for nearly one in every four deaths. Early cancer research and treatment relied on relatively non-specific and highly toxic small molecule chemotherapies. Over the last twenty years, a new paradigm of cancer research and treatment has emerged that is focused on more targeted therapies, including monoclonal antibody modalities, which represent some of the most effective and top-selling therapies on the market today. The leading three monoclonal antibodies for cancer generated more than \$20 billion in global sales in 2014. More recently, immuno-oncology has emerged as a promising new field of cancer therapy that aims to enhance anti-tumor immune responses by, for example, overcoming the suppressive mechanisms that cancer cells have developed to evade the immune system. These therapies have shown the potential to provide dramatic efficacy and to extend survival, even in cancers in which conventional therapies, such as surgery, chemotherapy and radiotherapy, have failed. In addition, new classes of monoclonal antibodies have also reached the market. These new classes include ADCs and bispecific antibodies, which have more potency than first-generation antibodies.

Despite these advancements, many therapeutic antibodies are limited by suboptimal therapeutic windows. For example, the targets of antibody therapies are often found not only on tumors but also on healthy tissue, leading to toxicities. Consequently, there remains a significant need for therapeutics that are more efficacious, safe and tolerable. We believe our technology has the potential to address this need and represents the next evolution of targeted cancer therapies.

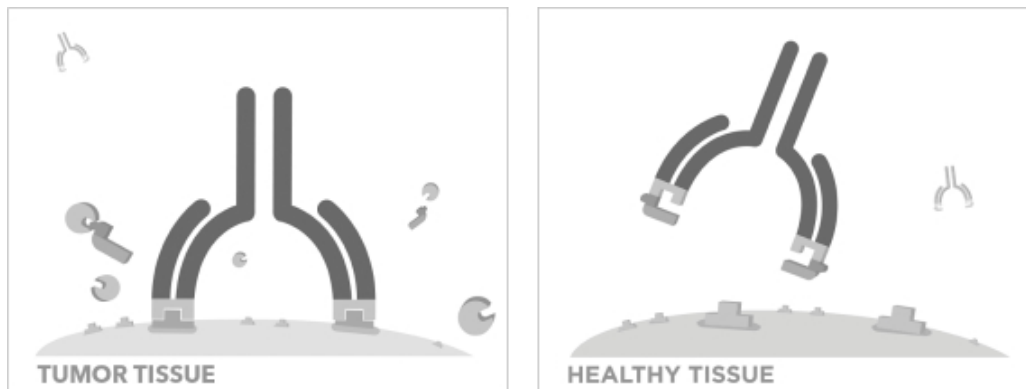
A Probody therapeutic consists of three components produced as a single protein by standard antibody production methodology: an active anti-cancer antibody, a mask for the antibody and a protease-cleavable linker. In preclinical testing, we have demonstrated the function of each of these components. The mask is a peptide designed to disguise the active binding site of the antibody to prevent the therapeutic from binding to healthy tissues. The following graphic depicts the three components of a Probody therapeutic, interacting with a protease:



When a Probody therapeutic enters a tumor, it encounters proteases, which are enzymes that cleave proteins and are active primarily in the tumor microenvironment. The proteases in the tumor cleave the linker, releasing the mask and allowing the antibody to attack the tumor. The following graphic depicts the activation of a Probody therapeutic by proteases:



The activity of proteases is a hallmark of virtually every type of solid tumor that has been studied, with thousands of scientific papers documenting this phenomenon. Our Probody technology is designed to take advantage of the fact that while proteases are active in cancerous tissues, they remain under tight physiological control in healthy tissues. Probody technology uses tumor-associated proteases to selectively cleave and activate Probody therapeutics in the immediate vicinity of tumors. Our Probody therapeutics are therefore designed to be activated by proteases predominantly in the tumor microenvironment while remaining largely in an inactive state in healthy tissues.



### Key Advantages of Our Probody Platform

We believe that our Probody platform provides the following key advantages:

- ***A novel therapeutic antibody class enabled by our proprietary platform.*** We believe we have a differentiated technology platform that gives us a substantial competitive advantage supported by more than a decade of research and strong intellectual property.
- ***Potential to improve the therapeutic window of antibody-based therapeutics.*** By engineering our therapeutics to selectively activate in the tumor microenvironment, our Probody product candidates have the potential to improve safety and tolerability while simultaneously achieving better outcomes.
- ***Ability to combine more effectively with other therapies.*** We believe the therapeutic window and tumor specificity of our candidates will reduce the dose-limiting toxicities observed in combination therapies and thus enable new combinations with other cancer therapies that are difficult or impossible to use.
- ***Applicability across many molecular targets.*** We believe that our technology addresses many different molecular targets expressed by many different kinds of tumors—including targets that are difficult to address because they are also expressed on healthy tissue—because Probody therapeutics are designed to have limited interaction with non-cancerous tissues.
- ***Versatility across antibody modalities.*** We believe that our technology can be applied to any antibody-based therapy, including novel potent modalities like ADCs, T-cell-recruiting bispecific antibodies and CARs, which are cell-based therapies that contain chimeric antigen receptors.

### Pipeline Strategies

We have three pipeline strategies that we are pursuing with our Probody platform:

- ***Develop a novel class of cancer immunotherapies directed against clinically-validated targets.*** Through our technology platform, we believe that we can expand the therapeutic window where current antibody therapies have encountered challenges with respect to safety or efficacy.

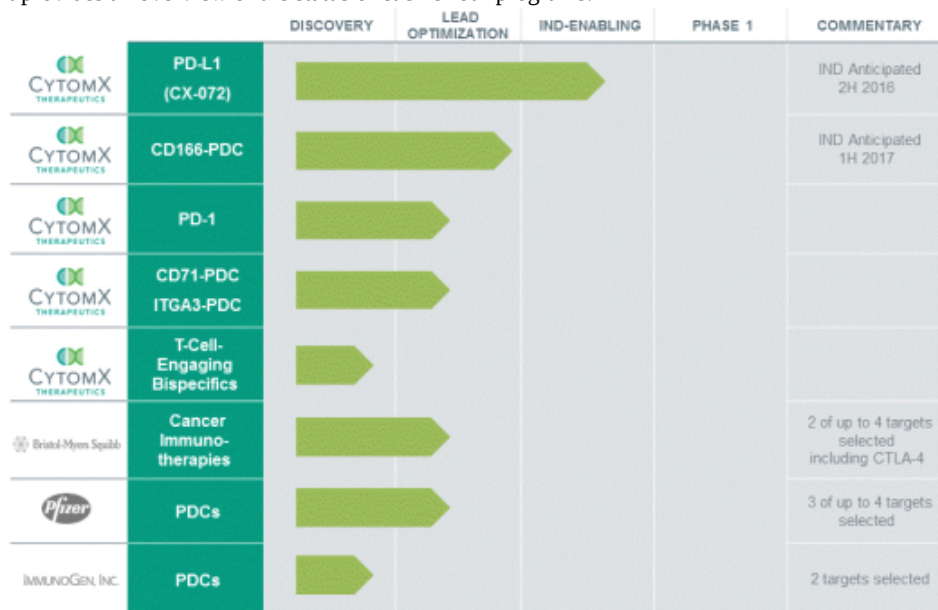


For example, combination therapies in immuno-oncology have shown great promise in terms of efficacy but have been restricted by dose-limiting toxicities. Recent preclinical research has shown that localizing cancer immunotherapies to cancerous tissue has the potential to improve the therapeutic window. We therefore see an opportunity to develop cancer immunotherapies using Probody therapeutics as the backbone for combination therapies. Our lead proprietary program for this pipeline strategy is CX-072, a Probody therapeutic directed against PD-L1, a clinically-validated target in multiple tumor types including non-small cell lung cancer, bladder cancer and melanoma.

- ***Develop novel first-in-class therapeutics directed against difficult-to-drug targets.*** We believe we can create a therapeutic window for targets where none exists because current approaches have not been viable as a result of toxicity concerns. Our Probody technology has the potential to address targets that are expressed in both tumor tissues and healthy tissues, which otherwise makes development of safe drugs difficult. Given the novelty of these treatments and their potential to address unmet medical needs, we expect to be able to pursue accelerated approval paths, such as breakthrough therapy and fast-track designations, with these compounds. Furthermore, our Probody technology potentially enables us to take better advantage of the most potent modalities of monoclonal antibody therapeutics, such as ADCs and bispecific antibodies. Our lead proprietary candidate for this pipeline strategy is a PDC directed against the target CD-166, which is expressed in multiple tumor types including breast, lung, colorectal and prostate cancer.
- ***Collaborate with leading biopharmaceutical companies to discover and develop Probody therapeutics against selected targets.*** Since 2013, we have entered into product-focused collaborations with BMS, Pfizer and ImmunoGen to develop certain Probody therapeutics. For example, we have collaborated with a leader in the field of immuno-oncology, BMS, to develop a novel Probody therapeutic directed against CTLA-4, the target for Yervoy. Yervoy is a top-selling cancer therapeutic with \$1.3 billion in sales in 2014. We foresee the opportunity to improve the therapeutic window of a CTLA-4 antibody with a Probody therapeutic. Given the breadth of opportunities for our Probody platform, collaborations continue to be an important part of our pipeline strategy.

**Our Pipeline**

The following chart provides an overview of the status of each of our programs:



**Our Company Origins, Team and Investors**

Our Probody platform technology was conceived at the University of California, Santa Barbara (“UCSB”), by our scientific founder Professor Patrick Daugherty. Since our inception, we have continued developing this technology and aspire to design a pipeline of Probody therapeutics that will better the lives of cancer patients. We have assembled an experienced and talented group of individuals dedicated to the advancement of cancer care. Our Chief Executive Officer, Dr. Sean McCarthy, leads a team that draws on robust experience in all phases of drug discovery, clinical development and commercialization. Our research and development team is led by Dr. Michael Kavanaugh, Chief Scientific Officer, and includes renowned and established researchers. Our management team members have proven track records in oncology with previous experience at Amgen, Chiron, Five Prime, Genentech, Maxygen, Medarex, Millennium, Novartis, Onyx, SGX and others.

We are well capitalized by a strong core of investors including Third Rock Ventures, Canaan Partners, Roche Venture Fund, Casdin Capital, Cormorant Asset Management, Deerfield Management, Fidelity Management & Research Company, Perceptive Advisors, Pfizer Venture Investments, Redmile Group, Tekla Healthcare Investors, Tekla Life Sciences Investors, Venrock Healthcare Capital Partners and Wellington Management Company.

## Our Business Strategy

We are utilizing our innovative Probody platform to build a long-term, multiproduct company focused on the development of new cancer treatments. Our vision is to transform lives with safer, more effective therapies. To realize this vision we are executing on our mission of changing the treatment of cancer by urgently advancing our Probody pipeline.

Our strategy encompasses the following key elements:

- **Develop and advance our pipeline of Probody cancer immunotherapies directed against clinically-validated targets.** We are developing Probody therapeutics against clinically-validated immuno-oncology targets with the goal of expanding the therapeutic window of antibody therapeutics in this important, emerging area of cancer therapy. The potentially improved safety profile offered by our Probody platform could unlock the promise of novel combinations with immunotherapies, an effective anti-cancer approach currently limited by unfavorable toxicities. Our lead wholly-owned program utilizing this approach is CX-072, our PD-L1 Probody therapeutic.
- **Develop and advance our pipeline of first-in-class Probody cancer therapies directed against novel targets.** We are developing Probody therapeutics against difficult-to-drug targets. Currently, many compelling cancer targets cannot be effectively targeted due to potential toxicity concerns, as these targets are expressed both in healthy tissue and in tumor tissue. Our Probody platform has the potential to generate a pipeline of products that remain largely inactive until they reach the tumor, activating specifically in the tumor microenvironment and potentially avoiding toxicity associated with binding to cells in healthy tissue. Our lead wholly owned program utilizing this approach is our CD-166 PDC.
- **Establish collaborations on selected programs with leading biopharmaceutical companies while retaining significant ownership of our pipeline.** We believe that establishing strategic collaborations with leading biopharmaceutical companies will build value for our shareholders. To date we have entered into collaborations with BMS, Pfizer and ImmunoGen. These alliances are multi-target, product-focused collaborations with the objective of broadening the reach of our Probody platform. For example, we are collaborating with BMS, a leader in immuno-oncology, on the discovery and development of a Probody version of Yervoy, an approved antibody targeting CTLA-4. Our current strategy is to retain full ownership of key products in our pipeline and partner selected programs. We intend to retain certain development and commercial rights for products in these future collaborations.
- **Maximize value creation by advancing our lead products to commercialization, by ourselves or with partners.** We currently have global development, marketing and commercialization rights for our lead product candidates, which target PD-L1 and CD-166, as well as additional pipeline candidates. Should we obtain regulatory approval for any of our products, we plan to build a commercial infrastructure to market our products. We may choose to opportunistically partner with biopharmaceutical companies on large and complex oncology indications. Furthermore, we may choose to partner in geographical areas outside the United States, as comprehensive capabilities of a leading industry partner may offer a faster path to key non-U.S. markets.
- **Maintain our competitive advantage by continuing to invest in our Probody platform for the long term.** Our platform is based on innovative science developed over the previous decade. We believe our technology has the potential to produce multiple drug candidates in the future across a wide range of oncology indications, creating a robust pipeline of anti-cancer agents. We plan to continue exploring and investing further in our Probody technology to fully realize the potential of our platform.

- ***Nurture and reinforce our company's culture and core values to drive the highest levels of performance and continue to attract the best talent.*** Our core values of integrity, commitment, creativity, teamwork, accountability and fun are central to our success as a company. These values, along with our mission and vision statements, align our team with our corporate goals and serve to attract top talent that seeks to have an impact on cancer treatment.

### **Cancer Remains a Major Unmet Medical Need**

Cancer is the second leading cause of mortality in the United States, accounting for nearly one in every four deaths. Approximately 40% of Americans will develop cancer, and, according to the American Cancer Society, there will be 1.7 million new cases of cancer and 589,000 deaths due to cancer in the United States in 2015.

Cancer treatment has traditionally included chemotherapy, radiation, surgery or a combination of these approaches. Small molecule chemotherapy agents can be effective in certain types of cancer, but they can also cause toxicities that may lead to life-threatening consequences, lower quality of life or untimely termination of treatment. Furthermore, these agents offer limited efficacy in many types of cancer.

Over the last twenty years, a new paradigm of cancer research and treatment has emerged that involves more targeted therapies, including monoclonal antibodies. Monoclonal antibodies are proteins derived from living organisms that bind to targets, called antigens, on tumor cells and then inhibit tumor growth. As a drug class, monoclonal antibodies have transformed oncology treatment and represent some of the most effective and top selling therapies on the market. For example, Herceptin, Avastin and Rituxan have dominated the market with over \$20 billion in annual sales. The success of conventional monoclonal antibodies has been hindered by limited efficacy and by safety and tolerability concerns. Administration of antibodies may cause systemic side effects, as well as localized, organ-specific damage. Much of this toxicity is a direct consequence of the fact that healthy tissues express the same antigens that antibodies target on cancerous cells.

More recently, immuno-oncology has emerged as a promising new field of cancer therapy that aims to enhance anti-tumor immune responses by, for example, overcoming mechanisms that cancer cells have developed to evade the immune system. Some cancer cells overly express proteins, called immune checkpoints, that apply brakes to the immune system, and enable the tumor cells to evade destruction. Immune checkpoint inhibitors Opdivo, Keytruda and Yervoy—antibodies targeting these immune inhibitory proteins—release these brakes and allow the immune system to destroy the tumor. These drugs have shown promising efficacy in clinical trials and have been approved for the treatment of melanoma and non-small cell lung cancer. They are currently being explored for multiple other solid tumor indications. Although these drugs have demonstrated promising results, only a minority of patients receive durable benefit from treatment with these agents alone. Most recently, combination regimens of immunotherapy agents have demonstrated signs of improved efficacy in larger numbers of patients. We believe that combination therapy will play a critical role in future cancer immunotherapy regimens. However, many of these combinations have significant toxicity and tolerability issues, due in part to the activation of the immune system in both healthy and cancerous environments. We believe these issues will likely impact further clinical and commercial advancements of combination cancer immunotherapies.

In the past decade, a new class of highly potent monoclonal antibody-based therapies has emerged. ADCs represent one such class of second-generation biologics. These agents are comprised of two functional units chemically fused or conjugated to each other: a cytotoxic drug payload and a monoclonal antibody. ADCs combine the targeting abilities of the antibody with the cancer killing ability of cytotoxic drugs, leading to better specificity in targeting tumor cells compared to traditional chemotherapy. Ado-trastuzumab emtansine and brentuximab vedotin are ADCs that have been approved for the treatment of specific subsets of breast cancer and lymphoma, respectively. Bispecific antibodies, another class of second-generation biologics, have the ability to simultaneously bind a cancer cell and a T-cell, leading to the destruction of the cancerous cell by the T-cell. This ability improves the potency of bispecific antibodies compared to first-generation monoclonal antibodies.

Blinatumomab is an example of a T-cell-recruiting bispecific antibody that has recently been approved for the treatment of relapsed or refractory acute lymphoblastic leukemia (“ALL”). While all of these potent new therapies have shown promise, none addresses a key limitation of antibody-based therapeutics—expression of targets in healthy tissue, which leads to toxicity and limits clinical use.

### Exploiting Protease Biology for our Proprietary Probody Platform

Proteases play an essential role in many aspects of normal physiology, such as digestion of food in the gastrointestinal tract, wound healing and metabolic function. However, uncontrolled protease activity can lead to destruction of essential proteins and tissues. Therefore, proteases are normally very tightly regulated by redundant mechanisms, with very little extracellular protease activity detectable in healthy tissues. In contrast, it has been well documented that proteases are not only present, but also activated, in virtually all types of tumors, allowing for tumor growth, invasion and metastasis. We have been studying the role proteases play in cancer for over a decade, and how to use the proteases in tumors to our advantage. Probody therapeutics are designed to be activated in this protease-rich tumor microenvironment but not in healthy tissue where proteases are under tight control.

### Our Probody Platform

Our Probody platform utilizes active proteases in tumor tissue to allow monoclonal antibody-based therapies to be delivered in an inactive state and then to be activated at the tumor site. This approach is designed to limit toxicity that typically arises from the binding of an antibody to a target in healthy tissues while preserving biological activity in the tumor where it is desired. We have demonstrated the applicability of the Probody platform to multiple monoclonal antibody modalities, including ADCs and T-cell-recruiting bispecifics. We are also investigating the application of Probody technology to CARs, which are cell-based therapies that contain chimeric antigen receptors.

Our Probody therapeutic consists of three components: an active anti-cancer antibody, a mask for the antibody and a protease-cleavable linker. In preclinical testing, we have demonstrated the function of each of these components. The mask is a peptide that limits the binding of a Probody therapeutic to its target in healthy tissues when introduced into the circulation. The mask can be released from the Probody therapeutic by specific tumor-associated proteases. When a Probody therapeutic encounters an activated protease, an enzyme that is active primarily in the tumor microenvironment, the protease cleaves the linker and releases the mask, freeing the antibody component to attack the tumor. We believe that this approach will localize therapeutic effects to the tumor and minimize toxicities in healthy tissue, as shown in the figure below:



Each Probody therapeutic is recombinant; that is, it is created using molecular biology techniques so that both the binding function and the cleavable linker function are encoded in the nucleic acid sequence and expressed as a single protein, like other monoclonal antibody therapeutics.

The design of the mask peptide and protease-cleavable linker is technically challenging. Together with experts in the field, we spent the last decade conducting research to characterize protease activity and to engineer proteins to take advantage of specific proteases. In addition, we devised criteria for identifying proteases that would work best in the context of our platform. Among these criteria, we targeted proteases that were:

- highly expressed in active form across multiple tumor types;
- either located on the outer cell surface or secreted by the cell;
- able to remove a mask from a Probody therapeutic; and
- significantly less active in normal, healthy tissues or in blood.

We have chosen and optimized protease-cleavable linkers so that any one of a number of activated proteases can cleave them. For example, our linkers can be cleaved by proteases such as matriptase and matrix metalloproteases, which have been shown to be active in numerous cancers such as colon, breast and pancreatic. Using this approach, we believe our Probody therapeutics can be cleaved and activated by at least one protease in the majority of tumors. We also developed a proprietary process to identify and optimize the mask peptides. Mask peptides must be potent enough to block the normal target binding activity of the antibody, but weak enough that they are readily displaced upon protease cleavage. We believe our expertise in fine-tuning our platform technology is a competitive advantage.

## **Our Pipeline Strategies For Our Probody Platform**

### *Our First Pipeline Strategy*

*A novel class of cancer immunotherapies directed against clinically-validated targets.* Through our technology platform, we believe that we can expand the therapeutic window for clinically-validated targets where current therapies have encountered challenges with respect to safety or efficacy. We have validated this approach preclinically with multiple targets, and plan to develop multiple novel Probody therapeutics in the field of immuno-oncology to address just such issues. Our first Probody product candidate in this area, CX-072, is directed against PD-L1 and is described later in this section.

*Opportunity for safer and more effective therapies in immuno-oncology.* We believe we have multiple opportunities to enter the immuno-oncology field given the potentially enhanced safety and efficacy profiles of our Probody product candidates. In particular, therapeutic approaches already validated by current drugs offer us attractive entry points. The approaches we are targeting initially are checkpoint inhibitors, where severe dose-limiting toxicities have been observed, especially in combination therapies.

The immune system is capable of recognizing and eliminating tumor cells; however tumors are sometimes able to block the immune response through alteration of regulatory checkpoint pathways. Tumors express proteins, called checkpoint proteins, which can apply the brakes to the immune system, preventing it from attacking the tumor. By creating a monoclonal antibody that inhibits these proteins, the brakes can be released, and the immune system can eliminate the tumor. Novel cancer therapies that target these proteins are being tested in clinical trials by others, and three antibody products, ipilimumab, pembrolizumab and nivolumab, have recently been approved by the FDA.

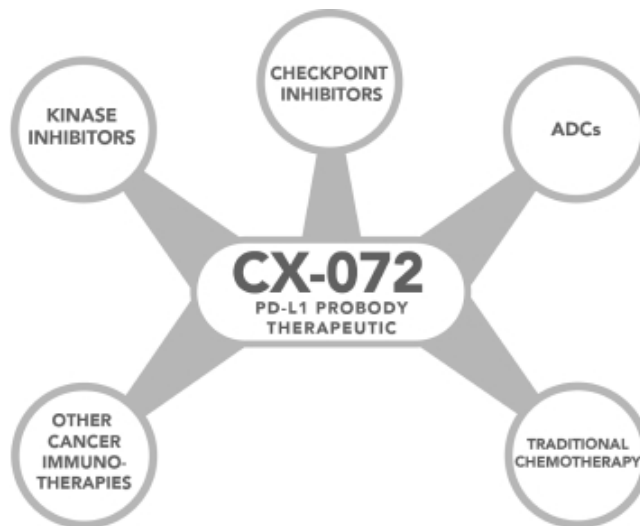
While this approach has resulted in remarkable clinical results, including long-term remissions in patients who previously would have died, there are significant toxicities associated with these therapies. Because tumors use the same mechanisms to inhibit the immune system that the body uses to ensure that the immune system does not attack normal tissues, these therapies release the brakes not only in the tumor, but also elsewhere in the body. This can result in the immune system attacking normal tissues and a number of toxicities, including, for example, severe lung inflammation.

Combination therapy is the next frontier in immuno-oncology. While single-agent therapy has proven to be effective in certain patients (inducing effective, durable remissions), the oncology community is currently exploring new, more potent combinations to create longer-term and more durable responses in a larger percentage of patients. This new potency addresses the lack of response seen in the majority of patients, but it brings with it additional toxicity. Data emerging from clinical studies has suggested that some combinations may provide promising enhanced anti-tumor efficacy, but at the expense of greater toxicities that may limit their clinical utility. In a recent clinical trial, 58% of patients treated with the combination of nivolumab and ipilimumab had an objective response, but 36% had adverse events severe enough that they had to withdraw from the trial and discontinue combination therapy. That withdrawal rate compared to 8% of patients receiving nivolumab alone and 15% of patients receiving ipilimumab alone.

*Our Probody therapeutic solution for immuno-oncology.* Recent research results have suggested that immunotherapy that is specifically directed to the tumor microenvironment while sparing the rest of the body may allow efficacy without the toxicities seen with systemic delivery of these drugs. In a mouse model investigators have shown efficacy of antibodies targeting CTLA-4 at much lower doses when the antibody was injected directly into a tumor rather than infused into the blood stream and delivered systemically. This result suggests that there are sufficient tumor-reactive immune cells, called T-cells, activated by the antibodies targeting CTLA-4 within the tumor to elicit an anti-tumor response. This activation of T-cells outside of the tumor is not required to get the desired therapeutic effect. Therefore, local activation of immuno-oncology agents, such as checkpoint inhibitors, in the tumor microenvironment may yield efficacy while minimizing systemic exposure that may lead to toxicity.

Based on these results and our own research, we believe that inhibiting the checkpoints on T-cell immune response locally, rather than systemically, using the Probody technology will significantly reduce toxicities and increase the tolerability of these types of cancer immunotherapies, especially in combination with other therapies. We believe that the challenges faced by combinations, including combinations with PD-L1 checkpoint inhibitors, will be observed across many classes of immuno-oncology therapeutics and other cancer therapeutics. We believe that Probody therapeutics represent an attractive way to limit or avoid the toxicities that are observed in these approaches, leading to better efficacy and safety. We believe that CX-072, our PD-L1 Probody therapeutic and follow-on product candidates against other immuno-oncology targets, for example, PD-1, have the potential to become a new backbone of the combination therapy in immuno-oncology.

The following graphic illustrates the central role in immuno-oncology that we believe CX-072 could play as a combination therapy partner for a variety of existing therapeutics:



*Our Second Pipeline Strategy*

*Novel first-in-class therapeutics directed against difficult-to-drug targets.* We believe we can create a therapeutic window for targets where none exists in cases where current approaches have not been viable or are not expected to be viable because of toxicity concerns. Furthermore, our Probody technology potentially enables us to take better advantage of the most potent modalities of monoclonal antibody therapeutics such as ADCs and bispecific antibodies, which can be too toxic to use in some settings. We have validated this approach with multiple preclinical Probody therapeutics. Our first Probody product candidate in this area will be a PDC directed against CD-166, described later in this section.

*Opportunity for therapies against difficult-to-drug targets.* We are addressing targets that are difficult to drug, in a way that we believe will make these targets useful for cancer therapies for the first time. The development of oncology therapeutics has traditionally been hindered by the need to find “druggable” targets, that is, proteins that not only can be biologically affected by therapeutics, but also are found in abundance on tumor cells and not so abundantly on normal cells. Based on the conventional paradigm, a druggable target must be expressed at very low levels, or be absent, on healthy cells or there will likely be indiscriminate cell killing and toxicities as a result. Further, the target should be expressed at high levels in tumors to allow delivery of high levels of cytotoxic drug to the tumor. As a consequence, only a small number of targets have an expression profile that is suitable for developing effective oncology drugs and avoiding toxicity in normal tissues. This is especially the case for the new generation of highly potent antibody-based therapies, such as ADCs, T-cell-recruiting bispecific antibodies, and others, whose extreme potency typically demands even more stringent target selection.

Accordingly, targets that are difficult to drug due to their wide expression represent a very attractive new space for cancer drug development that other companies have largely not been able to pursue. Given our Probody technology, we believe we are in a position to address many new targets in previously untapped areas and open up a greater portion of tumor biology to therapeutic intervention.

*Our Probody solution to difficult-to-drug targets.* To be effective therapeutics, ADCs must bind to highly expressed tumor targets to enable the delivery of enough Cytotoxic payload to kill tumor cells, yet bind at low levels to normal tissues. We have systemically surveyed the human genome to identify targets for PDCs that are highly expressed in tumor tissue but that have not been pursued by others because of the concern of toxicity due to healthy tissue expression. Our Probody therapeutics have the potential to deliver more payload to tumor tissue but not significantly bind normal tissues, thereby creating drugs with viable therapeutic windows. We have identified and are pursuing a number of such targets, such as CD-166. CD-166 is expressed at high levels in tumor cells, which may allow delivery of high levels of cytotoxin and therefore enable efficient tumor killing. Further, unlike conventional ADC targets, which are found in only a small number of tumor types because of their requirements for low normal tissue expression, PDC targets can be found in many different tumor types, suggesting that these product candidates could address very large markets.

PDC targets are expressed in many more cancers than validated ADC targets. Shown below is the prevalence of high level expression of certain clinically-validated targets:

		<u>Breast</u>	<u>Prostate</u>	<u>Pancreas</u>	<u>Ovarian</u>	<u>NHL</u>	<u>Lung</u>	<u>Bladder</u>
<b>PDC Targets</b>	<b>CD-166</b>	70%	80%	20%	50%	—	70%	15%
	<b>CD-71</b>	50%	30%	50%	60%	>90%	70%	50%
	<b>ITGA3</b>	15%	10%	>90%	75%	—	15%	>95%
<b>Typical ADC Targets</b>	<b>HER2</b>	25%	<5%	<5%	<5%	—	<5%	<5%
	<b>CD-30</b>	—	—	—	—	~50%	—	—



*Our Third Pipeline Strategy*

*Collaborations with leading biopharmaceutical companies to advance Probody product candidates.* We believe that the Probody platform has broad applicability across a number of targets and antibody formats. We have leveraged strategic partnering to extend the reach of our therapeutic opportunity. Since the beginning of 2013, we have entered into product-focused collaborations with Pfizer, ImmunoGen, and BMS to enable development of certain Probody therapeutics. In constructing each of these collaborations, our primary objectives were to collaborate with leading biopharmaceutical players to validate the potential of Probody therapeutics, to gain meaningful near-term funding and / or technology access to enable advancement of CytomX's wholly owned Probody therapeutics pipeline, and to retain significant milestones and royalties for long term upside. The details of our three existing collaborations are as follows:

- **BMS Probody therapeutic collaboration.** In May 2014, we entered into a collaboration with BMS for up to four targets. The initial focus of this collaboration is to develop Probody therapeutics against certain immunotherapy targets. We chose to form a collaboration with BMS because we believe that they have industry leading capabilities in immunotherapy, including approved products such as Yervoy, targeting CTLA-4, and Opdivo, targeting PD-1. The BMS collaboration provides us with a \$50 million upfront payment, up to \$25 million in additional target nomination fees, research funding, up to \$1,192 million in development, regulatory, and commercial milestones and mid-single digit to low-teen royalties on net sales of products arising from this collaboration. Our collaboration is structured such that we are responsible for generating Probody therapeutics against selected BMS targets. BMS is responsible for development and commercialization for each of the four product candidates and bears all such costs in the collaboration. BMS has selected two of the targets in this collaboration and has an option to nominate two additional targets. The most advanced product candidate in this collaboration is our CTLA-4 Probody product candidate, which is currently in lead optimization stage. Given their success with Yervoy, an antibody that targets CTLA-4, we believe that BMS is the optimal partner to advance a Probody therapeutic against this clinically-validated target.
- **Pfizer PDC collaboration.** In May 2013, we entered into a collaboration with Pfizer for up to four targets. We chose to form a collaboration with Pfizer because we believe that they have industry leading capabilities in ADCs, including access to proprietary drug conjugate linkers and toxins. The Pfizer collaboration provides us with up to \$25 million in upfront payments, research funding, and near term milestones, up to \$610 million in development, regulatory, and commercial milestones, and mid-single digit to low-teen royalties. Our collaboration is structured such that we are responsible for generating Probody therapeutics against Pfizer-selected targets and Pfizer is responsible for conjugating the Probody therapeutics with their proprietary toxins and related linkers to create PDCs. If Pfizer exercises its option for a commercial license, it would be responsible for development and commercialization for each of the four product candidates and would bear all costs in the collaboration. Pfizer has selected three of the targets in this collaboration and has an option to nominate one additional target. The most advanced program in the collaboration is in the lead optimization stage.
- **ImmunoGen PDC collaboration.** In January 2014, we entered into a collaboration with ImmunoGen in which we gained limited access to ImmunoGen's drug conjugate technology in exchange for ImmunoGen gaining limited access to our Probody platform. We chose to form a collaboration with ImmunoGen because they have drug conjugate technology that has been clinically validated for multiple antibody products targeting solid tumor indications, including Kadcyra and mirvetuximab soravtansine. Our collaboration is structured so that we have access to ImmunoGen's toxins and related linkers for one of our PDC targets. We have elected to utilize this license to enable our CD-166-PDC program. ImmunoGen is responsible for conjugating our Probody product candidate with their proprietary toxins and related linkers to create the PDC. We

retain full development and commercial rights for this product, and we may owe ImmunoGen up to \$60 million in development and regulatory milestones, \$100 million in sales milestones, and mid to high single digit royalties. Our CD-166 PDC program is currently in lead optimization stage. ImmunoGen gains access to our Probody platform for two targets, and have already nominated both of these targets. We are responsible for generating Probody therapeutics against these ImmunoGen targets and ImmunoGen is responsible for conjugating these using their proprietary toxins and related linkers to create the PDCs. ImmunoGen retains full development and commercial rights for these products, and ImmunoGen owes us up to \$30 million in development and regulatory milestones, \$50 million in sales milestones, and mid-single digit royalties per program. The most advanced ImmunoGen product is currently at discovery stage.

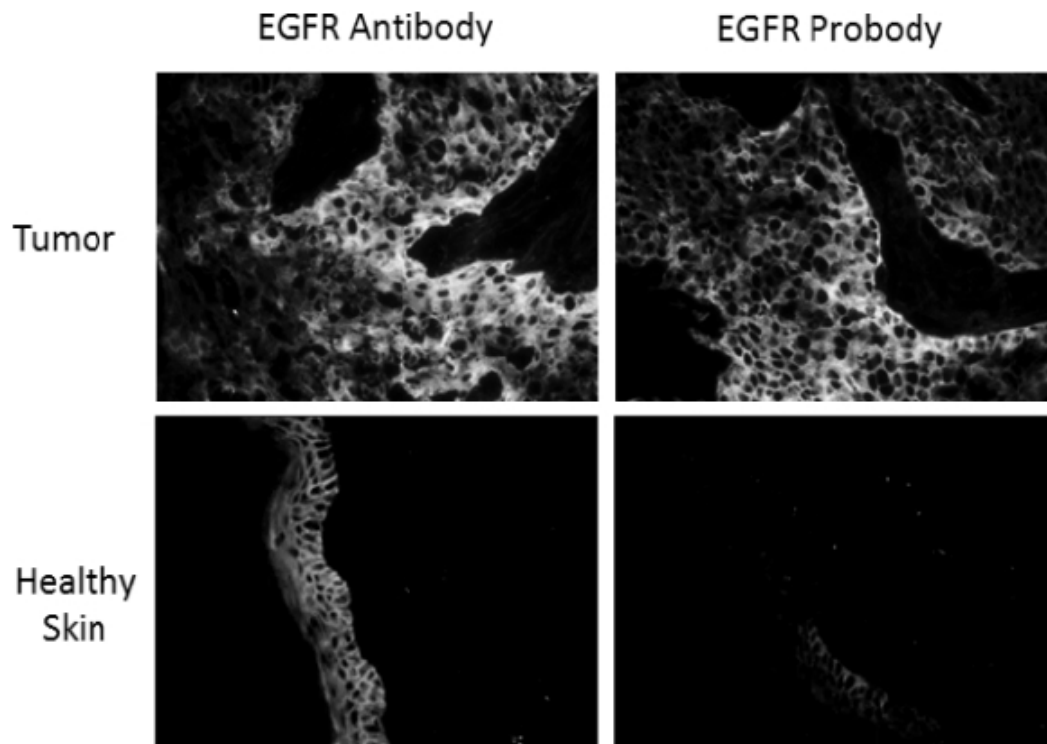
## **Preclinical Proof of Concept**

### ***Preclinical Probody Platform Proof of Concept on a Clinically-Validated Target: EGFR***

To demonstrate that Probody therapeutics are capable of improving the therapeutic window and potential clinical utility of therapeutics directed against clinically-validated targets, we generated a Probody therapeutic directed against EGFR. Antibodies that bind EGFR are the basis of the marketed cancer therapeutics cetuximab and panitumumab, and are used in the treatment of colorectal and head and neck cancers, which express EGFR at high levels. A characteristic feature of antibodies targeting EGFR is that they cause a dose-limiting skin rash in as many as 90% of patients, due to the presence of EGFR in healthy skin. We hypothesized that an EGFR Probody therapeutic may be able to achieve similar levels of anti-tumor efficacy as an EGFR antibody, but should produce less skin toxicity because Probody therapeutics are designed to have limited interaction with healthy tissues, such as skin.

To confirm this hypothesis, we first compared the ability of the EGFR-targeting antibody cetuximab and an EGFR Probody therapeutic derived from cetuximab to bind to EGFR-expressing human tumors and to healthy human skin. Cetuximab labeled with a fluorescent marker was allowed to bind to a section of tumor and skin tissue, and binding was detected by looking for fluorescence in the section. As expected, cetuximab bound to both colon tumors and to healthy skin. However, if fluorescently-labeled EGFR Probody therapeutic was incubated with these tissues, it bound to the tumor similarly to cetuximab, but did not bind significantly to healthy skin. The tumor had active proteases that were capable of cleaving the mask from the Probody therapeutic and releasing the antibody which bound to the EGFR found in the sample. However, healthy skin had insufficient active protease to cleave the mask, and the Probody therapeutic did not effectively bind to the EGFR present in healthy skin.

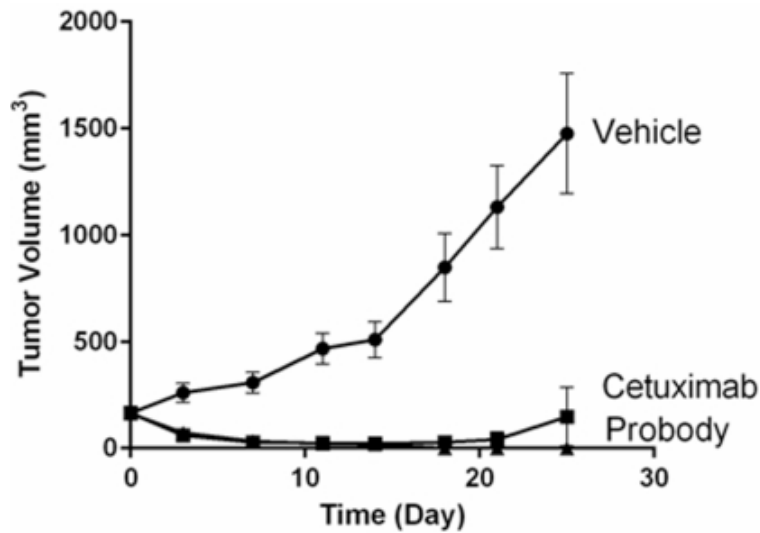
The following graphic depicts the comparable binding of an EGFR-targeting antibody and an EGFR-targeting Probody therapeutic to EGFR-expressing human tumors, and further illustrates that the Probody therapeutic did not bind to healthy skin:



Next, we showed that the EGFR Probody therapeutic was activated by protease and bound to its target in tumors in a mouse xenograft model. Tumors formed by injection of EGFR-expressing human lung cancer cells were readily recognized by the EGFR-targeting antibody cetuximab and also by the EGFR Probody therapeutic. However, a modified Probody therapeutic containing a non-cleavable linker sequence rather than the normal, protease-cleavable linker was not activated by tumor proteases, and binding of the Probody therapeutic to the tumor was not observed. This concept is illustrated by the figure below:



Based on these data, we predicted that an EGFR-directed Probody therapeutic should be efficacious against EGFR-expressing tumors but should avoid the skin toxicities associated with this type of therapy. In a mouse xenograft model, we demonstrated that an EGFR-directed Probody therapeutic was equally efficacious in inhibiting tumor growth as cetuximab when given at the same dose, as illustrated by the graph below:



The following table shows that treatment of non-human primates with cetuximab induces skin rash while an EGFR-directed Probody therapeutic does not.

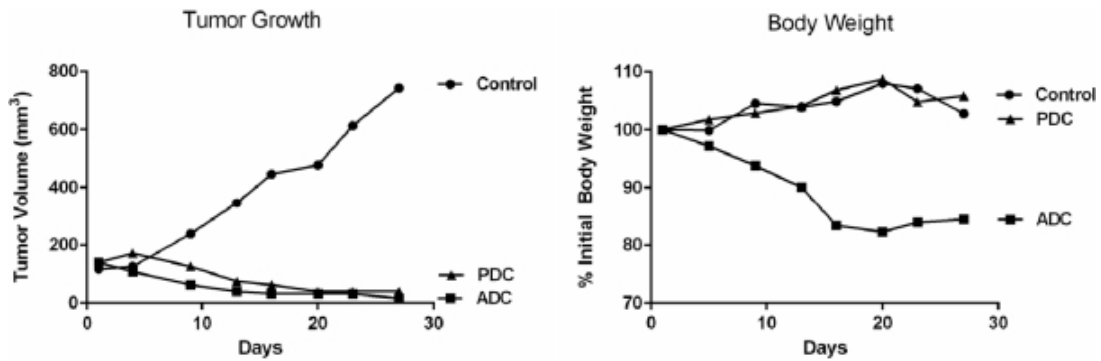
Drug	Animal	Result
Cetuximab	Subject 1	Rash
	Subject 2	Redness
	Subject 3	Rash
Probody Therapeutic	Subject 4	No Rash
	Subject 5	No Rash
	Subject 6	No Rash

Further, when non-human primates were exposed to the Probody therapeutic and antibody at high doses over 5 weeks, the animals treated with the Probody therapeutic did not develop skin rash, while rash or skin redness was seen in all of the antibody-treated animals. We have out-licensed rights to one EGFR Probody modality, but have retained rights to all other modalities of the EGFR Probody platform, including bispecific Probody therapeutics.

***Preclinical Probody Platform Proof of Concept for a Difficult-to-Drug Target: Jagged***

As a preclinical proof of concept for our approach to considered difficult-to-drug targets, we made a PDC against Jagged, a protein in the Notch signaling pathway. The Notch pathway has been extensively studied as a potential intervention point for oncology therapies because of its role in the development and growth of tumors, and Jagged is expressed more highly in tumors than in normal tissues, which might make it an attractive drug target. However, Jagged is expressed in normal tissues and has an important role in normal physiology. Accordingly, mice treated with an antibody directed against Jagged suffer severe side effects, including the loss of body weight, loss of hair, and release of proteins called cytokines that induce inflammation in the animal.

We made a PDC against Jagged and compared its effects in tumor-bearing mice to those of an anti-Jagged ADC. As shown below, the PDC achieved similar anti-tumor efficacy as the ADC, and we believe that as a result of limited interaction with Jagged in healthy tissues, there were significantly fewer side effects as measured by body weight:



These results demonstrate that a Probody therapeutic can be efficacious and safe when directed to a target that is difficult to approach with antibodies because of toxicity concerns. We are continuing research on anti-Jagged Probody therapeutics with our academic collaborators.

**Our Product Candidates**

The following chart provides an overview of the status of each of the programs in our pipeline:

		DISCOVERY	LEAD OPTIMIZATION	IND-ENABLING	PHASE 1	COMMENTARY
	PD-L1 (CX-072)	[Progress bar]				IND Anticipated 2H 2016
	CD166-PDC	[Progress bar]				IND Anticipated 1H 2017
	PD-1	[Progress bar]				
	CD71-PDC ITGA3-PDC	[Progress bar]				
	T-Cell-Engaging Bispecifics	[Progress bar]				
	Cancer Immunotherapies	[Progress bar]				2 of up to 4 targets selected including CTLA-4
	PDCs	[Progress bar]				3 of up to 4 targets selected
	PDCs	[Progress bar]				2 targets selected

### ***PD-L1 Overview***

The immune system is capable of recognizing and eliminating tumor cells; however, tumors are sometimes able to evade the immune response through alteration of regulatory checkpoint pathways. One of these pathways is driven by PD-L1 which is overexpressed by some tumors. PD-L1 binds to its receptor, PD-1, on immune T-cells and can suppress immune activation. Between 35% and 100% of certain types of cancer, such as melanoma, hepatocellular carcinoma, colorectal cancer, and non-small cell lung cancer, overexpress PD-L1. Novel cancer therapies that target PD-L1 or PD-1 are being tested in clinical trials by others.

### ***Limitations to Current PD-L1-Targeted Therapeutics***

The normal role of the PD-L1/PD-1 pathway is to prevent cancer autoimmune attacks against healthy tissue in the body. Due to the systemic inhibition of this pathway by current cancer immunotherapies, patients face the risk of a number of adverse events associated with inappropriate activation of the immune system beyond the tumor site, including severe lung inflammation. Thus, although PD-L1/PD-1 pathway inhibitors are highly promising in multiple cancers, their toxicity presents a challenge that has not been effectively addressed by existing therapies, particularly when used in combination with other immunotherapies.

### ***Our Solution, CX-072, Our PD-L1 Probody Therapeutic***

Our PD-L1 Probody therapeutic, CX-072, is based on a monoclonal antibody targeting PD-L1 that we developed. We anticipate filing an IND, or similar regulatory filing, for CX-072 with the FDA or a foreign regulatory authority in the second half of 2016.

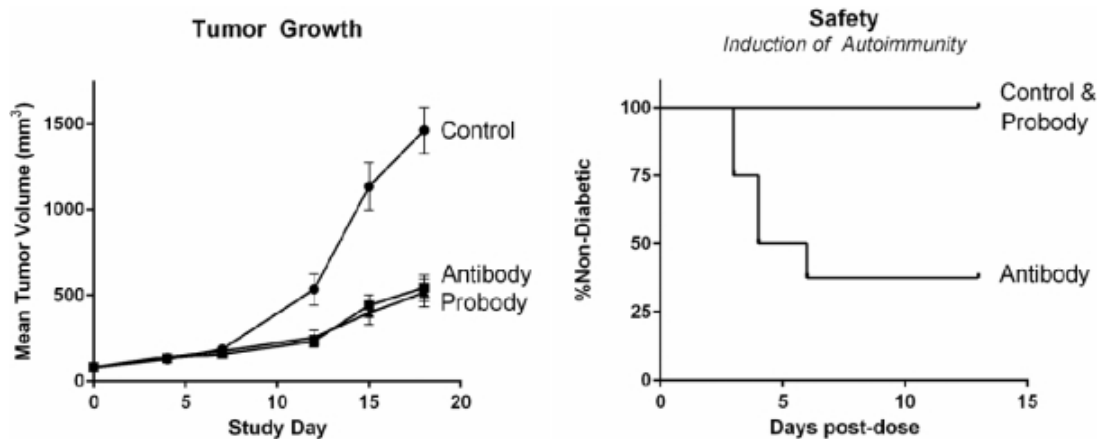
Our preclinical results have shown that CX-072 binds more weakly to PD-L1 than its underlying antibody in the absence of protease activation because of the presence of the mask. Once the mask is removed, the released antibody component of CX-072 binds to human, mouse, and non-human primate PD-L1 tightly. CX-072 has shown *in vivo* efficacy comparable to well-published reference PD-L1-targeting antibodies in various animal models. We expect the tolerability of CX-072 to be higher than other PD-L1-targeting antibodies due to the fact that CX-072's activity has been shown to be attenuated by the mask such that it does not significantly inhibit the PD-L1/PD-1 checkpoint pathway outside of the tumor.

PD-L1 presents, we believe, an ideal case for the development of a Probody product candidate because it is a clinically validated immunology target. Further, the fact that PD-L1 is expressed on the surface of tumor cells, physically near to where proteases are found, potentially may favor the efficient cleavage and activation of the PD-L1 Probody therapeutic close to its site of action and ensure the Probody therapeutic will be maximally efficacious.

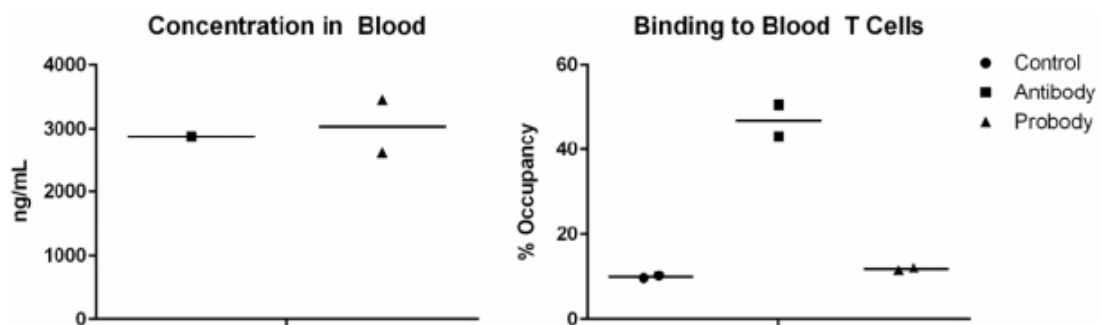
#### *Preclinical Data*

The efficacy of our PD-L1 Probody product candidate in a mouse MC38 xenograft model of colon adenocarcinoma is equivalent to that observed with the PD-L1 monoclonal antibody it was derived from and to published studies of other PD-L1 antibodies, signifying that the Probody therapeutic is activated in tumors in this animal model. Multiple studies have demonstrated that inhibition of PD-L1 by monoclonal antibodies induces autoimmunity in a mouse autoimmune diabetes induction model. The lack of significant systemic activation of this Probody therapeutic was evidenced by its reduced ability to induce autoimmune diabetes compared to the parental antibody. Systemic dosing of a PD-L1 Probody therapeutic in this mouse model did not lead to diabetes in any of the mice while the majority of mice who received the same dose of the parental PD-L1 antibody developed diabetes within one week.

The following graphs demonstrate the comparable efficacy of a PD-L1 Probody therapeutic and a PD-L1-seeking antibody in a mouse colon cancer xenograft model (left panel), as compared to the greater relative safety of the PD-L1 Probody therapeutic (right panel):



To investigate further, we examined how much antibody or Probody therapeutic was present in blood and bound to T-cells in these mice. As shown below in the left panel, the PD-L1 Probody therapeutic and antibody were present at equal levels in the blood. However, as shown below in the right panel, a significant amount of antibody targeting PD-L1 was found attached to T-cells in the blood while very little of the Probody therapeutic was found attached to these cells:



These observations are consistent with our prediction that Probody CX-072 should minimally interact with its target, PD-L1, outside of the tumor, should not bind significantly to immune cells in the blood or in the pancreas, and therefore should not induce autoimmunity to the extent that a conventional antibody targeting PD-L1 does. We believe our findings demonstrate for the first time that a PD-L1 blockade limited to the vicinity of the tumor microenvironment is sufficient to drive anti-tumor responses.

#### Clinical Plan Including Potential Combinations

We intend to initially investigate the clinical potential of our PD-L1 Probody therapeutic in a Phase 1 trial in indications where preliminary efficacy has already been demonstrated with other PD-L1 antibody products used as monotherapy, such as in melanoma, non-small cell lung cancer or bladder cancer. We intend to assess the utility of selecting patients using biomarkers, such as the expression of PD-L1 in the tumor, to increase the probability of patients in our trials responding to our drug. We also intend to examine whether the PD-L1

Probody therapeutic is activated in tumors but not systematically. While the primary goal of our Phase 1 trial is safety, we will also assess preliminary evidence of efficacy. We intend to advance our PD-L1 Probody therapeutic into combination trials where our aim is to demonstrate reduced toxicity with similar efficacy versus other combination therapies. Because a large proportion of patients in early trials of combination immunotherapies, such as the combination of ipilimumab and nivolumab, had to withdraw due to toxicity, we believe that a PD-L1 Probody therapeutic has the potential to treat a larger proportion of patients for a longer period of time, allowing more patients to benefit from therapy. We believe that our PD-L1 Probody therapeutic has the potential to become a centerpiece of combination cancer therapy.

### ***Our Product Candidate, CD-166 Probody Therapeutic***

#### *CD-166 Overview*

CD-166, also referred to as activated leukocyte cell adhesion molecule (“ALCAM”) is involved with cell adhesion and migration. It is expressed at very high levels in many tumors including 70% or more of prostate, breast, and lung cancers and 50% of ovarian cancers. Its expression has been linked to cancer stem cells and overall poor prognosis in cancers such as colorectal cancer. Preliminary experiments conducted at the University of Oslo in a mouse colorectal xenograft model using a CD-166 single-chain antibody delivered directly to the tumor confirmed the potential efficacy of targeting CD-166. However, CD-166 is a poor candidate for standard antibody-based therapies, including ADCs, because it is widely expressed in many normal tissues.

#### *Our Solution, CD-166 PDC*

Our CD-166 PDC, composed of a Probody therapeutic targeting the CD-166 protein antigen coupled to a highly potent cytotoxic drug, DM4. We anticipate filing an IND for CD-166 PDC in the first half of 2017.

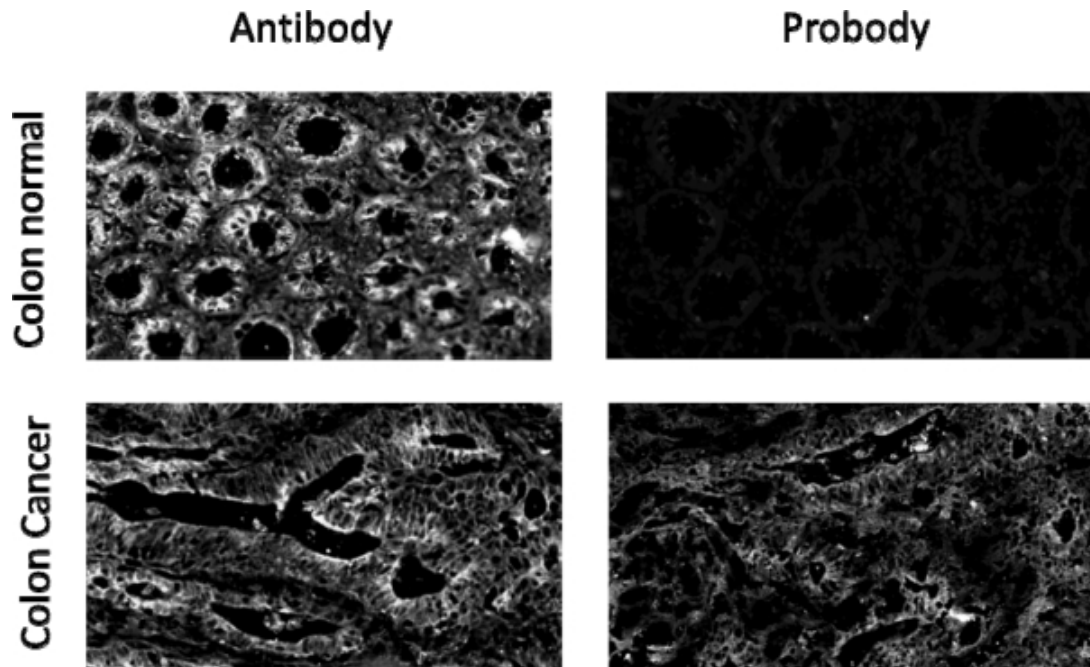
CD-166 is a cell surface protein that is highly expressed in a wide variety of tumors. While its broad and high expression in tumors makes it a very attractive target for antibody-based therapeutics, CD-166 is also expressed in normal tissues, which would normally raise toxicity concerns. We believe that the wide expression of CD-166 would rule out the development of a standard ADC against this target. By contrast, based on preclinical findings, our Probody platform enables us to generate a CD-166 antibody product that remains largely inactive until it reaches the tumor, thus reducing the unwanted toxicity associated with binding to cells in normal tissue. As a result, we believe we can create a therapeutic window for our CD-166 PDC where none existed before. In preclinical animal models, we have shown that our CD-166 PDC has antitumor activity similar to a CD-166 monoclonal ADC and is well-tolerated.

We chose to conjugate the antibody component of our CD-166 Probody candidate with a highly potent cytotoxic drug, DM4, developed by and licensed from our partner ImmunoGen. DM4 has an established regulatory and clinical trial history including in ImmunoGen’s IMGN 853, or mirvetuximab soravtansine, a potential new treatment for patients with folate receptor alpha-positive cancer including ovarian cancer. Our goal is to increase the efficacy of our CD-166 Probody therapeutic by including this cytotoxic drug conjugate and we believe that our technology will limit systemic toxicity associated with expression of CD-166 in healthy tissue.

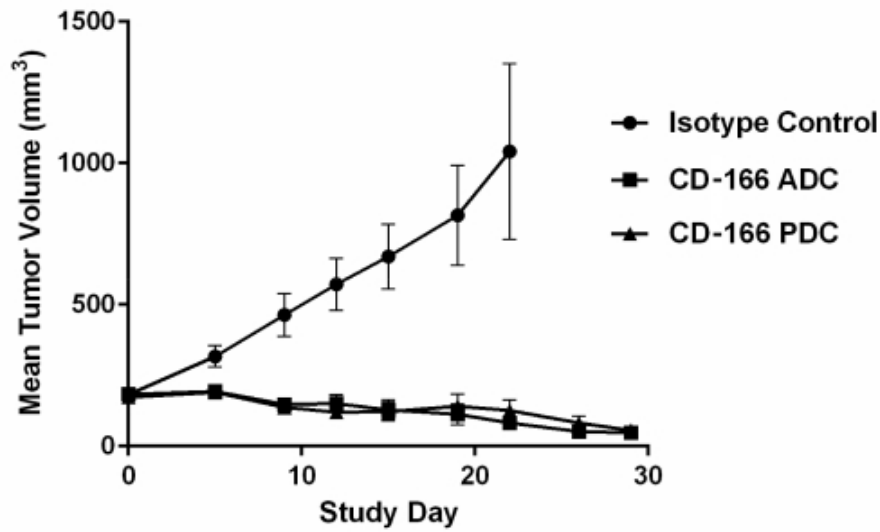


*Preclinical Data*

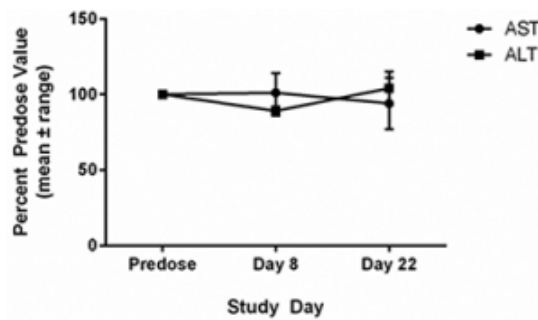
The tumor-selective activation of our CD-166 Probody product candidate has been demonstrated in the comparison of Probody therapeutic and antibody binding to CD-166 in healthy and cancerous colorectal tissue sections. The parental antibody targeting CD-166 bound to CD-166 on both normal and cancer samples. The Probody product candidate requires activation by proteases before it can effectively bind to CD-166, and because these proteases are present primarily in the cancer sample, the Probody product candidate specifically bound to the tumor and not to the healthy colon tissue. This is illustrated in the figure below:



We have also shown that the CD-166 PDC is as efficacious as a CD-166 ADC in a mouse H292 lung cancer xenograft model, as well as in other models. These findings confirm that sufficient local activation of our CD-166 Probody therapeutic occurs within the tumor microenvironment, resulting in an equivalent anti-tumor response to the CD-166 ADC. As shown in the following graphic, both product candidates not only prevented tumor growth but also led to tumor shrinkage over a one-month time span.



We also investigated the safety of the CD-166 PDC in a three-week, single dose study in non-human primates. There was no evidence of on or off-target toxicity, including clinical signs, weight loss, or abnormal laboratory findings from this study, despite the expression of CD-166 in multiple non-human primate healthy tissues. The measurement of the blood level of liver-derived proteins call AST and ALT are typical indicators of liver toxicity. Notably AST and ALT did not change following treatment with the CD-166 PDC despite high-level expression of CD-166 in non-human primate liver tissue, as shown in the figure below. We are now conducting longer term and repeat dosing toxicity experiments.



### Clinical Plan

We anticipate filing an IND for CD-166 PDC in the first half of 2017. We intend to test the CD-166 PDC in patients with tumors that express high levels of CD-166, including cancers that have no existing effective therapies, which may enable accelerated development and registration strategies, such as breakthrough therapy and fast-track designations. We will investigate whether a companion diagnostic is useful in identifying patients

more likely to respond to our drug, such as a test that examines the level of expression of CD-166 in the tumor. We expect that any Phase 1 trial will primarily assess safety and will also look for preliminary evidence of efficacy. We also expect to examine whether the Probody therapeutic against CD-166 is activated in patient tumors not systemically.

#### ***Other Product Candidates in Preclinical Development***

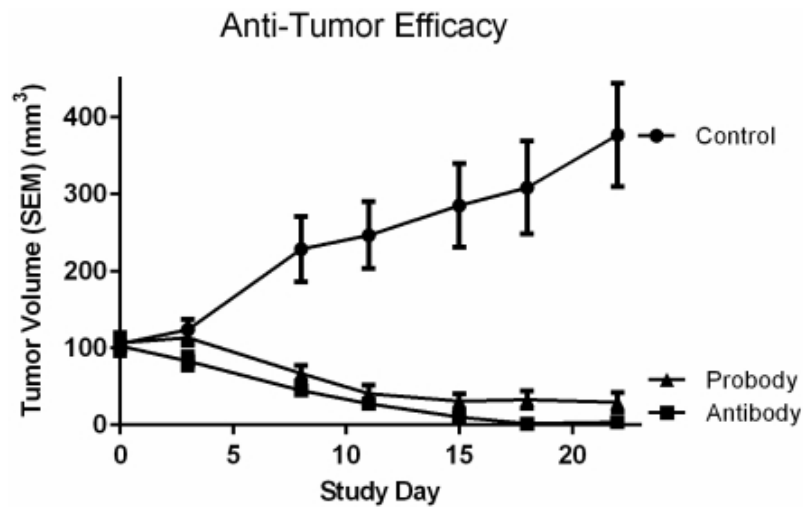
We are actively pursuing the application of our Probody technology to multiple other product candidates. These include other product candidates directed against checkpoint pathways, and other first-in-class PDC product candidates. We have applied our technology and are advancing product candidates based on T-cell-recruiting bispecific antibodies. We also recognize that new immunocellular therapies such as CAR-T therapies rely on recognition of tumor antigens using molecular components that may be synthesized as Probody constructs. We believe that our technology can enhance the therapeutic window of CAR-T therapies enabling them to translate their remarkable clinical responses in hematological tumors to solid tumors.

##### *Bispecific Probody Therapeutics*

A bispecific antibody is a product that is engineered to simultaneously recognize two distinct antigens. In oncology, bispecific antibodies are often designed to bind both a tumor antigen and a T-cell antigen such as CD3, directly activating the T-cell in the vicinity of the tumor, thereby killing the cancerous cells. Blinatumomab is an example of a bispecific product that has recently been approved for the treatment of relapsed or refractory ALL. Blinatumomab recognizes the CD19 target on tumor cells as well as CD3 on T-cells, resulting in activation of the T-cells and generation of an effective immune response against the tumor. The challenge facing the development of bispecific antibodies is the same as that faced by other tumor-antigen based therapies—high potency directed against tumor antigens that are also expressed on healthy cells, leading to toxicity. T-cell-recruiting bispecific antibodies have been successfully developed for hematologic cancers like leukemia in part because the targets for those cancers are also present on dispensable healthy cells and the toxicity is therefore manageable. In contrast, T-cell-recruiting bispecific antibodies have been particularly difficult to develop against solid tumors in part because those targets are frequently also present on important healthy cells and the toxicity can be difficult to manage.

We believe that our Probody platform has the potential to take advantage of the potency of T-cell-recruiting bispecific antibodies to kill solid tumors but largely avoid the toxicity caused by interaction with essential healthy tissues. To demonstrate this, we have applied our know-how to the design of a bispecific Probody therapeutic that binds to CD3 on T-cells and EGFR on solid tumor cells. We demonstrated that this bispecific Probody therapeutic was efficacious in a mouse model of colorectal cancer at doses that were similar to the bispecific antibody from which it was derived.

The following graph demonstrates the comparable efficacy of our bispecific Probody therapeutic and a the bispecific antibody from which it was derived, in a mouse model of colorectal cancer:



In addition, our preclinical studies support that the bispecific Probody therapeutic was substantially safer than the bispecific antibody in non-human primates. Based on this proof of concept data, we intend to generate and optimize T-cell-recruiting bispecific Probody therapeutic candidates against a variety of targets.

#### *CTLA-4 Probody Product Candidate in Collaboration with BMS*

We are developing a CTLA-4 Probody therapeutic with BMS. Published data in mouse models have demonstrated the potential value of localized intratumoral delivery of CTLA-4 antibodies to maintain efficacy while limiting toxicity. We believe that our CTLA-4 Probody therapeutic can effectively localize CTLA-4 antibody activity to the tumor while allowing systemic dosing, thereby limiting systemic toxicities normally seen with Yervoy. We believe that BMS is the optimal strategic partner for our CTLA-4 Probody therapeutic given their expertise in cancer immunotherapy and their success with Yervoy.

*CTLA-4 Overview.* Cytotoxic T-lymphocyte-associated antigen 4 (“CTLA-4”) is an immune checkpoint involved in regulating T-cell activation. BMS is currently marketing a CTLA-4 monoclonal antibody, Yervoy, that has been approved for unresectable or metastatic melanoma. CTLA-4 antibodies lead to T-cell activation for a wide range of antigens, including tumor antigens, which is the basis for its anti-tumor effect, and self-antigens, which may be the basis for the autoimmune toxicities associated with CTLA-4 antibodies therapies. In partnership with BMS, we are developing a CTLA-4 Probody therapeutic. The FDA approval for ipilimumab comes with a black box warning about potential severe and fatal immune-related adverse events. While the toxicities associated with ipilimumab can be successfully managed in many patients, up to 27% of patients in a phase 2 trial discontinued treatment due to adverse events. The use of ipilimumab in combination therapy with nivolumab, a PD-1 checkpoint inhibitor, led to increased rates of serious adverse events with 55% of patients with a severity of grade 3 or 4 events in patients treated with both drugs compared to 27% in the ipilimumab-treated patients and 16% in the nivolumab treated-patients.

We believe the systemic toxicity associated with CTLA-4 directed therapy might be reduced by local delivery of CTLA-4 antibodies to the tumor. In a MC-38 xenograft mouse model, local infusion of small doses of the antibody directly into the tumor resulted in an anti-tumor response and increased survival while lowering the systemic levels of the CTLA-4 antibody by approximately 1,000 fold. We believe that our CTLA-4 Probody

therapeutic can be dosed systemically, achieve localized tumor-specific activation, and thus achieve a clinically important improvement in safety.

#### *PD-1 Probody Therapeutic*

PD-1 is the receptor for the PD-L1 ligand responsible for inhibiting T-cell activation. It is the target for various immuno-oncology products including nivolumab and pembrolizumab, which have been approved for melanoma. Because, like PD-L1, inhibiting PD-1 is associated with immune attack on normal cells, PD-1 therapy has been associated with significant toxicities, especially when used in combination with ipilimumab, another immunotherapy. We are developing a PD-1 Probody therapeutic as an additional approach to block the PD-L1/PD-1 pathway.

#### *CD71 PDC Program*

Transferrin receptor 1, also known as CD71, is a protein that is essential for iron uptake in dividing cells, is expressed at low levels in most normal tissues and is overexpressed in tumor cells. The combination of high expression in tumors and ubiquitous expression in normal tissue makes CD71 a difficult target for conventional ADCs and an ideal candidate for development of a PDC. Our CD71 PDC has demonstrated efficacy in lung and breast xenograft models and is well-tolerated preclinically.

#### *Integrin alpha-3 PDC Program*

Integrins are cell surface proteins that are responsible for cell-cell and cell-extracellular matrix interactions. Integrin alpha-3 or ITGA3 is highly expressed and highly prevalent in cancers such as pancreatic, ovarian, and breast and it has been associated with tumorigenesis and metastasis. Our ITGA3 PDC has demonstrated efficacy in multiple xenograft models and is well-tolerated preclinically.

### **Manufacturing**

Our Probody candidates are designed to be fully recombinant antibody prodrugs and to be produced as a single molecule. Probodyes are also designed to maintain the manufacturability benefits of antibodies and leverage well established technologies used for antibody production. We have significant expertise in biologics production. We conduct cell line development and process development both in-house and in collaboration with contract manufacturing organizations (“CMOs”). CMOs are responsible for actual production of clinical drug product and drug substance materials.

Our process development and manufacturing strategies are tailored to rapidly advance our two lead programs and we employ multiple complementary approaches to ensure successful execution. Our lead Chinese hamster ovary cell line has been successfully used for manufacturing several antibodies and requires minimal process optimization to establish a process to support early phase manufacturing. We utilize well established production steps typically part of a platform manufacturing process for antibodies. The CMO we have selected has a strong track record in biologics manufacturing including antibodies; all activities from cell line development to formulated drug product are performed at one location to maintain aggressive timelines and minimize delays that can result from engaging multiple parties for manufacturing. Similarly, for our PDC projects we will select CMOs with strong expertise in clinical/commercial drug conjugate manufacturing and with capabilities for toxin conjugation and fill-finish. Furthermore, our lead PDC program incorporates a toxin payload that has an established clinical and regulatory history.

### **Competition**

The biotechnology and biopharmaceutical industries, and the immuno-oncology subsector, are characterized by rapid evolution of technologies, fierce competition and strong defense of intellectual property.

Any product candidates that we successfully develop and commercialize will have to compete with existing therapies and new therapies that may become available in the future. While we believe that our proprietary Probody platform and scientific expertise in the field of biologics and immuno-oncology provide us with competitive advantages, a wide variety of institutions, including large biopharmaceutical companies, specialty biotechnology companies, academic research departments and public and private research institutions, are actively developing potentially competitive products and technologies. We face substantial competition from biotechnology and biopharmaceutical companies developing products in immuno-oncology. These competitors generally fall within the following categories:

**Cancer immunotherapies:** AdaptImmune LLC, AstraZeneca PLC, BMS, GlaxoSmithKline plc, Idera Pharmaceuticals, Inc., Immune Design Corp, Merck & Co., Inc., NewLink Genetic Corporation, Novartis AG, Pfizer, Roche Holding Ltd and Sanofi SA.

**Antibody drug conjugates:** ImmunoGen and Seattle Genetics, Inc.

**Immune-based treatments for cancer, such as CAR-T, TCR therapies, and Dendritic cell based therapies:** Argos Therapeutics, Inc., Bellicum Pharmaceuticals, Inc., Biovest International, Inc., Bluebird bio, Inc., Celgene Corporation, Collectis SA, ImmunoCellular Therapeutics, Ltd., Inovio Pharmaceuticals, Inc., Intrexon Corporation, Juno Therapeutics, Inc., Kite Pharma, Inc., NantKwest, Inc., Northwest Biotherapeutics, Inc., Novartis AG, Pfizer and Valeant Pharmaceuticals.

Many of our competitors, either alone or with strategic partners, have substantially greater financial, technical and human resources than we do. Accordingly, our competitors may be more successful than us in obtaining approval for treatments and achieving widespread market acceptance, rendering our treatments obsolete or non-competitive. Accelerated merger and acquisition activity in the biotechnology and biopharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. These companies also compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical study sites and patient registration for clinical studies and acquiring technologies complementary to, or necessary for, our programs. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Our commercial opportunity could be substantially limited in the event that our competitors develop and commercialize products that are more effective, safer, less toxic, more convenient or less expensive than our comparable products. In geographies that are critical to our commercial success, competitors may also obtain regulatory approvals before us, resulting in our competitors building a strong market position in advance of our products' entry. We believe the factors determining the success of our programs will be the efficacy, safety and convenience of our product candidates.

## Intellectual Property

We strive to protect and enhance the proprietary technology, inventions, and improvements that are commercially important to our business, including seeking, maintaining, and defending patent rights, whether developed internally or licensed from third parties. Our policy is to seek to protect our proprietary position by, among other methods, pursuing and obtaining patent protection in the United States and in jurisdictions outside of the United States related to our proprietary technology, inventions, improvements, platforms and product candidates that are important to the development and implementation of our business. Our patent portfolio is intended to cover, but is not limited to, our technology platforms, our product candidates and components thereof, their methods of use and processes for their manufacture, our proprietary reagents and assays, and any other inventions that are commercially important to our business. We also rely on trade secret protection of our confidential information and know-how relating to our proprietary technology, platforms and product candidates, continuing innovation, and in-licensing opportunities to develop, strengthen, and maintain our proprietary position in our Probody platform and product candidates. We expect to rely on data exclusivity, market exclusivity, patent term adjustment and patent term extensions when available. Our commercial success may

depend in part on our ability to obtain and maintain patent and other proprietary protection for our technology, inventions, and improvements; to preserve the confidentiality of our trade secrets; to maintain our licenses to use intellectual property owned or controlled by third parties; to defend and enforce our proprietary rights, including our patents; to defend against and challenge the assertion by third parties of their purported intellectual property rights; and to operate without the unauthorized infringement on the valid and enforceable patents and other proprietary rights of third parties.

We believe that we have a strong global intellectual property position and substantial know-how and trade secrets relating to our Probody technology, platform and product candidates. Our patent portfolio as of July 23, 2015 contains four United States (“U.S.”) issued patents owned solely by CytomX and three U.S. issued patents that we co-own with UCSB. We also have 26 U.S. pending applications as well as 70 non-U.S. pending applications owned solely by CytomX, as well as one U.S. pending application and six non-U.S. pending applications that we co-own with UCSB. We have exclusively licensed UCSB’s rights in the co-owned issued and pending patents. We also co-own one U.S. and one non-U.S. pending applications with the University of California, San Francisco (“UCSF”). These patents and patent applications include claims directed to:

- Probody platform and PDC platform;
- Other pro-protein platforms;
- Probody conjugates and conjugation methods to produce PDCs;
- Bispecific and other multispecific Probodies, including T-cell-recruiting bispecific Probodies;
- Protease-cleavable linkers, e.g., serine protease- or MMP-cleavable linkers;
- Improved display systems for peptide display, e.g., to identify masks, substrates, and other proteins;
- Cancer immunotherapy Probody therapeutics, e.g., PD-L1, PD-1, and CTLA-4 Probodies, as well as related novel antibodies and combination therapies;
- PDCs, e.g., CD-166, CD71 (transferrin receptor), and CD49c (integrin alpha 3) PDCs, as well as related Probodies, novel antibodies and ADCs;
- Probodies to other targets, e.g., EGFR, Jagged, and IL6R Probodies, as well as related PDCs, novel antibodies and ADCs;
- Antibodies that bind Probodies, e.g., anti-mask and anti-Probody antibodies; and
- Antibodies that bind the active site of uPA protease.

In addition, we have exclusively licensed the following patent portfolio from UCSB: six U.S. issued patents; five non-U.S. issued patents; four U.S. pending applications; and four non-U.S. pending applications. This patent portfolio covers compositions and methods related to screening and identification of the masks and protease-cleavable linkers that we incorporate into our Probodies.

As for the Probody platforms, product candidates and processes we develop and commercialize, in the normal course of business, we intend to pursue, where appropriate, patent protection or trade secret protection relating to compositions, methods of manufacture, assay methods, methods of use, treatment of indications, dosing and formulations. We may also pursue patent protection with respect to drug development processes and technology.

We continually assess and refine our intellectual property strategy as we develop new platform technologies and product candidates. To that end, we are prepared to file additional patent applications if our

intellectual property strategy requires such filings, or where we seek to adapt to competition or seize business opportunities. Further, we are prepared to file patent applications, as we consider appropriate under the circumstances, relating to the new technologies that we develop. In addition to filing and prosecuting patent applications in the United States, we often file counterpart patent applications in additional countries where we believe such foreign filing is likely to be beneficial, including but not limited to Australia, Brazil, Canada, China, Europe, India, Israel, Japan, Mexico, Russia, and South Korea.

The term of individual patents depends upon the laws of the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the earliest date of filing of a non-provisional patent application. However, the term of United States patents may be extended due to delays incurred due to compliance with FDA or by delays encountered during prosecution that are caused by the USPTO. For example, the Hatch-Waxman Act permits a patent term extension for FDA-approved drugs of up to five years beyond the expiration of the patent. The length of the patent term extension is related to the length of time the drug is under regulatory review. Patent extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. Similar provisions are available in Europe and other jurisdictions to extend the term of a patent that covers an approved drug. In the future, if and when our biopharmaceutical product candidates receive FDA approval, we expect to apply for patent term extensions on patents covering those product candidates. We intend to seek patent term extensions to any of our issued patents in any jurisdiction where these are available; however there is no guarantee that the applicable authorities, including the FDA in the United States, will agree with our assessment of whether such extensions should be granted, and even if granted, the length of such extensions. Our currently issued patents will likely expire on dates ranging from 2028 to 2030, unless we receive patent term extension or adjustment. If patents are issued on our pending patent applications, the resulting patents are projected to expire on dates ranging from 2028 to 2036, unless we receive patent term extension or adjustment. However, the actual protection afforded by a patent varies on a product-by-product basis, from country-to-country, and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country, and the validity and enforceability of the patent.

The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions. No consistent policy regarding the scope of claims allowable in patents in the field of immunotherapy has emerged in the U.S. The patent situation outside of the United States is even more uncertain. Changes in the patent laws and rules, either by legislation, judicial decisions, or regulatory interpretation in the U.S. and other countries may diminish our ability to protect our inventions and enforce our intellectual property rights, and more generally could affect the value of our intellectual property. In particular, our ability to stop third parties from making, using, selling, offering to sell, or importing any of our patented inventions, either directly or indirectly, will depend in part on our success in obtaining, defending, and enforcing patent claims that cover our technology, inventions, and improvements. With respect to both licensed and company-owned intellectual property, we cannot be sure that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us in the future will be commercially useful in protecting our platforms and product candidates and the methods used to manufacture those platforms and product candidates. Moreover, even our issued patents do not guarantee us the right to practice our technology in relation to the commercialization of our platforms product candidates. However, the area of patent and other intellectual property rights in biotechnology is an evolving one with many risks and uncertainties, and third parties may have blocking patents that could be used to prevent us from commercializing our patented Probody technology, platforms and product candidates and practicing our proprietary technology. Our issued patents and those that may issue in the future may be challenged, invalidated, or circumvented, which could limit our ability to stop competitors from marketing related platforms or product candidates or limit the length of the term of patent protection that we may have for our Probody technology, platforms, and product candidates. In addition, the rights granted under any issued patents may not provide us with protection or competitive advantages against competitors with similar technology. Furthermore, our competitors may independently develop similar technologies. For these reasons, we may have competition for our Probody technology, platforms and product candidates. Moreover, because of the extensive time required for development,



testing and regulatory review of a potential product, it is possible that, before any particular product candidate can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent. For this and more comprehensive risks related to our proprietary technology, inventions, improvements, platforms and product candidates, please see the section entitled “Risk Factors—Risks Related to Intellectual Property.”

We intend to file applications for trademark registrations in connection with our product candidates in various jurisdictions, including the U.S. The USPTO previously accepted PROBODY under an intent-to-use trademark application. Because we were unable to show use for that mark within three years of acceptance, the mark became abandoned. We are in the process of re-filing for trademark protection of PROBODY with the USPTO.

We also rely on trade secret protection for our confidential and proprietary information. Although we take steps to protect our confidential and proprietary information as trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology. Thus, we may not be able to meaningfully protect our trade secrets. It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information concerning our business or financial affairs developed or made known to the individual during the course of the individual’s relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions conceived by the individual, and which are related to our current or planned business or research and development or made during normal working hours, on our premises or using our equipment or proprietary information, are our exclusive property. In many cases our confidentiality and other agreements with consultants, outside scientific collaborators, sponsored researchers and other advisors require them to assign or grant us licenses to inventions they invent as a result the work or services they render under such agreements or grant us an option to negotiate a license to use such inventions.

We also seek to preserve the integrity and confidentiality of our proprietary technology and processes by maintaining physical security of our premises and physical and electronic security of our information technology systems. Although we have confidence in these individuals, organizations, and systems, agreements or security measures may be breached and we may not have adequate remedies for any breach. To the extent that our employees, contractors, consultants, collaborators, and advisors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

### ***In-Licenses***

#### *License from UCSB*

In August 2010, we entered into an agreement with UC, acting through its Santa Barbara Campus, that grants us an exclusive license, with the right to sublicense, under the patent rights owned by UC covering mask and screening technologies to make, have made, use, sell, offer for sale and import products and practice methods in the field of identification and discovery of pro-protein biologics, including masks and substrates, for the identification of pro-proteins that may be useful for therapy, prophylaxis, diagnostics or in vivo imaging. The agreement also grants us an exclusive license, with the right to sublicense, under the patent rights co-owned by UC with us covering Probody antibodies and other pro-proteins to make, have made, use, sell, offer for sale and import products and practice methods in the fields of therapeutics, diagnostics, in vivo imaging and prophylactics.

We had no upfront payment obligations under the agreement. We are required to make milestone payments to UC on the accomplishment of certain regulatory milestones, including a \$300,000 payment due

upon the first patient enrollment in the first Phase 3 clinical trial and a \$500,000 payment due upon approval of the first NDA by the FDA for each of the first two indications for each licensed product consisting of a molecule or compound covered by the licensed patent rights. We have paid minimum annual royalties in increasing amounts to UC since 2011 and will pay annual minimum royalties of \$150,000 beginning in 2016 and continuing for the term of the agreement. In addition, the agreement provides that we are required to pay to UC running royalties on net sales in the low single-digits. The agreement also requires that we pay to UC a percentage of the revenue we receive from sublicensing the patent rights to a third party. The sublicense fees range from a percentage in the mid-single digits to a percentage in the mid-teens depending on the clinical stage of the program for which the sublicense was granted. The agreement with UC requires us to meet specified due diligence product development milestones. We did not meet the milestones in 2013, 2014 and 2015, and we have paid an extension fee in each of those years to maintain the license.

The agreement with UC will expire on the later of (i) the expiration of the last-to-expire valid claims under the licensed patent rights or (ii) the date the last patent application licensed under the agreement is abandoned. We may terminate the agreement at any time upon 60 days' prior written notice to UC. UC may terminate the agreement if we are in default under the agreement after we fail to repair the default within 90 days of being notified of the default. UC may also terminate the agreement in the event of our bankruptcy or if we or another party on our behalf files a claim that any of the patent rights being licensed to us is invalid or unenforceable.

### **Government Regulation and Product Approval**

Governmental authorities in the U.S., at the federal, state and local level, and other countries extensively regulate, among other things, the research, development, testing, manufacture, labeling, packaging, promotion, storage, advertising, distribution, marketing and export and import of products such as those we are developing. Our therapeutic candidates must be approved by the FDA through the NDA or BLA process before they may be legally marketed in the U.S. and will be subject to similar requirements in other countries prior to marketing in those countries. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources.

#### ***U.S. Government Regulation***

In the U.S., the FDA regulates drugs under the FDCA and, in the case of biologics, the Public Health Services Act ("PHSA"), and implementing regulations. Failure to comply with the applicable U.S. requirements at any time during the product development or approval process, or after approval, may subject an applicant to administrative or judicial sanctions, any of which could have a material adverse effect on us. These sanctions could include:

- refusal to approve pending applications;
- withdrawal of an approval;
- imposition of a clinical hold;
- warning or untitled letters;
- seizures or administrative detention of product;
- total or partial suspension of production or distribution; or
- injunctions, fines, disgorgement, or civil or criminal penalties.

*NDA and BLA approval processes*

The process required by the FDA before a therapeutic may be marketed in the U.S. generally involves the following:

- completion of nonclinical laboratory tests, animal studies and formulation studies conducted according to GLPs, and other applicable regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials according to GCPs, to establish the safety and efficacy of the product candidate for its intended use;
- submission to the FDA of an NDA or BLA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product candidate is produced to assess readiness for commercial manufacturing and conformance to the manufacturing-related elements of the application, to conduct a data integrity audit, and to assess compliance with cGMPs to assure that the facilities, methods and controls are adequate to preserve the product candidate's identity, strength, quality and purity; and
- FDA review and approval of the NDA or Licensure of the BLA.

Once a biopharmaceutical candidate is identified for development, it enters the preclinical or nonclinical testing stage. Nonclinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies. An IND sponsor must submit the results of the nonclinical tests, together with manufacturing information and analytical data, to the FDA as part of the IND. Some nonclinical testing may continue even after the IND is submitted. In addition to including the results of the nonclinical studies, the IND will also include a protocol detailing, among other things, the objectives of the clinical trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated if the first phase lends itself to an efficacy determination. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, places the IND on clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can begin. A clinical hold may occur at any time during the life of an IND and may affect one or more specific studies or all studies conducted under the IND.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with GCPs. They must be conducted under protocols detailing the objectives of the trial, dosing procedures, research subject selection and exclusion criteria and the safety and effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND, and progress reports detailing the status of the clinical trials must be submitted to the FDA annually. Sponsors also must report to the FDA serious and unexpected adverse reactions in a timely manner, any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigation brochure or any findings from other studies or animal or *in vitro* testing that suggest a significant risk in humans exposed to the therapeutic. An institutional review board ("IRB") at each institution participating in the clinical trial must review and approve the protocol before a clinical trial commences at that institution and must also approve the information regarding the trial and the consent form that must be provided to each research subject or the subject's legal representative, monitor the study until completed and otherwise comply with IRB regulations.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined.

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- Phase 1—The product candidate is initially introduced into healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution and elimination. In the case of some therapeutic candidates for severe or life-threatening diseases, such as cancer, especially when the product candidate may be inherently too toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.
- Phase 2—Clinical trials are performed on a limited patient population intended to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage.
- Phase 3—Clinical trials are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical study sites. These studies are intended to establish the overall risk-benefit ratio of the product and provide an adequate basis for product labeling.

Human clinical trials are inherently uncertain and Phase 1, Phase 2 and Phase 3 testing may not be successfully completed. The FDA or the sponsor may suspend a clinical trial at any time for a variety of reasons, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the product candidate has been associated with unexpected serious harm to patients.

During the development of a new product candidate, sponsors are given opportunities to meet with the FDA at certain points; specifically, prior to the submission of an IND, at the end of Phase 2 and before an NDA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date and for the FDA to provide advice on the next phase of development. Sponsors typically use the meeting at the end of Phase 2 to discuss their Phase 2 clinical results and present their plans for the pivotal Phase 3 clinical trial that they believe will support the approval of the new therapeutic. If a Phase 3 clinical trial is the subject of discussion at the end of Phase 2 meeting with the FDA, a sponsor may be able to request a Special Protocol Assessment ("SPA"), the purpose of which is to reach agreement with the FDA on the Phase 3 clinical trial protocol design and analysis that will form the primary basis of an efficacy claim.

According to published guidance on the SPA process, a sponsor that meets the prerequisites may make a specific request for a SPA and provide information regarding the design and size of the proposed clinical trial. The FDA is supposed to evaluate the protocol within 45 days of the request to assess whether the proposed trial is adequate, which evaluation may result in discussions and a request for additional information. A SPA request must be made before the proposed trial begins, and all open issues must be resolved before the trial begins. Although the FDA will assess protocols that have already begun, these assessments will not be subject to the 45-day review applicable to SPAs. If a written agreement is reached, it will be documented and made part of the record. The agreement will be binding on the FDA and may not be changed by the sponsor or the FDA after the trial begins except with the written agreement of the sponsor and the FDA or if the FDA determines that a substantial scientific issue essential to determining the safety or efficacy of the product candidate was identified after the testing began.

Concurrent with clinical trials, sponsors usually complete additional animal safety studies and also develop additional information about the chemistry and physical characteristics of the product candidate and finalize a process for manufacturing commercial quantities of the product candidate in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and the manufacturer must develop methods for testing the quality, purity and potency of the product candidate. To help reduce the risk of the introduction of adventitious agents with use of biological products, the PHSA emphasizes the importance of manufacturing control for products whose attributes cannot be

precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other criteria, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life. Additionally, for both NDA and BLA products, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its proposed shelf-life.

The results of product development, nonclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests and other control mechanisms, proposed labeling and other relevant information are submitted to the FDA as part of an NDA or BLA requesting approval to market the product. Under the Prescription Drug User Fee Act (“PDUFA”) as amended, each BLA or NDA must be accompanied by a significant user fee. The FDA adjusts the PDUFA user fees on an annual basis. PDUFA also imposes an annual product fee for products and an annual establishment fee on facilities used to manufacture prescription biological or drug products. Fee waivers or reductions are available in certain circumstances, such as where a waiver is necessary to protect the public health, where the fee would present a significant barrier to innovation, or where the applicant is a small business submitting its first human therapeutic application for review.

Within 60 days following submission of the application, the FDA reviews a BLA or NDA submitted to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any BLA or NDA that it deems incomplete or not properly reviewable at the time of submission, and may request additional information. In this event, the BLA or NDA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review of the BLA or NDA. The FDA reviews the BLA to determine, among other things, whether the proposed product is safe, potent, and/or effective for its intended use, and has an acceptable purity profile, and in the case of an NDA, whether the product is safe and effective for its intended use, and in each case, whether the product is being manufactured in accordance with cGMP. The FDA may refer applications for novel biological or drug products or biological or drug products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

During the product approval process, the FDA also will determine whether a REMS plan is necessary to assure the safe use of the product. If the FDA concludes a REMS plan is needed, the sponsor of the BLA or NDA must submit a proposed REMS plan. The FDA will not approve a BLA or NDA without a REMS plan, if required. The FDA has authority to require a REMS plan under the Food and Drug Administration Amendments Act of 2007 (the “FDAAA”) when necessary to ensure that the benefits of a drug outweigh the risks. In determining whether a REMS plan is necessary, the FDA must consider the size of the population likely to use the drug, the seriousness of the disease or condition to be treated, the expected benefit of the drug, the duration of treatment, the seriousness of known or potential adverse events, and whether the drug is a new molecular entity. A REMS plan may be required to include various elements, such as a medication guide or patient package insert, a communication plan to educate health care providers of the drug’s risks, limitations on who may prescribe or dispense the drug, or other measures that the FDA deems necessary to assure the safe use of the drug. In addition, the REMS plan must include a timetable to assess the strategy at 18 months, three years, and seven years after the strategy’s approval.

The FDA may also require a REMS plan for a drug that is already on the market if it determines, based on new safety information, that a REMS plan is necessary to ensure that the drug’s benefits outweigh its risks.

Before approving a BLA or NDA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA or NDA, the FDA will typically inspect one or more clinical sites to assure that the clinical trials were conducted in compliance with IND trial requirements and GCP requirements. To assure cGMP and GCP compliance, an applicant must incur significant expenditure of time, money and effort in the areas of training, record keeping, production and quality control.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the BLA or NDA does not satisfy its regulatory criteria for approval and deny approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data. If the agency decides not to approve the BLA or NDA in its present form, the FDA will issue a complete response letter that describes all of the specific deficiencies in the BLA or NDA identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the BLA or NDA, addressing all of the deficiencies identified in the letter, or withdraw the application.

Even if a product receives regulatory approval, the approval may be significantly limited to specific indications and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. The FDA may impose restrictions and conditions on product distribution, prescribing, or dispensing in the form of a risk management plan, or otherwise limit the scope of any approval. In addition, the FDA may require post marketing clinical trials, sometimes referred to as Phase 4 clinical trials, designed to further assess a biological product's safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized.

#### *Companion Diagnostics*

The FDA issued a final guidance document in July 2014 addressing agency policy in relation to in vitro companion diagnostic tests. The guidance explains that for some drugs and biologics, the use of a companion diagnostic test is essential for the safe and effective use of the product, such as when the use of a drug is limited to a specific patient subpopulation that can be identified by using the test. According to the guidance, FDA generally will not approve such a product if the companion diagnostic is not also approved or cleared for the appropriate indication, and accordingly the therapeutic product and the companion diagnostic should be developed and approved or cleared contemporaneously. However, the FDA may decide that it is appropriate to approve such a product without an approved or cleared in vitro companion diagnostic device when the drug is intended to treat a serious or life-threatening condition for which no satisfactory alternative treatment exists and the FDA determines that the benefits from the use of product with an unapproved or unapproved in vitro companion diagnostic device are so pronounced as to outweigh the risks from the lack of an approved or cleared in vitro companion diagnostic device. The FDA encourages sponsors considering developing a therapeutic product that requires a companion diagnostic to request a meeting with both relevant device and therapeutic product review divisions to ensure that the product development plan will produce sufficient data to establish the safety and effectiveness of both the therapeutic product and the companion diagnostic. Because the FDA's policy on companion diagnostics is set forth only in guidance, this policy is subject to change and is not legally binding.

#### *Expedited Review and Approval*

The FDA has various programs, including Fast Track, priority review, accelerated approval and breakthrough therapy designation, which are intended to expedite or simplify the process for reviewing therapeutic candidates, or provide for the approval of a product candidate on the basis of a surrogate endpoint. Even if a product

candidate qualifies for one or more of these programs, the FDA may later decide that the product candidate no longer meets the conditions for qualification or that the time period for FDA review or approval will be lengthened. Generally, therapeutic candidates that are eligible for these programs are those for serious or life-threatening conditions, those with the potential to address unmet medical needs and those that offer meaningful benefits over existing treatments. For example, Fast Track is a process designed to facilitate the development and expedite the review of therapeutic candidates to treat serious or life-threatening diseases or conditions and fill unmet medical needs. Priority review is designed to give therapeutic candidates that offer major advances in treatment or provide a treatment where no adequate therapy exists an initial review within eight months as compared to a standard review time of twelve months.

Although Fast Track and priority review do not affect the standards for approval, the FDA will attempt to facilitate early and frequent meetings with a sponsor of a Fast Track designated product candidate and expedite review of the application for a product candidate designated for priority review. Accelerated approval, which is described in Subpart H of 21 CFR Part 314, provides for an earlier approval for a new product candidate that is (1) intended to treat a serious or life-threatening disease or condition; (2) generally provides a meaningful advantage over available therapies; and (3) demonstrates an effect on either 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 (“IMM”) and is reasonably likely to predict an effect on IMM or other clinical benefit. A surrogate endpoint is a laboratory measurement or physical sign used as an indirect or substitute measurement representing a clinically meaningful outcome. As a condition of approval, the FDA may require that a sponsor of a product candidate receiving accelerated approval perform post-marketing clinical trials.

In the Food and Drug Administration Safety and Innovation Act (the “FDASIA”), which was signed into law in July 2012, the U.S. Congress encouraged the FDA to utilize innovative and flexible approaches to the assessment of therapeutic candidates under accelerated approval. The law required the FDA to issue related guidance and also promulgate confirming regulatory changes. In May 2014, the FDA published a final Guidance for Industry titled “Expedited Programs for Serious Conditions—Drugs and Biologics,” which provides guidance on FDA programs that are intended to facilitate and expedite development and review of new therapeutic candidates as well as threshold criteria generally applicable to concluding that a product candidate is a candidate for these expedited development and review programs.

In addition to the Fast Track, accelerated approval and priority review programs discussed above, the FDA’s “Expedited Programs” guidance also describes the Breakthrough Therapy designation. The FDA defines a Breakthrough Therapy as a therapeutic that is intended, alone or in combination with one or more other therapeutics, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the therapeutic may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. A therapeutic designated as a Breakthrough Therapy is eligible for accelerated approval. The FDA must take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a Breakthrough Therapy. Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. A request for Breakthrough Therapy designation should be submitted concurrently with, or as an amendment to, an IND, but ideally no later than the end of Phase 2 meeting.

#### *Patent Term Restoration and Marketing Exclusivity*

Depending upon the timing, duration and specifics of FDA approval of the use of our therapeutic candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the

remaining term of a patent beyond a total of 14 years from the product candidate's approval date. The patent term restoration period is generally one half of the time between the effective date of an IND and the submission date of an NDA, plus the time between the submission date of an NDA and the approval of that application, except that the review period is reduced by any time during which the applicant failed to exercise due diligence. Only one patent applicable to an approved product candidate is eligible for the extension and the application for extension must be made prior to expiration of the patent. The USPTO, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we intend to apply for restorations of patent term for some of our currently owned or licensed patents to add patent life beyond their current expiration date, depending on the expected length of clinical trials and other factors involved in the submission of the relevant NDA.

Market exclusivity provisions under the FDCA also can delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the U.S. to the first applicant to gain approval of an NDA for a new chemical entity. A product candidate is a new chemical entity if the FDA has not previously approved any other new product candidate containing the same active moiety, which is the molecule or ion responsible for the action of the product candidate substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application (an "ANDA"), or a 505(b)(2) NDA submitted by another company for another version of such product candidate where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement. Five-year exclusivity will not delay the submission or approval of another company's full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

The Biologics Price Competition and Innovation Act (the "BPCIA") amended the PHSA to authorize the FDA to approve similar versions of innovative biologics, commonly known as biosimilars. A competitor seeking approval of a biosimilar must file an application to establish its molecule as highly similar to an approved innovator biologic, among other requirements. The BPCIA, however, bars the FDA from approving biosimilar applications for 12 years after an innovator biological product receives initial marketing approval.

#### *Orphan Drug Designation*

Under the Orphan Drug Act, the FDA may grant orphan drug designation to therapeutic candidates intended to treat a rare disease or condition, which is generally a disease or condition that affects either (1) fewer than 200,000 individuals in the U.S., or (2) or more than 200,000 individuals in the U.S. and for which there is no reasonable expectation that the cost of developing and making available in the U.S. a product candidate for this type of disease or condition will be recovered from sales in the U.S. for that product candidate. Orphan drug designation must be requested before submitting an NDA. After the FDA grants orphan drug designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product candidate that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product candidate is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications to market the same product candidate for the same indication, except under limited circumstances, for seven years. Orphan drug exclusivity, however, could also block the approval of one of our therapeutic candidates for seven years if a competitor obtains approval of the same product candidate as defined by the FDA or if our product candidate is determined to be contained within the competitor's product candidate for the same indication or disease.



*Pediatric Exclusivity and Pediatric Use*

Under the Best Pharmaceuticals for Children Act (the “BCA”), certain therapeutic candidates may obtain an additional six months of exclusivity if the sponsor submits information requested in writing by the FDA, referred to as a Written Request, relating to the use of the active moiety of the product candidate in children. Although the FDA may issue a Written Request for studies on either approved or unapproved indications, it may only do so where it determines that information relating to that use of a product candidate in a pediatric population, or part of the pediatric population, may produce health benefits in that population.

In addition, the Pediatric Research Equity Act (“PREA”), requires a sponsor to conduct pediatric studies for most therapeutic candidates and biologics, for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration. Under PREA, original NDAs, BLAs and supplements thereto must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must assess the safety and effectiveness of the product candidate for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product candidate is safe and effective. The sponsor or FDA may request a deferral of pediatric studies for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the product candidate or biologic is ready for approval for use in adults before pediatric studies are complete or that additional safety or effectiveness data needs to be collected before the pediatric studies begin. The law requires the FDA to send a PREA Non-Compliance letter to sponsors who have failed to submit their pediatric assessments required under PREA, have failed to seek or obtain a deferral or deferral extension or have failed to request approval for a required pediatric formulation. It further requires the FDA to post the PREA Non-Compliance letter and sponsor’s response.

As part of the FDASIA, the U.S. Congress made a few revisions to the BCA and PREA, which were slated to expire on September 30, 2012, and made both laws permanent.

*Post-Approval Requirements*

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements is not maintained or if problems occur after the product candidate reaches the market. Later discovery of previously unknown problems with a product candidate may result in restrictions on the product candidate or even complete withdrawal of the product candidate from the market. After approval, some types of changes to the approved product candidate, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further FDA review and approval. In addition, the FDA may under some circumstances require testing and surveillance programs to monitor the effect of approved therapeutic candidates that have been commercialized, and the FDA under some circumstances has the power to prevent or limit further marketing of a product candidate based on the results of these post-marketing programs.

Any therapeutic candidates manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including, among other things:

- record-keeping requirements;
- reporting of adverse experiences with the product candidate;
- providing the FDA with updated safety and efficacy information;
- therapeutic sampling and distribution requirements;
- notifying the FDA and gaining its approval of specified manufacturing or labeling changes; and
- complying with FDA promotion and advertising requirements.

Therapeutic manufacturers and other entities involved in the manufacture and distribution of approved therapeutic candidates are required to register their establishments with the FDA and certain state agencies and are subject to periodic unannounced inspections by the FDA and some state agencies for compliance with cGMPs and other laws. The FDA periodically inspects manufacturing facilities to assess compliance with cGMP, which imposes extensive procedural, substantive and record-keeping requirements. In addition, changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require FDA approval before being implemented. FDA regulations would also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon us and any third-party manufacturers that we may decide to use if our product candidates are approved. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

#### *New Legislation and Regulations*

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the testing, approval, manufacturing and marketing of products regulated by the FDA. In addition to new legislation, FDA regulations and policies are often revised or interpreted by the agency in ways that may significantly affect our business and our products. It is impossible to predict whether further legislative changes will be enacted or whether FDA regulations, guidance, policies or interpretations changed or what the effect of such changes, if any, may be.

#### **Regulation Outside of the U.S.**

In addition to regulations in the U.S., we will be subject to regulations of other jurisdictions governing any clinical trials and commercial sales and distribution of our therapeutic candidates. Whether or not we obtain FDA approval for a product, we must obtain approval by the comparable regulatory authorities of countries outside of the U.S. before we can commence clinical trials in such countries and approval of the regulators of such countries or economic areas, such as the European Union, before we may market products in those countries or areas. The approval process and requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from place to place, and the time may be longer or shorter than that required for FDA approval.

Under European Union regulatory systems, a company can consider applying for marketing authorization in several European Union member states by submitting its marketing authorization application(s) under a centralized, decentralized or mutual recognition procedure. The centralized procedure provides for the grant of a single marketing authorization that is valid for all European Union member states. The centralized procedure is compulsory for medicines derived from biotechnology, orphan medicinal products, or those medicines with an active substance not authorized in the European Union on or before May 20, 2004 intended to treat acquired immune deficiency syndrome (“AIDS”), cancer, neurodegenerative disorders or diabetes and optional for those medicines containing a new active substance not authorized in the European Union on or before May 20, 2004, medicines which are highly innovative, or medicines to which the granting of a marketing authorization under the centralized procedure would be in the interest of patients at the European Union-level. The decentralized procedure provides for recognition by European Union national authorities of a first assessment performed by one member state. Under this procedure, an identical application for marketing authorization is submitted simultaneously to the national authorities of several European Union member states, one of them being chosen as the “Reference Member State”, and the remaining being the “Concerned Member States”. The Reference Member State must prepare and send drafts of an assessment report, summary of product characteristics and the labelling and package leaflet within 120 days after receipt of a valid marketing authorization application to the Concerned Member States, which must decide within 90 days whether to recognize approval. If any Concerned Member State does not recognize the marketing authorization on the grounds of potential serious risk to public health, the disputed points are eventually referred to the European Commission, whose decision is binding on all member states. The mutual recognition procedure is similar to the

decentralized procedure except that a medicine must have already received a marketing authorization in at least one member state, and that member state acts as the Reference Member State.

As in the U.S., we may apply for designation of a product candidate as an orphan drug for the treatment of a specific indication in the European Union before the application for marketing authorization is made. Orphan drugs in the European Union enjoy economic and marketing benefits, including up to ten years of market exclusivity for the approved indication unless another applicant can show that its product is safer, more effective or otherwise clinically superior to the orphan-designated product, the marketing authorization holder is unable to supply sufficient quantity of the medicinal product or the marketing authorization holder has given its consent.

### ***Reimbursement***

Sales of our products will depend, in part, on the extent to which our products will be covered by third party payors, such as government health programs, commercial insurance and managed healthcare organizations. These third party payors are increasingly reducing reimbursements for medical products and services. Additionally, the containment of healthcare costs has become a priority of federal and state governments and the prices of therapeutics have been a focus in this effort. The U.S. government, state legislatures and foreign governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. If these third party payors do not consider our products to be cost-effective compared to other therapies, they may not cover our products after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our products on a profitable basis.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the “MMA”) imposed new requirements for the distribution and pricing of prescription drugs for Medicare beneficiaries. Under Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities which will provide coverage of outpatient prescription drugs. Part D plans include both stand-alone prescription drug benefit plans and prescription drug coverage as a supplement to Medicare Advantage plans. Unlike Medicare Part A and B, Part D coverage is not standardized. Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level. However, Part D prescription drug formularies must include drugs within each therapeutic category and class of covered Part D drugs, though not necessarily all the drugs in each category or class. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee. Government payment for some of the costs of prescription drugs may increase demand for our products for which we receive marketing approval. However, any negotiated prices for our products covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment that results from the MMA may result in a similar reduction in payments from non-governmental payors.

The American Recovery and Reinvestment Act of 2009 provides funding for the federal government to compare the effectiveness of different treatments for the same illness. The plan for the research was published in 2012 by the Department of Health and Human Services, the Agency for Healthcare Research and Quality and the National Institutes for Health, and periodic reports on the status of the research and related expenditures will be made to the U.S. Congress. Although the results of the comparative effectiveness studies are not intended to mandate coverage policies for public or private payors, it is not clear what effect, if any, the research will have on the sales of our product candidates, if any such product or the condition that it is intended to treat is the subject of a study. It is also possible that comparative effectiveness research demonstrating benefits in a competitor’s product could adversely affect the sales of our product candidates. If third party payors do not consider our products to be cost-effective compared to other available therapies, they may not cover our products after approval as a benefit

under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our products on a profitable basis.

The ACA has had a significant impact on the health care industry. The ACA expanded coverage for the uninsured while at the same time containing overall healthcare costs. With regard to biopharmaceutical products, the ACA, among other things, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs 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 a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, started in April 2013, and, due to subsequent legislative amendments, will stay in effect through 2024 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012 (the "ATRA") which among other things, also reduced Medicare payments to several 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. We expect that additional 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 drugs and services, and in turn could significantly reduce the projected value of certain development projects and reduce our profitability.

Finally, in some foreign countries, the proposed pricing for a product candidate must be approved before it may be lawfully marketed. The requirements governing therapeutic pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the Company placing the medicinal product on the market. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our product candidates. Historically, therapeutic candidates launched in the European Union do not follow price structures of the U.S. and generally tend to be significantly lower.

#### ***Other Healthcare Laws***

We may also be subject to healthcare regulation and enforcement by the federal government and the states and foreign governments where we may market our product candidates, if approved. These laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, privacy and security and physician sunshine laws and regulations.

The federal Anti-Kickback Statute prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs. The

Anti-Kickback Statute is subject to evolving interpretations. In the past, the government has enforced the Anti-Kickback Statute to reach large settlements with healthcare companies based on sham consulting and other financial arrangements with physicians. 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. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act. The majority of states also have anti-kickback laws, which establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers.

Additionally, the civil False Claims Act prohibits knowingly presenting or causing the presentation of a false, fictitious or fraudulent claim for payment to the U.S. government. Actions under the False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The federal government is using the False Claims Act, and the accompanying threat of significant liability, in its investigation and prosecution of pharmaceutical and biotechnology companies throughout the U.S., for example, in connection with the promotion of products for unapproved uses and other sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

HIPAA, also created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. 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.

There has also been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The ACA, among other things, imposes new reporting requirements on drug manufacturers for payments made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information may result in civil monetary penalties of up to an aggregate of \$150,000 per year (or up to an aggregate of \$1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Certain states also mandate implementation of compliance programs, impose restrictions on drug manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to physicians.

We may also be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology and Clinical Health Act ("HITECH") and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the

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federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts.

**Environment**

Our third party manufacturers are subject to inspections by the FDA for compliance with cGMP and other U.S. regulatory requirements, including U.S. federal, state and local regulations regarding environmental protection and hazardous and controlled substance controls, among others. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. We have incurred, and may continue to incur, significant expenditures to ensure we are in compliance with these laws and regulations. We would be subject to significant penalties for failure to comply with these laws and regulations.

**Collaborations**

**Pfizer**

In May 2013, we entered into a research collaboration, option and license agreement with Pfizer pursuant to which we granted Pfizer an option to select four targets on which to collaborate with us on the preclinical research of PDCs using our Probody technology and Pfizer's ADC technology. Pfizer will provide a specified amount of research funding to us to perform the research by funding certain full-time employee expenses. Pfizer has selected its first three targets. The selection of the third target triggered a payment of \$1.5 million to us, and, if Pfizer selects a fourth target to include in the collaboration, Pfizer will pay us an additional \$1.5 million. Pfizer can exercise the option to obtain a commercial license for each target within three to five years after the target is selected upon making a payment of \$2 million to \$5 million to us, depending on the target. Pfizer has the responsibility for and control of all development, manufacture and commercialization of any product candidates resulting from the research collaboration.

The commercial license will be a worldwide, exclusive, sublicensable license for development and commercialization of product candidates directed against the selected target. The terms of the license include a total for all targets of approximately \$80 million in regulatory milestone payments and \$530 million in sales milestone payments as well as tiered royalties ranging from mid-single digits to low-teens on potential future sales. Pfizer'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 or (ii) the tenth anniversary of the first commercial sale of a licensed product in a country, but, in the case of (ii), in no event later than the twentieth anniversary of the earlier of the date of the first commercial sale of the licensed product. If Pfizer obtains a commercial license for a target, it must use commercially reasonable efforts to develop a product in one major market country for that target, including seeking regulatory approval, and to commercialize one licensed product candidate in one major market country where Pfizer has obtained regulatory approval for that target. In addition to the other rights granted to Pfizer, we agreed not to engage in, license or collaborate on any Probody therapeutics or PDCs targeting a target for which Pfizer exercised its option for the term of the agreement, except that, for the first target, the exclusivity applies only to the PDC.

The agreement with Pfizer will continue in effect until the expiration of the royalty obligation on a licensed product-by-licensed product and country-by-country basis until the expiration of Pfizer's royalty obligations. Pfizer may terminate the agreement as a whole or on a target-by-target basis by providing 60 days' advance written notice to us for any reason or no reason at any time after May 30, 2014. Pfizer may also terminate the agreement in the event of our insolvency. Either party may terminate the agreement upon the other party's uncured material breach that is not cured within 90 days after the breaching party receives notice of such breach.

***ImmunoGen***

In January 2014, we entered into a research collaboration agreement with ImmunoGen pursuant to which we agreed to collaborate with ImmunoGen to use our Probody technology and ImmunoGen's ADC cell-killing agents and linkers to produce PDCs for testing. We amended the agreement in April 2015. ImmunoGen was granted the right to select two targets and has selected two targets. We were granted the right to select one target and have selected our target. Each party provides its own antibodies for the collaboration. We use the antibodies to produce Probody therapeutics at our expense, then we provide them to ImmunoGen to conjugate them to ImmunoGen's linkers and cytotoxic compounds at ImmunoGen's expense. Each party does its own animal testing and IND-enabling studies for the Probody therapeutics directed at its chosen target(s). Each party has the option to obtain an exclusive development and commercialization license from the other for its selected target(s). The option can be exercised by a party at any time during the term of the research collaboration except that it generally must be exercised no later than six months after the first dosing of an animal with the party's PDC. No payment is required to exercise the option. Each company retains full development control of PDCs resulting from its target selection and is responsible for preclinical and clinical development, manufacturing and commercialization. The research collaboration will last until January 2018 unless it is terminated by one of the parties earlier due to the material breach or insolvency of the other party. The collaboration will end with respect to a particular target if the option to obtain a commercial license is exercised with respect to that target. We have agreed that, during the term of the collaboration, we will not research, develop or commercialize any PDC directed toward one of ImmunoGen's targets. ImmunoGen has agreed that, during the term of the collaboration, it will not research, develop or commercialize any ADC directed toward our target.

If a party exercises its right to obtain a commercial license, it will receive a worldwide, exclusive, sublicensable license for development and commercialization of products directed against the selected target under the terms of a separate license agreement, which have already been negotiated. If we exercise our option to obtain a commercial license, we will pay up to \$60 million in development and regulatory milestones and up to \$100 million in sales milestones to ImmunoGen, as well as tiered mid- to high-single-digit royalties. If ImmunoGen exercises its option(s) to obtain a commercial license, ImmunoGen will pay up to \$30 million in development and regulatory milestones and up to \$50 million in sales milestones for each target to us, as well as tiered mid-single digit royalties. Each party has development diligence obligations for its commercial license. If the obligations are not met, the party must make annual maintenance fee payments to the other to maintain the license. ImmunoGen's commercial license prohibits us from developing or commercializing or licensing any third party to develop or commercialize any PDC that uses the cytotoxic compounds also used by ImmunoGen and is directed toward ImmunoGen's licensed target. Our commercial license prohibits ImmunoGen from developing or commercializing or licensing any third party to develop or commercialize any PDC that is directed toward our licensed target.

Each party's royalty obligations continue 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 or (ii) the twelfth anniversary of the first commercial sale of a licensed product in a country, but, in the case of (ii), in no event later than the twentieth anniversary of the earlier of the date of the first commercial sale of the licensed product. Each license agreement continues in effect until the expiration of the royalty obligation on a licensed product-by-licensed product and country-by-country basis until the expiration of the royalty obligations. The licensee may terminate the agreement at any time prior to obtaining the first regulatory marketing approval in any country by providing not less than 90 days' prior written notice to the licensor. Either party may terminate a license agreement upon the other party's uncured material breach that is not cured within 90 days after the breaching party receives notice of such breach or in the event of the insolvency of the other party. A licensor may terminate a commercial license if the licensor has terminated the research collaboration due to the material breach of the research collaboration agreement by the licensee.

## **BMS**

In May 2014, we entered into a research collaboration and license agreement with BMS pursuant to which we agreed to collaborate to discover and conduct preclinical development of Probody therapeutics directed against four immune-oncology targets. BMS selected the first two targets upon the signing of the agreement, one of which is CTLA-4, and made a \$50 million signing payment to us. BMS may select an additional two targets prior to May 23, 2019 by written notification so long as the target is not an excluded target as defined in the agreement and by paying \$10 million to us for the first such target and by paying \$15 million to us for the second such target. BMS will provide a specified amount of research funding to us to perform the research by funding certain full-time employee expenses. BMS has the responsibility for and control of all development, manufacture and commercialization of any products resulting from the research collaboration. BMS agreed to use commercially reasonable efforts to develop and obtain regulatory approval for and commercialize at least one product for each target.

We granted BMS exclusive worldwide rights to develop and commercialize the Probody therapeutics we discover. The terms of the agreement provide that BMS will make a total of up to \$2 million in preclinical milestone payments for each target, a total of up to \$112 million in development and regulatory milestone payments for up to three indications for each target, a total of up to \$124 million in milestone payments for the first commercial sale in various territories for up to three indications, and sales milestone payments of up to \$60 million for each product. We will also be eligible to receive tiered mid-single digit royalties rising to low double-digit royalties on net sales of each product commercialized by BMS. BMS' 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. In addition to paying us milestones and royalties, subject to certain conditions. BMS agreed to purchase shares of our common stock offered in any initial public offering occurring on or prior to December 31, 2017 at the price per share offered to the public. The purchase of common stock in our initial public offering by BMS is at our discretion in consultation with our lead underwriter. The total amount to be paid by BMS for its purchase of our stock will not be greater than the lower of (i) \$10 million and (ii) the amount equal to the share price charged to the public multiplied by the number of shares equal to 4.9% of the outstanding shares of our common stock immediately after our initial public offering.

Under the collaboration and license agreement, we also granted BMS certain exclusivity rights. We agreed that we will not, ourselves or with a third party, research, develop or commercialize any product developed from the research collaboration or on any of the four targets chosen by BMS.

The agreement with BMS will continue in effect on a licensed product-by-licensed product and country-by-country basis until neither party has any obligation to the other under the agreement in such country with respect to such product. BMS may terminate the agreement at will as a whole or on a country-by-country basis at any time after May 23, 2016 or at any time on a target-by-target basis by providing two months' advance written notice to us if no regulatory approval for any product has yet been obtained or otherwise upon four months' advance written notice to us. BMS may also terminate the agreement on a target-by-target basis in the event it determines that the medical benefit to risk ratio of a product is so unfavorable as to be incompatible with the welfare of patients. Either party may terminate the agreement upon the other party's uncured material breach that is not cured within 90 days after the breaching party receives notice of such breach and for the insolvency of the other party.

## **Employees**

As of June 30, 2015, we had 56 full-time employees, 42 of whom were primarily engaged in research and development activities.



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**Facilities**

We currently lease a total of approximately 29,500 square feet (of which we lease approximately 24,500 square feet directly and 5,000 square feet pursuant to a sublease) of office and research and development facilities in South San Francisco, California. Our lease expires in January 2019. We are currently exploring alternatives which would provide us with additional space to accommodate our anticipated growth.

**Legal Proceedings**

We are not currently a party to any material legal proceedings.

## MANAGEMENT

### Executive Officers and Directors

The following sets forth information about our executive officers and directors as of June 30, 2015.

<u>NAME</u>	<u>POSITION</u>	<u>AGE</u>
Sean A. McCarthy, D. Phil.	President and Chief Executive Officer, Director	48
Neil Exter	Director	57
Frederick W. Gluck	Director	79
Hoyoung Huh, M.D., Ph.D.	Chairman of the Board	46
Rachel W. Humphrey, M.D.	Director	53
Elaine V. Jones, Ph.D.	Director	60
Timothy M. Shannon, M.D.	Director	56
Robert C. Goeltz II	Chief Financial Officer	42
W. Michael Kavanaugh, M.D.	Chief Scientific Officer and Head of Research and Early Development	59
Cynthia J. Ladd	Senior Vice President and General Counsel	60

- (1) Member of the audit committee, upon completion of this offering.
- (2) Member of the nominating governance committee, upon completion of this offering.
- (3) Member of the compensation committee, upon completion of this offering.

The following is information about the experience and attributes of the members of our board of directors and executive officers as of the date of this prospectus. Together, the experience and attributes discussed below provide the reasons that these individuals were selected for board membership, as well as why they continue to serve in such positions.

#### **Sean A. McCarthy, D. Phil., President and Chief Executive Officer, Director**

Dr. McCarthy has served as a member of our board of directors and our president and chief executive officer since August 2011. Previously, Dr. McCarthy served as our chief business officer from December 2010 to August 2011. From April 2006 to December 2010, he was a transactional partner at Pappas Ventures, a venture capital firm, where he helped drive investments in therapeutic, medical device and molecular diagnostic companies. Prior to Pappas Ventures, Dr. McCarthy was the vice president of business development at SGX Pharmaceuticals, Inc., where he spearheaded a wide range of strategic collaborations with major pharmaceutical companies, and served on the management team that led to the initial public offering of the company in 2006, before the Company's ultimate acquisition by Eli Lilly and Company. Prior to SGX Pharmaceuticals, Inc., Dr. McCarthy was associate director of program management at Millennium Pharmaceuticals, Inc., where he managed therapeutic protein programs and a research team that invented novel genomic techniques for the identification of therapeutic proteins. Dr. McCarthy is an author on multiple peer reviewed scientific publications and patent applications. Dr. McCarthy received his B.Sc. in biochemistry and pharmacology at King's College, University of London, his D. Phil. in cancer biology from St. John's College, University of Oxford and his M.B.A. from the Rady School at the University of California, San Diego. Dr. McCarthy currently serves on the board of directors of the California Life Sciences Association.

#### **Neil Exter, Director**

Mr. Exter has served as a member of our board of directors since September 2010. Mr. Exter has been a partner at Third Rock Ventures, a venture capital firm, since November 2007. Prior to joining Third Rock Ventures, Mr. Exter was the chief business officer of Alantos Pharmaceuticals Holding, Inc., leading the sale of the company to Amgen, Inc., and vice president of Millennium Pharmaceuticals, Inc., directing in-licensing and M&A. Earlier in his career, he held various executive management roles within the high technology industry. Mr. Exter currently

serves on the board of directors of REVOLUTION Medicines, Inc., Cibiem, Inc., Element Science, Inc., and Rhythm Pharmaceuticals. Mr. Exter previously served on the board of directors of Lotus Tissue Repair (acquired by Shire plc) and Seventh Sense Biosystems, Inc. Mr. Exter is a member of the board research committee at Children’s Hospital Boston and the treasurer and a member of the board of directors of the New England Venture Capital Association. Additionally, Mr. Exter is a member of the Innovation Research Fund at Partners Healthcare and the advisory council of the Electrical and Computer Engineering Department at Cornell University. Mr. Exter received his B.S. from Cornell University, M.S. from Stanford University and M.B.A. as a Baker Scholar from Harvard Business School.

**Frederick W. Gluck, Director**

Mr. Gluck has served as a member of our board of directors since September 2010. Mr. Gluck previously served as a member of the board of directors of Amgen, Inc. from February 1998 to October 2011. He was the chief executive officer of CytomX, LLC from March 2006 to February 2008. He has served as a member and the founding chairman of the board of directors of Cynvenio Biosystems, Inc. and TrueVision Systems Inc. since March 2006 and a member of the board of directors of CytomX Therapeutics, LLC since February 2008. Mr. Gluck served as a consultant to McKinsey & Company, Inc., an international management consulting firm (“McKinsey”), from July 1998 to July 2003. Prior to that, he was Vice Chairman and Director of Bechtel Group, Inc., an engineering, construction and project management company, from 1995 to July 1998. Mr. Gluck is a former managing partner of McKinsey, where he served from 1967 to 1995. Between 1988 and 1994, he was the Managing Director of McKinsey. He also serves as a director of the Foundation Board of the University of California, Santa Barbara, the Kavli Institute of Theoretical Physics and The New York Presbyterian Hospital (Emeritus). Mr. Gluck was the presiding director of the Hospital Corporation of America. Mr. Gluck received his B.S. from Manhattan College and M.S. from New York University in electrical engineering.

**Hoyoung Huh, M.D., Ph.D., Chairman, Director**

Dr. Huh has served as a member of our board of directors since December 2011 and the chairman of our board of directors since February 2012. Dr. Huh has been a member of the board of directors of Geron Corporation since May 2010 and served as its chairman since September 2011. Dr. Huh also is a director of AntriaBio, Inc., a biopharmaceutical company focused on developing novel therapeutic products for the diabetes market. Dr. Huh served as a director of Addex Pharmaceuticals, a pharmaceutical discovery and development company, from May 2011 to May 2014. From February 2008 to December 2011, Dr. Huh was the chairman of the board of directors of BiPar Sciences, Inc. (“BiPar”), a biopharmaceutical company acquired in April 2009 by Sanofi-Aventis, a global pharmaceutical company. Dr. Huh served as BiPar’s president and chief executive officer from February 2008 to December 2009. Dr. Huh also served on the board of directors of Facet Biotech, a wholly-owned subsidiary of Abbott Laboratories, a global, broad-based health care company, from September 2009 to April 2010. Dr. Huh was a member of the board of directors of Nektar Therapeutics (“Nektar”), a clinical-stage biopharmaceutical company, from February 2008 to May 2009, and Nektar’s chief operating officer and senior vice president of Business Development and Marketing from March 2005 to February 2008. Prior to Nektar, Dr. Huh was a partner at McKinsey, a global management consulting firm, where he was in the biotechnology and biopharmaceutical sectors. Prior to McKinsey, he held positions as a physician and researcher at Cornell University Medical College and Sloan-Kettering Cancer Center. Dr. Huh holds an A.B. in biochemistry from Dartmouth College and an M.D. and Ph.D. in genetics and cell biology from Cornell University Medical College and Sloan-Kettering Institute.

**Rachel W. Humphrey, M.D., Director**

Dr. Humphrey has served as a member of our board of directors since May 2015. Dr. Humphrey is vice president, head of immuno-oncology at Eli Lilly and Company, a global pharmaceutical company. From November 2013 to December 2014, Dr. Humphrey was vice president, head of immuno-oncology at AstraZeneca, a global pharmaceutical company. From January 2012 to October 2013, she was executive vice

president and chief medical officer of Mirati Therapeutics, Inc., where she helped advance multiple assets through early stage clinical investigation. Prior to that, she served as vice president of product development at Bristol-Myers Squibb Company from May 2003 to January 2012. Prior to that, Dr. Humphrey held multiple positions in development at Bayer. Dr. Humphrey began her career as an oncology fellow and staff physician at the National Cancer Institute. Dr. Humphrey received her M.D. from Case Western Reserve University and received her B.A. from Harvard University.

**Elaine V. Jones, Ph.D., Director**

Dr. Jones has served as a member of our board of directors since December 2014. Since December 2008, Dr. Jones has served as Executive Director, Venture Capital of Pfizer Venture Investments, the venture capital arm of Pfizer Inc., a global pharmaceutical company. From 2003 to November 2008, Dr. Jones served as a general partner of Euclid SR Partners, a venture capital firm. From 1999 to 2003, Dr. Jones held various positions at S.R. One, the venture fund of GlaxoSmithKline plc, a global pharmaceuticals company. Dr. Jones holds a B.S. in Biology from Juniata College and a Ph.D. in Microbiology from the University of Pittsburgh.

**Timothy M. Shannon, M.D., Director**

Dr. Shannon has served as a member of our board of directors since July 2012. Dr. Shannon has been a venture partner at Canaan Partners, a venture capital firm, since November 2009 and a general partner since January 2015. Dr. Shannon currently serves as a member of the boards of Arvinas, Inc. (“Arvinas”), Novira Therapeutics, Inc., Spyryx Biosciences, Inc. (“Spyryx”), VaxInnate Corporation, and Vivace Therapeutics, Inc. From July 2013 to December 2014, Dr. Shannon served as the chief executive officer of Arvinas. From November 2010 to September 2013, he was the chief executive officer of Aldea Pharmaceuticals, Inc. From August 2007 to September 2009, Dr. Shannon was president and chief executive officer of CuraGen Corporation (“CuraGen”), a biopharmaceutical company focused on oncology, after serving as Executive Vice President of research and development and chief medical officer. Prior to CuraGen, he held positions of increasing responsibility for Bayer AG’s Pharmaceutical Business Group, including Senior Vice President of Global Medical Development. He currently serves as chairman of the board of directors of each of Arvinas and Spyryx. He previously served as a member of the board of directors of Civitas Therapeutics, Inc., which was acquired in October 2014 by Acorda Therapeutics, Inc. Until December 2014, he also served as a Director at Celldex Therapeutics, Inc., which acquired CuraGen Corporation in October 2009. Dr. Shannon served as assistant professor of the pulmonary and critical care division at Yale University School of Medicine and as an attending physician in pulmonary and critical care medicine at the West Haven V.A. Medical Center. Dr. Shannon received his post graduate medical training at the Beth Israel Hospital of Harvard Medical School and at Boston University. He earned his M.D. from the University of Connecticut and has a B.A. in chemistry from Amherst College.

**Robert C. Goeltz II, Chief Financial Officer**

Mr. Goeltz joined us as chief financial officer in May 2015. Prior to joining us, Mr. Goeltz was chief financial officer of Onyx Pharmaceuticals, Inc. after its acquisition by Amgen, Inc. in October 2013. Prior to that, Mr. Goeltz held leadership roles in Business Development, Commercial Finance, R&D Finance and Corporate Accounting at Amgen, Inc. Mr. Goeltz was Director of Finance at Tularik Inc. prior to its acquisition by Amgen, Inc. in August 2004. He began his career working in the audit practice for Ernst & Young LLP. Mr. Goeltz earned an M.B.A. from the UCLA Andersen School of Management and a B.B.A. in Business from Emory University. He is also a Certified Public Accountant (inactive).

**W. Michael Kavanaugh, M.D., Chief Scientific Officer and Head of Research and Early Development**

Dr. Kavanaugh joined us as chief scientific officer and head of research and early development in January 2015. Prior to joining us, Dr. Kavanaugh was senior vice president and chief scientific officer of Five

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Prime Therapeutics, Inc. From February 2009 to December 2014, Dr. Kavanaugh held multiple positions in research and development at Five Prime Therapeutics, Inc. and led the growth of its therapeutic pipeline. Prior to that, Dr. Kavanaugh served as vice president of Novartis Vaccines & Diagnostics, Inc. and executive director of Oncology Biologics in the Novartis Institutes of Biomedical Research. He joined Novartis as part of its acquisition of the Chiron Corporation in 2006, where he held positions as vice president and head of antibody and protein therapeutics research. Dr. Kavanaugh received his M.D. from Vanderbilt University and his B.S. in molecular biochemistry and biophysics from Yale University. He completed training in internal medicine, cardiovascular disease and molecular and cellular biology at University of California, San Francisco, and the Cardiovascular Research Institute. Dr. Kavanaugh also currently serves as an attending staff physician at the San Francisco Veterans Administration Medical Center and as an associate clinical professor of Medicine at University of California, San Francisco.

**Cynthia J. Ladd, Senior Vice President and General Counsel**

Ms. Ladd joined us as senior vice president and general counsel in June 2015. Prior to joining us, Ms. Ladd was an independent consultant to biotechnology companies from February 2006 to June 2015, advising on corporate strategy, negotiations around collaborations, and clinical and regulatory issues, as well as acting as general counsel. Prior to that, she was president and chief executive officer of AGY Therapeutics Inc. from May 2003 to June 2005, where she guided the company through a venture round and its transition to a clinical organization. Ms. Ladd previously served as senior vice president and general counsel at Pharmacyclics. Earlier in her career, Ms. Ladd held a number of positions at Genentech, Inc., including vice president of corporate law and chief corporate counsel. She began her career as an associate with Wilson Sonsini Goodrich & Rosati, P.C., and Ware & Freidenrich LLP (now DLA Piper LLP (US)). Ms. Ladd received her J.D. from Stanford Law School, an M.S. in animal nutrition and biochemistry from Cornell University and a B.S. in animal science from Pennsylvania State University.

**Board Composition**

Our board of directors consists of seven members. Our bylaws provide that the number of directors may be changed only by resolution of the board of directors. Our board of directors has determined that all of the members of our board of directors, except Sean A. McCarthy, D. Phil., are “independent directors” as defined in applicable rules of the SEC and The NASDAQ Stock Market. Dr. McCarthy is not an “independent director” under applicable rules as a result of his employment with the company. All directors will hold office until their successors have been elected and qualified or appointed or the earlier of their death, resignation or removal. Executive officers are appointed and serve at the discretion of the board of directors. There are no family relationships among any of our directors or executive officers.

**Voting Arrangements**

Pursuant to our amended and restated voting agreement that we entered into with certain holders of our common stock and certain holders of our convertible preferred stock:

- the holders of the shares of our Series C preferred stock are entitled to elect one member of our board of directors;
- the holders of the shares of our Series B-1 and Series B-2 preferred stock, voting together, are entitled to elect three members of our board of directors;
- the holders of the shares of our common stock are entitled to elect two members of our board of directors, one of whom shall be our then-serving chief executive officer; and
- the holders of the shares of our common stock and our convertible preferred stock, voting together, are entitled to elect two members of our board of directors.

The holders of our common stock and preferred stock that are parties to the amended and restated voting agreement are obligated to vote for such designees. The rights of these holders of our preferred stock will terminate upon the consummation of this offering and there will be no voting rights with respect to the election of our directors.

### Director Independence

Upon the consummation of this offering, our common stock will be listed on The NASDAQ Global Market. Under the rules of The NASDAQ Stock Market (the “NASDAQ rules”), independent directors must comprise a majority of a listed company’s board of directors within twelve months from the date of listing. In addition, the NASDAQ rules require that, subject to specified exceptions, each member of a listed company’s audit, compensation and nominating and corporate governance committees be independent within twelve months of the date of listing. Audit committee members must also satisfy additional independence criteria set forth in Rule 10A-3 under the Exchange Act, and in NASDAQ rule 5605. Under the NASDAQ rules, a director will only qualify as an “independent director” if, in the opinion of that company’s board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

To be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee, accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries or be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors determined that none of \_\_\_\_\_, representing \_\_\_\_\_ of our seven directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the NASDAQ rules. Our board of directors determined that \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, who will be members of our audit committee effective upon completion of this offering, \_\_\_\_\_ and \_\_\_\_\_ who will be members of our compensation committee upon completion of this offering, and \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, who will be members of our nominating governance committee upon completion of this offering, satisfy the independence standards for those committees established by applicable SEC and the NASDAQ rules. \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, each of whom will serve as a member of our audit committee upon completion of this offering, may not qualify as independent under the audit committee independence standards established by the SEC rules if \_\_\_\_\_, in the case of \_\_\_\_\_, or \_\_\_\_\_, in the case of \_\_\_\_\_, continues to own more than ten percent of our capital stock after this offering. In such event, under applicable exemptions in NASDAQ rules, \_\_\_\_\_ or \_\_\_\_\_, as applicable, would be permitted to continue to serve on the audit committee for up to one year following the consummation of this offering. (For more information, see the section titled “Principal Stockholders” elsewhere in this prospectus.) In making these determinations, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

## **Board Diversity**

Upon completion of our initial public offering, our nominating and corporate governance committee will be responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members), the nominating and corporate governance committee, in recommending candidates for election, and the board of directors, in approving (and, in the case of vacancies, appointing) such candidates, will take into account many factors, including the following:

- diversity of personal and professional background, perspective and experience;
- personal and professional integrity, ethics and values;
- experience in corporate management, operations or finance, such as serving as an officer or former officer of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today's business environment;
- experience relevant to our industry and with relevant social policy concerns;
- experience as a board member or executive officer of another publicly held company;
- relevant academic expertise or other proficiency in an area of our operations;
- practical and mature business judgment, including ability to make independent analytical inquiries;
- promotion of a diversity of business or career experience relevant to our success; and
- any other relevant qualifications, attributes or skills.

Currently, our board of directors evaluates, and following the completion of our initial public offering will evaluate, each individual in the context of the board of directors as a whole, with the objective of assembling a group that can best maximize the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas.

## **Board Committees**

Our board of directors has established the committees described below and may establish others from time to time. The charters for each of our committees will be available on our website upon effectiveness of the registration statement to which this prospectus relates.

### ***Audit Committee***

Upon completion of this offering, our audit committee will be comprised of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ will serve as the chairperson of the committee. Our board of directors has determined that each member of the audit committee is "independent" for audit committee purposes as that term is defined in the applicable rules of the SEC and The NASDAQ Stock Market. Our board of directors has designated \_\_\_\_\_ as an "audit committee financial expert," as defined under the applicable rules of the SEC. The audit committee's responsibilities include:

- appointing, approving the compensation of and assessing the independence of our independent registered public accounting firm;

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- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing annually a report by the independent registered public accounting firm regarding the independent registered public accounting firm’s internal quality control procedures and various issues relating thereto;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting with both management and the independent registered public accounting firm;
- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns, including a confidential, anonymous mechanism for the submission of concerns by employees;
- periodically reviewing legal compliance matters, including any securities trading policies, periodically reviewing significant accounting and other financial risks or exposures to our company and reviewing and, if appropriate, approving all transactions between our company and any related party (as described in Item 404 of Regulation S-K promulgated under the Exchange Act);
- establishing policies for the hiring of employees and former employees of the independent registered public accounting firm; and
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and will have the authority to retain counsel and advisors to fulfill its responsibilities and duties.

### ***Compensation Committee***

Upon completion of this offering, our compensation committee will be comprised of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ will serve as the chairperson of the committee. Our board of directors has determined that each member of the compensation committee is an independent director for compensation committee purposes as that term is defined in the applicable NASDAQ rules, is a “non-employee director” within the meaning of Rule 16b-3(d)(3) promulgated under the Exchange Act and is an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code, as amended. The compensation committee’s responsibilities include, among other things:

- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer;
- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and approving the compensation of our chief executive officer;
- reviewing and approving the compensation of our other executive officers;
- reviewing our compensation, welfare, benefit and pension plans and similar plans;



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- reviewing and making recommendations to the board of directors with respect to director compensation; and
- preparing for inclusion in our proxy statement the report, if any, of the compensation committee required by the SEC.

The compensation committee has the power to investigate any matter brought to its attention within the scope of its duties and will have the authority to retain counsel and advisors to fulfill its responsibilities and duties.

### ***Nominating Governance Committee***

Upon completion of this offering, we will have a nominating governance committee comprised of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ will serve as the chairperson of the committee. Our board of directors has determined that each of the committee members is an independent director for nominating and corporate governance committee purposes as that term is defined in the applicable rules of The NASDAQ Global Market. The nominating and corporate governance committee's responsibilities include, among other things:

- developing and recommending to the board of directors criteria for membership on the board of directors and committees;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each committee of the board of directors;
- annually reviewing our corporate governance guidelines; and
- monitoring and evaluating the performance of the board of directors and leading the board in an annual self-assessment of its practices and effectiveness.

The nominating and corporate governance committee has the power to investigate any matter brought to its attention within the scope of its duties and will have the authority to retain counsel and advisors to fulfill its responsibilities and duties.

### **Compensation Committee Interlocks and Insider Participation**

During the year ended December 31, 2014, or for some portion thereof, Neil Exter, Frederick W. Gluck and Timothy M. Shannon, M.D. served as members of the compensation committee of our board of directors. No such person is currently, or has been at any time, one of our executive officers or employees. None of our executive officers currently serves, or has served during the last completed three fiscal years, as a member of the board of directors or compensation committee of any other entity that has or had one or more executive officers serving as a member of our board of directors or compensation committee.

### **Code of Business Conduct and Ethics**

Before the completion of this offering, we intend to adopt a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Following the completion of this offering, the code of business conduct and ethics will be available on our website at <http://www.cytomx.com>. We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

### **Limitation of Liability and Indemnification**

As permitted by the Delaware General Corporation Law, as amended, our certificate of incorporation and bylaws limit or eliminate the personal liability of our directors. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any unlawful payments related to dividends or unlawful stock repurchases, redemptions or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the U.S. federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission.

In addition, our bylaws provide that:

- we will indemnify our directors, officers and, at the discretion of our board of directors, certain employees and agents to the fullest extent permitted by the Delaware General Corporation Law, as amended;
- we will advance expenses, including attorneys' fees, to our directors and to our officers and certain employees, in connection with legal proceedings, subject to limited exceptions; and
- the indemnification and advancement of expenses provided in our bylaws are not exclusive of any other right to which our directors or officers may be entitled under any indemnification agreement we enter into with any individual director, officer, employee or agent.

In connection with this offering, we have entered into indemnification agreements with each of our executive officers and directors. These agreements provide that we will indemnify each of our executive officers and directors to the fullest extent permitted by law and advance expenses to each indemnitee in connection with any proceeding in which indemnification is available.

We have obtained general liability insurance that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The above provisions may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. The provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions, the indemnification agreements and the insurance are necessary to attract and retain talented and experienced directors and officers.

At present, there is no pending litigation or proceeding involving any of our directors or officers where indemnification will be required or permitted. We are not aware of any threatened litigation or proceedings that might result in a claim for such indemnification.

## EXECUTIVE AND DIRECTOR COMPENSATION

### 2014 Director Compensation Table

The following table presents information regarding the compensation of our non-employee directors for 2014. The compensation paid to Sean A. McCarthy, D. Phil., our chief executive officer, is presented below under “Executive Compensation” and the related explanatory tables.

<u>NAME</u>	<u>FEES EARNED OR PAID IN CASH<sup>(1)</sup> (\$)</u>	<u>OPTION AWARDS<sup>(2)</sup> (\$)</u>	<u>TOTAL (\$)</u>
Neil Exter	—	—	—
Frederick W. Gluck	40,000	—	40,000
Hoyoung Huh, M.D., Ph.D.	160,000	126,921	286,921
Timothy M. Shannon, M.D.	—	—	—

- (1) Dr. Huh and Mr. Gluck each elected to receive all of their 2014 and 2015 cash retainers in the form of option awards granted in 2014, which vest in 24 equal monthly installments.
- (2) Pursuant to applicable SEC executive compensation disclosure rules, the amount reported in this column reflects the fair value of the annual option award granted to our chairman, Dr. Huh, during 2014. This value has been determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”). For a discussion of the assumptions and methodologies used to calculate this amount, please see the discussion of option awards contained in Note 15, Stock Based Compensation, to our financial statements for the year ended December 31, 2014 and for the three months ended March 31, 2015 included elsewhere in this prospectus. As of December 31, 2014, Dr. Huh and Mr. Gluck held outstanding options to purchase 22,678,624 and 4,786,915 shares of our common stock, respectively. Other than these options, none of our non-employee directors held any outstanding options or other equity awards on that date.

### Director Compensation

During 2014, the annual cash retainer fee for our chairman of our board of directors and our other non-employee, non-affiliated director was \$80,000 and \$20,000, respectively. As noted above, each of Dr. Huh and Mr. Gluck was granted the right to convert their entire cash retainers for 2014 and 2015 into options to purchase shares of our common stock, which were granted in 2014. In addition, on January 1, 2014, Dr. Huh was granted an option to purchase 9,218,073 shares of our common stock. As affiliated members of our board of directors, Mr. Exter and Dr. Shannon did not receive any director compensation during 2014.

We expect to adopt a new compensation program for our non-employee directors following the consummation of this offering. We are still considering the design of this program and expect to retain an independent compensation consultant to help us determine its terms.

### Executive Compensation

#### Overview

Our executive compensation programs are designed to create a “pay for performance” culture by aligning the actions of our executive officers with our business objectives and the long-term interests of our stockholders. The compensation paid or awarded to our executive officers is generally based on the assessment of each individual’s performance compared against the business and individual performance objectives established for the fiscal year as well as our historical compensation practices. In addition, we seek to pay compensation at a level that is competitive with companies within the life sciences industry as well as the general labor market. To that end, during 2014, we retained the services of The HawthorneGroup as our company’s compensation consultant to provide a perspective on the competitive labor market.

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This section provides a discussion of the 2014 compensation paid or awarded to our president and chief executive officer and one former executive officer. We refer to these individuals as our “named executive officers.” For 2014, our named executive officers were:

- Sean A. McCarthy, D. Phil., President and Chief Executive Officer; and
- Henry B. Lowman, Ph.D., Former Chief Scientific Officer.

Dr. Lowman served as our chief scientific officer through September 30, 2014 and was engaged by us as consultant chief scientific officer from October 2014 through December 2014. Effective January 5, 2015, Dr. Lowman commenced service as a member of our scientific advisory board. During 2014, no other individuals served as executive officers of our company. During 2015, Robert C. Goeltz II joined the company as chief financial officer, W. Michael Kavanaugh, M.D. joined the company as chief scientific officer and head of research and early development, and Cynthia J. Ladd joined the company as senior vice president and general counsel.

The material elements of our compensation program for our named executive officers are base salary, annual cash bonuses and equity-based compensation in the form of option awards. Our named executive officers are also eligible to participate in our 401(k) plan, health and welfare benefit plans and fringe benefit programs generally available to our other employees.

**Compensation of Named Executive Officers**

*Base Salary*

Base salaries are intended to provide a level of compensation sufficient to attract and retain an effective management team, when considered in combination with the other components of our executive compensation program. The relative levels of base salary for our named executive officers are designed to reflect each executive officer’s scope of responsibility and accountability with us. Please see the “Salary” column in the 2014 Summary Compensation Table for the base salary amounts received by each named executive officer in 2014.

*Annual Cash Bonuses*

Historically, we have provided our executives with short-term incentive compensation through our annual bonus program. We believe that annual bonuses hold executives accountable, reward executives based on actual business results and help create a “pay for performance” culture. Our 2014 annual cash bonus program provided cash incentive awards for the achievement of research and development and financing goals established at the beginning of the year by our board of directors.

Each executive’s target bonus is expressed as a percentage of the executive’s base salary and is intended to be commensurate with the executive’s position and responsibilities. The 2014 target bonus for Dr. McCarthy was 30% of his base salary, with our board of directors certifying a bonus attainment level of 80% of the underlying corporate performance goals. Pursuant to his Separation Agreement (as described below), Dr. Lowman received a bonus of \$10,000, based on an assessment of our performance against the corporate performance goals as well as his prorated service during the year. Please see the “Non-Equity Incentive Compensation” column in the 2014 Summary Compensation Table for the amount of annual bonuses paid to each named executive officer in 2014.

*Equity Awards*

We have historically used equity awards in the form of stock options to provide an incentive for our executives to focus on achieving specific performance goals and driving growth in our stock price and long-term value creation and to help us to attract and retain key talent. In 2014, none of our named executive officers received additional equity awards with respect to our company. As discussed further below, in connection with Dr. Lowman’s separation, we entered into a separation agreement with Dr. Lowman, which allowed for the continued vesting of his outstanding option awards in connection with his agreement to serve as a consultant.

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Please see the “Option Awards” columns in the 2014 Summary Compensation Table for the modification charge associated with the continued vesting of Dr. Lowman’s outstanding option awards.

### 2015 Compensation Decisions

In 2015, Dr. McCarthy received a 3.5% merit increase in base salary, a target bonus opportunity equal to 40% of base salary and option grants with an aggregate grant date fair value equal to approximately \$300,000. In addition, in 2015, our board of directors approved a discretionary bonus of \$189,000, with such value approximating the outstanding balance of a promissory note from Dr. McCarthy to the company. Dr. McCarthy issued the promissory note to the Company as consideration for the exercise of previously granted options to purchase company shares.

### 2014 Summary Compensation Table

The following table provides a summary of compensation paid to our principal executive officer and our former chief scientific officer who separated from the company in September 2014, and who would have been our most other highly compensated executive officer if he had remained an employee at the end of 2014. During 2014, no other individuals served as executive officers of our company.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Base Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)(1)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Sean A. McCarthy, D. Phil. President and Chief Executive Officer	2014	357,075	—	—	—	85,698	953	443,726
Henry B. Lowman, Ph.D. Former Chief Scientific Officer(2)	2014	227,325	—	—	41,654(3)	10,000	83,886(4)	362,865

(1) These amounts include payments under our annual incentive bonus plan, which is based on our performance against certain research and development and financing targets established by our board of directors for 2014. For 2014, our board of directors certified an attainment level of 80% with respect to the underlying corporate performance goals.

(2) Dr. Lowman served as our chief scientific officer through September 30, 2014 and served as consultant chief scientific officer through December 31, 2014. He has served as a member of our scientific advisory board since January 5, 2015.

(3) For Dr. Lowman, this amount represents the incremental fair value associated with modifications to his outstanding option awards in 2014. As noted above, in 2014, the vesting terms of Dr. Lowman’s option awards were modified in connection with his separation from our company to provide for continued vesting in connection with his agreement to serve as a consultant through December 2014. For a discussion of the assumptions and methodologies used to calculate these amount, please see the discussion of equity awards contained in Note 15, Stock Based Compensation, to our financial statements for the year ended December 31, 2014 and for the three months ended March 31, 2015 included elsewhere in this prospectus.

(4) This amount includes consulting fees of \$75,025 for consulting services performed by Dr. Lowman from October 2014 through December 2014.

### Employment, Severance and Change in Control Arrangements

We generally execute an offer of employment before an executive joins our company. This offer describes the basic terms of the executive’s employment, including his or her initial base compensation, annual bonus target, option awards and any fringe benefits. In addition, in the case of Dr. McCarthy, his offer letter also provides that if his employment is terminated by us without cause or if Dr. McCarthy terminates his employment due to good reason (as such terms are defined in the offer letter), subject to his execution of a general release of claims against the company, he will be entitled to receive a lump sum payment equal to one year of base salary as well as continued medical and dental coverage for a period of one year following termination of employment or, to the extent we are unable to provide such benefit coverage, a lump sum payment equal to the annualized premium cost relating to such benefit coverage. Dr. McCarthy’s offer letter also provides that, in the event of a change in control and a termination of employment without cause or due to good reason within 12 months following such change in control, Dr. McCarthy will be entitled to receive the benefits described in the preceding sentence as well as full

vesting of his outstanding option awards. In April 2015, we entered into a Severance and Change in Control Agreement with Dr. McCarthy which maintains the severance benefits and change in control benefits under his offer letter, and also provides for an additional lump sum payment equal to his target annual bonus for the calendar year in which his employment is terminated.

In connection with Dr. Lowman's separation and in consideration for his release of claims against the company, in September 2014, we entered into a separation agreement with Dr. Lowman setting forth the terms of his service as consultant chief scientific officer from October 2014 through December 2014. Under the separation agreement, Dr. Lowman received: (i) a monthly consulting fee of \$25,008; (ii) continued vesting of his outstanding equity awards in accordance with their normal vesting schedules, subject to Dr. Lowman's continued service as a consultant; and (iii) company-paid COBRA premiums through December 31, 2014. Dr. Lowman also received a \$10,000 bonus for the year that was based on an assessment of our achievement of the corporate performance goals. In addition, pursuant to the terms of the September 2014 separation agreement, the parties agreed to enter into Scientific Advisory Board Consulting Agreement in 2015 which provides for an annual consulting payment of \$10,000 and an option grant to acquire 1,000,000 shares of our common stock, with the option award vesting over 4-years subject to Dr. Lowman's continued service as a consultant.

#### Defined Contribution Plan

As part of our overall compensation program, we provide all full-time employees, including our named executive officers, with the opportunity to participate in a defined contribution 401(k) plan. Our 401(k) plan is intended to qualify under Section 401 of the Internal Revenue Code so that employee contributions and income earned on such contributions are not taxable to employees until withdrawn. For 2014, we provided a dollar-for-dollar matching contribution up to the first \$500 contributed to the plan by the employee.

#### Outstanding Equity Awards at December 31, 2014

The following table presents information regarding the outstanding stock options held by each of the named executive officers as of December 31, 2014. None of the named executive officers held any outstanding restricted stock or other equity awards as of that date.

Name	Grant Date	Vesting Commencement Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Sean A. McCarthy, D. Phil.	9/21/2011 <sup>(1)</sup>	8/9/2011	20,017,560	4,003,513	0	0.018	9/20/2021
	2/26/2013 <sup>(2)</sup>	2/26/2013	4,143,794	4,504,124	0	0.015	2/25/2023
	2/26/2013	2/26/2013	3,047,785	0	0	0.015	2/25/2023
	2/26/2013	2/23/2013	0	0	3,047,785 <sup>(3)</sup>	0.015	2/25/2023
Henry B. Lowman, Ph.D.	9/22/2010	2/5/2010	10,087	0	0	0.018	9/21/2020
	5/3/2011 <sup>(1)</sup>	5/3/2011	1,584,315	416,925	0	0.018	5/2/2021
	9/21/2011 <sup>(1)</sup>	9/14/2011	792,157	375,233	0	0.018	9/20/2021
	2/26/2013 <sup>(2)</sup>	2/26/2013	2,478,350	2,693,860	0	0.015	2/25/2023

(1) This option vests 25% on the first anniversary of the vesting commencement date and in subsequent 1/48<sup>th</sup> increments for each subsequent month of continuous employment.

(2) This option vests in 1/48<sup>th</sup> increments on the last day of each month of continuous service following the vesting commencement date.

(3) This option vests upon our filing of an Investigational New Drug application with the US FDA prior to December 31, 2016, subject to the named executive officer's continuous employment through the filing date.

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Below we describe transactions and series of related transactions to which we were a party, or may be a party in relation to this offering, and which we have entered since January 1, 2012, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, executive officers or holders of more than five percent of our capital stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

**Sales and Purchases of Securities****Issuances of Preferred Stock**

The following table sets forth a summary of the sale and issuance of our preferred stock to related persons since January 1, 2012, other than compensation arrangements which are described under the sections of this prospectus captioned “Management—Director Compensation” and “Executive Compensation.” For a description of beneficial ownership see the section of this prospectus captioned “Principal Stockholders.”

<b>Purchaser</b>	<b>Series B-1 Convertible Preferred Stock</b>	<b>Series C Convertible Preferred Stock</b>	<b>Series D Convertible Preferred Stock</b>
<b>5% Stockholders:</b>			
Entities affiliated with Fidelity Management & Research Company <sup>(1)</sup>	—	—	155,047,120
Third Rock Ventures, L.P.	173,607,565	35,595,633	—
Canaan IX L.P.	224,668,612	83,056,478	—
CytomX Therapeutics Holdings, LLC	54,375,856	17,805,079	—
Roche Finance Ltd	30,636,628	17,797,816	—
Pfizer Inc.	—	100,854,295	—
<b>Directors:</b>			
Neil Exter <sup>(2)</sup>	173,607,565	35,595,633	—
Timothy M. Shannon, M.D. <sup>(3)</sup>	224,668,612	83,056,478	—

- (1) Consists of (a) 18,110,703 shares purchased by Fidelity Select Portfolios: Biotechnology Portfolio, (b) 4,092,403 shares purchased by Fidelity Advisory Series VII: Fidelity Advisor Biotechnology Fund, (c) 11,913,390 purchased by Fidelity Growth Company Commingled Pool, (d) 13,086,952 shares purchased by Fidelity Mt. Vernon Street Trust: Fidelity Series Growth Company Fund, (e) 50,021,735 shares purchased by Fidelity Mt. Vernon Street Trust: Fidelity Growth Company Fund, (f) 6,646,127 shares purchased by Fidelity Securities Fund: Fidelity Series Small Cap Opportunities Fund—Healthcare Sub, (g) 1,740,428 shares purchased by Fidelity Capital Trust: Fidelity Stock Selector Small Cap Fund—Health Care Sub, (h) 162,790 shares purchased by Fidelity Blue Chip Growth Commingled Pool, (i) 8,684,393 shares purchased by Fidelity Securities Fund: Fidelity Series Blue Chip Growth Fund, (j) 23,852,048 shares purchased by Fidelity Securities Fund: Fidelity Blue Chip Growth Fund, (k) 254,064 shares purchased by Fidelity OTC Commingled Pool, (l) 15,388,225 shares purchased by Fidelity Securities Fund: Fidelity OTC Portfolio, and (m) 1,093,862 shares purchased by Pyramis Lifecycle Blue Chip Growth Commingled Pool.
- (2) Consists of (a) 173,607,565 shares of Series B-1 preferred stock purchased by Third Rock Ventures, L.P. and (b) 35,595,633 shares of Series C preferred stock purchased by Third Rock Ventures, L.P. Neil Exter is a partner of Third Rock Ventures. Mr. Exter does not have voting or investment power over any of the shares purchased by Third Rock Ventures, L.P.
- (3) Consists of (a) 224,668,612 shares of Series B-1 preferred stock purchased by Canaan IX L.P. and (b) 83,056,478 shares of Series C preferred stock purchased by Canaan IX L.P. Timothy M. Shannon, M.D. is a non-managing member of Canaan Partners IX LLC, the general partner of Canaan IX L.P. Dr. Shannon does not have voting or investment power over any of the shares directly held by Canaan IX L.P.

*Issuance of Series D Preferred Stock*

In June 2015, we issued and sold an aggregate of 471,882,536 shares of our Series D preferred stock at a purchase price of \$0.148342 per share for an aggregate purchase price of approximately \$70.0 million in cash, including 155,047,120 shares issued to entities affiliated with Fidelity Management & Research Company for an aggregate purchase price of \$22,999,999.95.

*Issuance of Series C Preferred Stock*

In December 2014, February 2015 and May 2015, we issued and sold an aggregate of 255,109,301 shares of our Series C preferred stock at a purchase price of \$0.084280 per share for an aggregate purchase price of approximately \$21.5 million in cash, including (i) 35,595,633 shares issued to Third Rock Ventures, L.P. for an aggregate purchase price of \$2,999,999.95, (ii) 83,056,478 shares issued to Canaan IX L.P. for an aggregate purchase price of \$6,999,999.96, (iii) 17,805,079 shares issued to CytomX Therapeutics Holdings, LLC for an aggregate purchase price of \$1,500,612.06, (iv) 17,797,816 shares issued to Roche Finance Ltd. for an aggregate purchase price of \$1,499,999.93, and (v) 100,854,295 shares issued to Pfizer Inc. for an aggregate purchase price of \$8,499,999.98.

*Issuance of Series B-1 Preferred Stock*

In July, August and October 2012, and January and April 2014, we issued and sold an aggregate of 504,223,689 shares of our Series B-1 preferred stock at a purchase price of \$0.048961 per share for an aggregate purchase price of approximately \$24.7 million in cash, including (i) 173,607,565 shares issued to Third Rock Ventures, L.P. for an aggregate purchase price of \$8,500,000.00, (ii) 224,668,612 shares issued to Canaan IX L.P. for an aggregate purchase price of \$10,999,999.92, (iii) 54,375,856 shares issued to CytomX Therapeutics Holdings, LLC for an aggregate purchase price of \$2,662,296.31, and (iv) 30,636,628 shares issued to Roche Finance Ltd for an aggregate purchase price of \$1,499,999.95.

**Investors' Rights Agreement**

We have entered into an amended and restated investors' rights agreement, dated as of June 12, 2015, that provides holders of our preferred stock, including certain holders of five percent or more of our capital stock and entities affiliated with certain of our directors, with rights of first refusal in favor of the holders of our preferred stock with respect to certain issuances of our capital stock and securities convertible into or exercisable or exchangeable for our capital stock. The rights of first refusal do not include the shares to be sold in this offering and will terminate upon the closing of this offering. The registration rights given to holders of our preferred stock include the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing, subject, in each case, to certain exceptions. These holders have waived their rights to include shares in the registration statement of which this prospectus forms a part and to exercise their registration rights during the lock-up period for this offering. See "Description of Capital Stock—Registration Rights" for more information about the registration rights.

**Collaboration Agreement**

Pfizer is one of our stockholders that owns more than five percent of our capital stock. In May 2013, we entered into a research collaboration, option and license agreement with it, pursuant to which we granted Pfizer the option to collaborate with us on preclinical research of PDCs and certain other rights in exchange for certain fees and royalties on potential future sales. For more information regarding this collaboration agreement, see "Business—Collaborations."



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**Consulting Services**

Cynthia J. Ladd, our Senior Vice President and General Counsel, provided legal consulting services to us prior to her joining us in June 2015. The fees paid for Ms. Ladd's services since January 1, 2012 totaled \$191,280.

**Director and Executive Officer Compensation**

See "Executive and Director Compensation" for information regarding compensation of our directors and named executive officers.

**Employment Agreements**

We generally execute an offer of employment before an executive joins our company. This offer describes the basic terms of the executive's employment, including his or her start date, starting salary, bonus target and any equity awards. See "Executive and Director Compensation—Employment and Change in Control Arrangements" for more information.

**Indemnification Agreements and Directors' and Officers' Liability Insurance**

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us or will require us to indemnify each director (and in certain cases their affiliated venture capital funds) and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer.

**Notes Receivables**

In December 2010, we accepted a full-recourse promissory note in the amount of \$180,000 from Sean A. McCarthy, Ph.D. as consideration for the exercise price for options to purchase an aggregate of 10,000,000 shares of the our common stock. The note accrued an interest at a rate of 1.53% per annum and will be due and payable no later than the earliest of (i) December 30, 2018, (ii) the sale or disposition of all or any portion of the pledged shares, or (iii) 30 days following the termination of Dr. McCarthy's employment.

In December 2010, we accepted a full-recourse promissory note in the amount of \$72,347.22 from Henry B. Lowman, Ph.D. as consideration for the exercise price for options to purchase an aggregate of 4,019,290 shares of our common stock. The note accrued interest at a rate of 1.53% per annum and will be due and payable no later than the earliest of (i) December 23, 2017, (ii) the sale or disposition of all or any portion of the pledged shares, or (iii) 30 days following the termination of Dr. Lowman's employment or consulting services.

**Policies and Procedures for Related Party Transactions**

We have adopted a written related person transaction policy that sets forth the policies and procedures for the review and approval or ratification of related person transactions that is effective upon the completion of this offering. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K promulgated under the Exchange Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, where the amount involved exceeds \$120,000 and a related person had, has or will have a direct or indirect material interest, including purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. As provided by our audit committee charter to be effective upon consummation of this offering, our audit committee will be responsible for reviewing and approving in advance the related party transactions covered by our related transaction policies and procedures.

## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information relating to the beneficial ownership of our common stock as of June 30, 2015, by:

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

The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or dispositive power as well as any shares that the individual has the right to acquire within 60 days of June 30, 2015 through the exercise of any stock option, warrants or other rights. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and dispositive power with respect to all shares of common stock held by that person.

The percentage of shares beneficially owned prior to this offering is computed on the basis of 1,772,717,515 shares of our common stock outstanding as of June 30, 2015, which reflects both the conversion of all of the outstanding shares of our convertible preferred stock into an aggregate of 1,709,453,892 shares of common stock immediately prior to the completion of this offering, as if the conversion had occurred as of June 30, 2015 and the reverse stock split. The percentage of shares beneficially owned after this offering is computed on the basis of shares of common stock outstanding immediately after the closing of this offering (assuming no exercise of the underwriters' over-allotment option to purchase additional shares of our common stock). Shares of our common stock that a person has the right to acquire within 60 days of June 30, 2015 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. Unless otherwise noted below, the address of the persons listed on the table is c/o CytomX Therapeutics, Inc., 343 Oyster Point Blvd., Suite 100, South San Francisco, CA 94080.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES OF COMMON STOCK BENEFICIALLY OWNED		PERCENTAGE OF SHARES BENEFICIALLY OWNED	
	BEFORE OFFERING	AFTER OFFERING	BEFORE OFFERING	AFTER OFFERING
<b>5% (or Greater) Stockholders</b>				
Third Rock Ventures, L.P.(1).	546,206,117		30.8%	
Canaan IX L.P.(2)	307,725,090		17.4%	
Entities affiliated with Fidelity Management and Research Company(3)	155,047,120		8.8%	
CytomX Therapeutics Holdings, LLC(4).	141,930,915		8.0%	
Roche Finance Ltd(5).	119,919,911		6.8%	
Pfizer Inc.(6)	100,854,295		5.7%	
<b>Directors and Named Executive Officers</b>				
Sean A. McCarthy, D. Phil.(7)	44,360,106		2.5%	
Neil Exter(8)	546,206,117		30.8%	
Frederick W. Gluck(9)	13,719,226		*	
Hoyoung Huh, M.D., Ph.D.(10)	19,308,916		1.1%	
Rachel W. Humphrey, M.D.(11)	3,100,000		*	
Elaine V. Jones, Ph.D.(12)	—		—	
Timothy M. Shannon, M.D.(13)	307,725,090		17.4%	
Henry B. Lowman, Ph.D.(14)	13,257,653		*	
All directors and executive officers as a group (11 persons)(15)	947,677,108		51.6%	

\* Indicates beneficial ownership of less than one percent of the outstanding shares of our common stock.

- (1) Consists of (a) 510,610,484 shares of common stock issuable upon conversion of Series B-1 redeemable convertible preferred stock and (b) 35,595,633 shares of common stock issuable upon conversion of Series C redeemable convertible preferred stock. All shares are held directly by Third Rock Ventures, L.P. (“TRV LP”). Each of Third Rock Ventures GP, LP (“TRV GP”), the general partner of TRV LP, and Third Rock Ventures GP, LLC (“TRV LLC”), the general partner of TRV GP, and Mark Levin, Kevin Star and Robert Tepper, the managers of TRV LLC, may be deemed to share voting and investment power over the shares held by TRV LP. Each of the reporting persons disclaims beneficial ownership of such shares, except to the extent of their proportionate pecuniary interest therein, if any. The address of TRV LP is 29 Newbury Street, Suite 401, Boston, MA 02116.
- (2) Consists of (a) 224,668,612 shares of common stock issuable upon conversion of Series B-1 redeemable convertible preferred stock and (b) 83,056,478 shares of common stock issuable upon conversion of Series C redeemable convertible preferred stock held by Canaan IX L.P. Canaan Partners IX LLC is the general partner of Canaan IX L.P. and may be deemed to have sole investment and voting power over the shares held by Canaan IX L.P. Brenton K. Ahrens, John V. Balen, Stephen M. Bloch, Daniel T. Ciporin, Wende S. Hutton, Maha S. Ibrahim, Deepak Kamra, Warren Lee and Guy M. Russo are the managing members of Canaan Partners IX LLC. Investment, voting and dispositive decisions with respect to the shares held by Canaan IX L.P. are made by the managers of Canaan Partners IX LLC, collectively. Timothy M. Shannon, M.D. is a non-managing member of Canaan Partners IX LLC, the general partner of Canaan IX L.P., and a member of our board of directors. Neither any manager of Canaan Partners IX LLC nor Dr. Shannon has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of any shares held by Canaan IX L.P. The address of Canaan IX L.P. is 2765 Sand Hill Road, Menlo Park, CA 94025.
- (3) Consists of (a) 18,110,703 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Select Portfolios: Biotechnology Portfolio, (b) 4,092,403 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Advisory Series VII: Fidelity Advisor Biotechnology Fund, (c) 11,913,390 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Growth

Company Commingled Pool, (d) 13,086,952 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Mt. Vernon Street Trust: Fidelity Series Growth Company Fund, (e) 50,021,735 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Mt. Vernon Street Trust: Fidelity Growth Company Fund, (f) 6,646,127 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Securities Fund: Fidelity Series Small Cap Opportunities Fund—Healthcare Sub, (g) 1,740,428 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Capital Trust: Fidelity Stock Selector Small Cap Fund—Health Care Sub, (h) 162,790 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Blue Chip Growth Commingled Pool, (i) 8,684,393 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Securities Fund: Fidelity Series Blue Chip Growth Fund, (j) 23,852,048 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Securities Fund: Fidelity Blue Chip Growth Fund, (k) 254,064 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity OTC Commingled Pool, (l) 15,388,225 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Fidelity Securities Fund: Fidelity OTC Portfolio, and (m) 1,093,862 shares of common stock issuable upon conversion of Series D redeemable convertible preferred stock held by Pyramis Lifecycle Blue Chip Growth Commingled Pool. These accounts are managed by direct or indirect subsidiaries of FMR LLC. Edward C. Johnson 3d is a Director and the Chairman of FMR LLC and Abigail P. Johnson is a Director, the Vice Chairman and the President of FMR LLC. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company ("FMR Co"), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The business address of FMR LLC is 245 Summer Street, Boston, MA 02210.

- (4) Consists of (a) 2,085,290 shares of common stock issuable upon conversion of Series A-1 convertible preferred stock, (b) 13,335,277 shares of common stock issuable upon conversion of Series A-2 convertible preferred stock, (c) 54,375,856 shares of common stock issuable upon conversion of Series B-1 redeemable convertible preferred stock, (d) 54,329,413 shares of common stock issuable upon conversion of Series B-2 redeemable convertible preferred stock and (e) 17,805,079 shares of common stock issuable upon conversion of Series C redeemable convertible preferred stock. The address of CytomX Therapeutics Holdings, LLC is 1421 State Street, Suite B, Santa Barbara, CA 93101.
- (5) Consists of (a) 102,122,095 shares of common stock issuable upon conversion of Series B-1 redeemable convertible preferred stock and (b) 17,797,816 shares of common stock issuable upon conversion of Series C redeemable convertible preferred stock. Roche Finance Ltd exercises voting and investment control over the shares held by it. Roche Finance Ltd is wholly-owned by Roche Holding Ltd. Roche Holding Ltd's American Depository Receipt is cross-listed on OTCQX International Premier under the symbol RHHBY. Roche Holding Ltd's non-voting equity securities and its voting shares are both listed on SIX Swiss Exchange. The address of Roche Finance Ltd is Grenzacherstrasse 122, 4070 Basel, Switzerland.
- (6) The business address for Pfizer Inc. is 235 East 42nd Street, New York, NY 10017.
- (7) Consists of (a) 10,000,000 shares of common stock and (b) 34,360,106 shares of common stock issuable upon exercise of stock options that are exercisable as of June 30, 2015 or will become exercisable within 60 days of such date.

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- (8) Neil Exter is a partner of Third Rock Ventures. Mr. Exter does not have voting or investment power over any of the shares directly held by TRV LP referenced in footnote (1) above. Mr. Exter's business address is 29 Newbury Street, 3rd Floor, Boston, MA 02116.
- (9) Consists of (a) 8,680,451 shares of common stock held by Frederick W. Gluck, (b) 201,724 shares of common stock held by the spouse of Frederick W. Gluck and (c) 4,837,051 shares of common stock issuable upon exercise of stock options held by Frederick W. Gluck that are exercisable as of June 30, 2015 or will become exercisable within 60 days of such date. Excludes (i) 20,892,533 membership units in CytomX Therapeutics Holdings, LLC held by Frederick W. Gluck 1997 Family Trust dtd July 28, 1997, of which Frederick W. Gluck is a trustee, and (ii) 1,077,950 membership units in CytomX Therapeutics Holdings, LLC held by Richlin Partners, LLC, an entity owned of record by the spouse of Frederick W. Gluck. The address of Mr. Gluck is 743 San Ysidro Road, Santa Barbara, CA 93108.
- (10) Consists of 19,308,916 shares of common stock issuable upon exercise of stock options that are exercisable as of June 30, 2015 or will become exercisable within 60 days of such date.
- (11) Consists of 3,100,000 shares of common stock issuable upon exercise of stock options that are exercisable as of June 30, 2015 or will become exercisable within 60 days of such date.
- (12) The business address for Elaine V. Jones, Ph.D. is 235 East 42nd Street, New York, NY 10017.
- (13) Timothy M. Shannon, M.D. is a non-managing member of Canaan Partners IX LLC, the general partner of Canaan IX L.P. Dr. Shannon does not have voting or investment power over any of the shares directly held by Canaan IX L.P. referenced in footnote (2) above. Dr. Shannon's business address is 285 Riverside Avenue, Suite 250, Westport, CT 06880.
- (14) Consists of (a) 6,887,998 shares of common stock and (b) 6,369,655 shares of common stock issuable upon exercise of stock options that are exercisable as of June 30, 2015 or will become exercisable within 60 days of such date. Henry B. Lowman, Ph.D. served as our chief scientific officer through September 30, 2014 and served as consultant chief scientific officer through December 31, 2014.
- (15) Consists of (a) 93,745,901 shares of common stock held by our directors, four current executive officers and one former executive officer and issuable upon exercise of their stock options that are exercisable as of June 30, 2015 or will become exercisable within 60 days of such date and (b) 853,931,207 shares of common stock issuable upon conversion of preferred stock held by entities affiliated with certain of our directors.

## DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, our authorized capital stock will consist of \_\_\_\_\_ shares of common stock, par value \$0.00001 per share, and shares of preferred stock, par value \$0.00001 per share.

As of June 30, 2015, we had outstanding 1,772,717,515 shares of our common stock held of record by 76 stockholders, assuming the conversion of all of our shares of convertible preferred stock into shares of our common stock. Based on the number of shares of common stock outstanding as of June 30, 2015, and assuming the conversion of all outstanding shares of our convertible preferred stock, there will be \_\_\_\_\_ shares of common stock outstanding upon the closing of this offering ( \_\_\_\_\_ shares if the underwriters exercise in full their option to purchase additional shares of common stock).

As of June 30, 2015, there were 215,323,659 shares of common stock subject to outstanding stock options.

The following description of our capital stock is intended as a summary only and is qualified in its entirety by reference to our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the closing of this offering, and to the applicable provisions of the Delaware General Corporation Law, as amended. Copies of our amended and restated certificate of incorporation and amended and restated bylaws are filed as exhibits to the registration statement, of which this prospectus forms a part. We refer in this section to our amended and restated certificate of incorporation as our certificate of incorporation, and we refer to our amended and restated bylaws as our bylaws.

### **Common Stock**

#### ***Voting Rights***

Holders of our common stock are entitled to one vote for each share of common stock held of record for the election of directors and on all matters submitted to a vote of stockholders. In the election of directors, a plurality of the votes cast at a meeting of stockholders is sufficient to elect a director. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting shares are able to elect all of the directors. In all other matters, except as noted below under “Anti-takeover effects of Delaware law, our certificate of incorporation and our bylaws,” a majority vote of common stockholders is generally required to take action under our certificate of incorporation and bylaws.

#### ***Dividends***

Holders of our common stock are entitled to receive dividends ratably, if any, as may be declared by our board of directors out of legally available funds, subject to any preferential dividend rights of any preferred stock then outstanding.

#### ***Liquidation***

Upon our dissolution, liquidation or winding up, holders of our common stock are entitled to share ratably in our net assets legally available after the payment of all our debts and other liabilities, subject to the preferential rights of any preferred stock then outstanding.

#### ***Other Rights and Preferences***

Holders of our common stock have no preemptive, subscription or conversion rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

## **Preferred Stock**

As of June 30, 2015, there were 2,085,290 shares of our Series A-1 convertible preferred stock, 13,335,277 shares of our Series A-2 convertible preferred stock, 912,712,075 shares of our Series B-1 redeemable convertible preferred stock, 54,329,413 shares of our Series B-2 redeemable convertible preferred stock, 255,109,301 shares of our Series C redeemable convertible preferred stock and 471,882,536 shares of our Series D redeemable convertible preferred stock outstanding, as well as 5,141,847 shares of our Series B-1 redeemable convertible preferred stock issuable upon exercise of outstanding warrants. Upon the closing of this offering, all outstanding shares of our convertible preferred stock, including any shares of convertible preferred stock issuable upon conversion of our outstanding warrants, will be converted into shares of our common stock on a one-for-one basis.

Upon the closing of this offering, our board of directors will be authorized, without action by the stockholders, to designate and issue up to an aggregate of \_\_\_\_\_ shares of preferred stock in one or more series. The board of directors can fix the rights, preferences and privileges of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible future financings and acquisitions and other corporate purposes could, under certain circumstances, have the effect of delaying or preventing a change in control of our company and might harm the market price of our common stock. Upon the closing of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

## **Registration Rights**

We are party to an amended and restated investors' rights agreement, dated as of June 12, 2015, pursuant to which certain of our stockholders, including certain holders of five percent or more of our capital stock and entities affiliated with certain of our directors, have the right to demand that we file a registration statement for their shares of our common stock or request that their shares of our common stock be covered by a registration statement that we are otherwise filing, including, in each case, shares of our common stock that were issued upon conversion of convertible preferred stock. These shares are referred to as registrable securities. Such stockholders have agreed not to exercise their registration rights during the lock-up period for this offering. See "Shares Eligible for Future Sale—Lock-up agreements."

### ***Demand Registration Rights***

At any time after 180 days following the completion of this offering, the holders of at least a majority of the registrable securities have the right to demand that we file, on no more than two occasions, a registration statement on Form S-1 to register all or a portion of their registrable securities, provided that the anticipated aggregate offering price of the registrable securities to be sold under the registration statement on Form S-1 exceeds \$30 million, net of underwriting discounts and commissions.

### ***Form S-3 Registration Rights***

After the closing of this offering, the holders of at least ten percent of the registrable securities have the right to demand that we file an unlimited number of registration statements on Form S-3 provided that the anticipated aggregate offering price of the registrable securities to be sold under the registration statement on Form S-3 exceeds \$5 million, net of underwriting discounts and commissions.

### ***Piggyback Registration Rights***

If we propose to register any of our securities under the Securities Act for sale to the public, other than with respect to (i) any employee benefit plan, (ii) with respect to any corporate reorganization or transaction

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under Rule 145 of the Securities Act, any registration statements related to the issuance or resale of securities issued in such a transaction, (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of registrable securities, or (iv) a registration related to stock issued upon conversion of debt securities, the holders of registrable securities are entitled to receive notice of such registration and to request that we include their registrable securities for resale in the registration statement. The underwriters of the offering will have the right to limit the number of shares to be included in such registration. In connection with this offering, the holders of registrable securities were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their shares of registrable securities in this offering.

***Expenses of Registration; Indemnification***

We are generally required to bear all registration expenses incurred in connection with any offerings pursuant to the demand, Form S-3 and piggyback registration rights described above, other than underwriting commissions and discounts. The amended and restated investors' rights agreement contains customary indemnification provisions with respect to registration rights.

***Termination of Registration Rights***

The demand, Form S-3 and piggyback registration rights described above will terminate five years after the closing of this offering. In addition, the registration rights of a holder of registrable securities will expire if all of the holder's registrable securities may be sold without limitation (and without the requirement for us to be in compliance with the current public information requirement) under Rule 144 of the Securities Act.

***Anti-Takeover Effects of Delaware Law, Our Certificate of Incorporation and Our Bylaws***

Our certificate of incorporation and bylaws will include a number of provisions that may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

***Removal of Directors***

Our certificate of incorporation and bylaws will provide that subject to any limitations imposed by law and the rights of the holders of any series of our preferred stock, the board of directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of a majority of the voting power of all the then-outstanding shares of voting stock of our company entitled to vote at an election of directors.

***Meetings of Stockholders***

Our bylaws will provide that special meetings of stockholders, which our company is not obligated to call more than once per calendar year, may only be called by the chairman of our board of directors, our chief executive officer, any two members of our board of directors or one or more stockholders holding not less than twenty-five percent of the aggregate voting power of the stock of our company issued and outstanding.

***Amendment to Certificate of Incorporation and Bylaws***

Our bylaws will provide that the affirmative votes of the holders of at least a majority of the voting power of all shares of our voting stock present in person or represented by proxy and entitled to vote at a meeting of the stockholders, or, if not at a meeting of the stockholders, of a majority of all shares entitled to vote, will be required to amend certain provisions of our certificate of incorporation, including provisions relating to the size



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of our board of directors, removal of directors, special meeting of stockholders and actions by written consent. The affirmative votes of the holders of at least a majority of the voting power of all of the then-outstanding shares of our voting stock will be required to amend or repeal our bylaws. In addition, our bylaws may be amended by our board of directors, subject to any limitations set forth in the bylaws.

**Blank Check Preferred Stock**

Our certificate of incorporation will provide for \_\_\_\_\_ authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

**Section 203 of the Delaware General Corporation Law**

Upon the closing of this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law, as amended. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15 percent or more of the corporation’s voting stock.

Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or
- at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least 66 2/3 percent of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may “opt out” of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

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**Listing**

We intend to apply to list our common stock on The NASDAQ Global Market under the trading symbol “CTMX.”

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is . The transfer agent and registrar’s address is .

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that a liquid trading market for our common stock will develop or be sustained after this offering. Future sales of substantial numbers of shares of our common stock, including shares issued upon exercise of outstanding options or warrants, in the public market after this offering, or the perception that those sales may occur, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital at a time and price we deem appropriate. As described below, substantially all of our stockholders will not be subject to lock-up agreements in connection with this offering. As a result, the only limitations on the salability of these shares will be due to restrictions imposed by Rules 144 or 701 under the Securities Act and a significant number of shares of our common stock will be available for sale in the public market immediately after the completion of this offering.

### Sale of Restricted Shares

As of \_\_\_\_\_, 2015, based on the number of shares of our common stock then outstanding, upon the closing of this offering and assuming (1) the conversion of all of our outstanding convertible preferred stock into an aggregate of \_\_\_\_\_ shares of our common stock upon the closing of this offering, (2) the net exercise of all outstanding warrants to purchase convertible preferred stock resulting in the issuance of an aggregate of \_\_\_\_\_ shares of our common stock upon the closing of this offering, (3) no exercise of the underwriters' option to purchase additional shares of common stock, and (4) no exercise of outstanding options, we would have had outstanding an aggregate of approximately \_\_\_\_\_ shares of common stock. Of these shares, all of the shares of common stock to be sold in this offering, and any shares sold upon exercise of the underwriters' option to purchase additional shares will be freely tradable in the public market without restriction or further registration under the Securities Act unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act. All remaining shares of common stock held by existing stockholders immediately prior to the completion of this offering will be "restricted securities" as such term is defined in Rule 144. These restricted securities were issued and sold by us, or will be issued and sold by us, in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701, which rules are summarized below.

As a result of the lock-up agreements referred to below and the provisions of Rule 144 and Rule 701 under the Securities Act, based on \_\_\_\_\_ shares of our common stock outstanding as of \_\_\_\_\_, 2015 assuming the conversion of our preferred stock, the shares of our common stock (excluding the shares sold in this offering) that will be available for sale in the public market are as follows:

- beginning on the date of this prospectus, approximately \_\_\_\_\_ shares of our common stock, or \_\_\_\_\_ percent of such total outstanding shares of our common stock as of \_\_\_\_\_, 2015, will be immediately available for sale in the public market;
- beginning 90 days after the date of this prospectus, an additional approximately \_\_\_\_\_ shares of our common stock, or \_\_\_\_\_ percent of such total outstanding shares of our common stock as of \_\_\_\_\_, 2015, will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144 as described below; and
- beginning 180 days after the date of this prospectus, the remainder of the shares of our common stock will be eligible for sale in the public market due to the expiration of the lock-up agreements between our executive officers and the underwriters, provided that the representatives of the underwriters may waive the provisions of these lock-up agreements and allow these stockholders to sell their shares earlier.

#### **Rule 144**

In general, under Rule 144 under the Securities Act, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months (including any period of consecutive ownership of preceding non-affiliated holders) would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

A person (or persons whose shares are aggregated) who is deemed to be an affiliate of ours and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months would be entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the then outstanding shares of our common stock or the average weekly trading volume of our common stock reported through during the four calendar weeks preceding such sale. Such sales are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about us.

#### **Rule 701**

In general and subject to the terms of the lock-up agreements, under Rule 701 of the Securities Act, most of our employees, consultants or advisors who purchased shares from us in connection with a qualified compensatory stock plan or other written agreement are eligible to resell those shares 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with the holding period or certain other restrictions contained in Rule 144.

#### **Lock-Up Agreements**

We, our directors and executive officers, and substantially all of our stockholders have agreed with the underwriters, subject to specified exceptions, not to, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of common stock or other securities, in cash or otherwise, an intention to do any of the foregoing for a period of 180 days after the date of this prospectus without the prior written consent of Merrill, Lynch, Pierce, Fenner & Smith Incorporated and Jefferies LLC. This restriction terminates after the close of trading of the common stock on and including the 180th day after the date of this prospectus. Merrill, Lynch, Pierce, Fenner & Smith Incorporated and Jefferies LLC may, in their sole discretion and at any time or from time to time before the termination of the 180-day period release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any person who will execute a lock-up agreement in connection with this offering, providing consent to the sale of shares prior to the expiration of the lock-up period. We have entered into a similar agreement with the representatives of the underwriters, except that we may be permitted to issue shares of our common stock for certain strategic purposes.

#### **Performance Incentive Plans**

We intend to file with the SEC a registration statement under the Securities Act covering the shares of common stock that we may issue upon exercise of outstanding options under our 2010 Stock Incentive Plan and

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our 2011 Stock Incentive Plan, as well as shares reserved for issuance under our 2015 Performance Incentive Plan and our 2015 Employee Stock Purchase Plan. Such registration statement is expected to be filed and become effective as soon as practicable after the completion of this offering. Accordingly, shares registered under such registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up agreements described above, if applicable.

## MATERIAL U.S. FEDERAL TAX CONSEQUENCES FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a summary of the material U.S. federal income and estate tax consequences relating to the ownership and disposition of our common stock by non-U.S. holders (as defined below) who purchase our common stock in this offering and hold such common stock as capital assets (generally, property held for investment). This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, applicable U.S. Treasury regulations promulgated thereunder, judicial decisions and rulings and pronouncements of the U.S. Internal Revenue Service (the “IRS”) all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or subject to different interpretation. This discussion does not address all the tax consequences that may be relevant to specific holders in light of their particular circumstances or to holders subject to special treatment under U.S. federal income or estate tax laws (such as financial institutions, insurance companies, tax-exempt organizations, controlled foreign corporations, passive foreign investment companies, retirement plans, partnerships or entities treated as such for U.S. federal income tax purposes and their partners, dealers in securities, brokers, certain former U.S. citizens or long-term residents or persons who have acquired our common stock as part of a straddle, hedge, conversion transaction or other integrated investment). This discussion does not address the state, local or foreign tax or U.S. federal non-income or estate tax consequences relating to the ownership and disposition of our common stock. You are urged to consult your own tax advisor regarding the U.S. federal tax consequences of owning and disposing of our common stock, as well as the applicability and effect of any state, local or foreign tax laws.

As used in this discussion, the term “non-U.S. holder” refers to a beneficial owner of our common stock that for U.S. federal income tax purposes is not:

- an individual who is a citizen or resident of the United States;
- corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia or otherwise treated as such for U.S. federal income tax purposes;
- an estate the income of which is subject to U.S. federal income tax regardless of the source thereof; or
- a trust (a) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all its substantial decisions or (b) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a United States person.

An individual may be treated as a resident of the United States, among other ways, if present in the United States on at least 31 days in a calendar year and for an aggregate of at least 183 days during the three-year period ending in that calendar year (counting for such purposes all the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year).

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. If you are a partner of a partnership holding our common stock, we urge you to consult your own tax advisor.

### Dividends

We do not anticipate paying dividends on our common stock in the foreseeable future. See the section titled “Dividend Policy” elsewhere in this prospectus. If we make a distribution of cash or property, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions

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exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce a non-U.S. holder's basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock.

Dividends paid by us to a non-U.S. holder, to the extent treated as dividends for U.S. federal income tax purposes, generally will be subject to U.S. federal withholding tax at a 30 percent rate, unless (i) an applicable income tax treaty reduces or eliminates such tax, and a non-U.S. holder provides us with an IRS Form W-8BEN (or successor form) properly certifying its entitlement to the benefit of such treaty or (ii) the dividends are effectively connected with a non-U.S. holder's conduct of a trade or business in the U.S. and, where a tax treaty so provides, the dividends are attributable to a U.S. permanent establishment of such non-U.S. holder, and the non-U.S. holder provides us with an IRS Form W-8ECI (or successor form). In the latter case, a non-U.S. holder generally will be subject to U.S. federal income tax with respect to such dividends in the same manner as a U.S. person, unless otherwise provided in an applicable income tax treaty. Additionally, a non-U.S. holder that is a corporation may be subject to a branch profits tax on its after-tax effectively connected dividend income at a rate of 30 percent (or at a reduced rate under an applicable income tax treaty). If a non-U.S. holder is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, such non-U.S. holder may obtain a refund of any excess amount withheld by timely filing an appropriate claim for refund with the IRS.

### **Sale, Exchange or Other Disposition**

Generally, a non-U.S. holder will not be subject to U.S. federal income tax on gain realized upon the sale, exchange or other disposition of our common stock unless (i) such non-U.S. holder is an individual present in the U.S. for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met, (ii) the gain is effectively connected with such non-U.S. holder's conduct of a trade or business in the U.S. and, where a tax treaty so provides, the gain is attributable to a U.S. permanent establishment of such non-U.S. holder or (iii) we are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. holder held our common stock and either (a) our common stock has ceased to be traded on an "established securities market" prior to the beginning of the calendar year in which the sale, exchange or other disposition occurs or (b) the non-U.S. holder owns (actually or constructively) more than five percent of our common stock. We believe that we are not a U.S. real property holding corporation, and we do not anticipate becoming a U.S. real property holding corporation.

A non-U.S. holder described in (i) above will be required to pay a flat 30 percent tax (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the sale, which tax may be offset by U.S. source capital losses. A non-U.S. holder described in (ii) above will be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and corporate non-U.S. holders described in (ii) may be subject to the branch profits tax on such gain at a 30 percent rate or such lower rate as may be specified by an applicable income tax treaty. Non-U.S. holders should consult any applicable income tax or other treaties that may provide for different rules.

### **Federal Estate Tax**

Common stock owned or treated as owned by an individual who is a non-U.S. holder at the time of his or her death generally will be included in the individual's gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

### **Information Reporting and Backup Withholding**

Information reporting and backup withholding (at the then applicable rate) may apply to certain payments made to a non-U.S. holder on or with respect to our common stock, unless the non-U.S. holder certifies as to its status as a non-U.S. holder under penalties of perjury or otherwise establishes an exemption and certain

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other conditions are satisfied. Pursuant to applicable income tax treaties or other agreements, the IRS may also make these information reports available to tax authorities in the non-U.S. holder's country of residence. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder will generally be allowed as a refund or a credit against such non-U.S. holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS and other applicable requirements are satisfied

**FATCA Withholding**

The Foreign Account Tax Compliance Act ("FATCA") will impose a U.S. federal withholding tax of 30 percent on certain payments to foreign financial institutions, investment funds and other non-U.S. persons that fail to comply with certain information reporting and certification requirements pertaining to their direct and indirect U.S. securityholders and/or U.S. accountholders. Such payments would include our dividends and the gross proceeds from the sale or other disposition of our common stock. Under Treasury Regulations, this withholding applies to payments of dividends on our common stock, and will apply to payments of gross proceeds from a sale or other disposition of our common stock made on or after January 1, 2017. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

The preceding discussion of U.S. federal income tax considerations is for general information only. It is not tax advice. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and foreign tax consequences of acquiring, holding and disposing of our common stock, including the consequences of any proposed change in applicable law.



## UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Jefferies LLC and Cowen and Company, LLC (together, the “representatives”) are acting as representatives of each of the underwriters named below (collectively, the “underwriters”). Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

<u>Underwriter</u>	<u>Number of Shares</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Jefferies LLC	
Cowen and Company, LLC	
Oppenheimer & Co. Inc.	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of our common stock sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of our common stock, subject to prior sale, when, as and if sold to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer’s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$      per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to the Company	\$	\$	\$

We estimate that the total amount of the expenses payable by us relating to this offering, not including the underwriting discount, are \$      . We have agreed to reimburse the underwriters for certain expenses (including fees of counsel and FINRA-related matters) incurred in connection with this offering up to a maximum of \$      .

### **Option to Purchase Additional Shares**

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to \_\_\_\_\_ additional shares of our common stock at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **No Sales of Similar Securities**

We, our executive officers and directors and our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Jefferies LLC. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- dispose of or transfer any common stock;
- file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### **The NASDAQ Global Market Listing**

We expect the shares to be approved for listing on The NASDAQ Global Market, subject to notice of issuance, under the symbol "CTMX."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,

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- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

### **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on The NASDAQ Global Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Electronic Distribution**

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

## **Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area (each, a “Relevant Member State”), no offer of shares may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a

prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

#### **Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

#### **Notice to Prospective Investors in Switzerland**

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

#### **Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt

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Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

**Notice to Prospective Investors in Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (“ASIC”), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the “Corporations Act”), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

**Notice to Prospective Investors in Hong Kong**

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

**Notice to Prospective Investors in Japan**

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in

Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

#### **Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed on for us by our counsel, Sidley Austin LLP, Palo Alto, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP, Menlo Park, California.

## EXPERTS

The financial statements as of December 31, 2013 and 2014, and for each of the two years in the period ended December 31, 2014, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-1 with the SEC with respect to the registration of the common stock offered for sale by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. For further information about us, the common stock we are offering by this prospectus and related matters, you should review the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance we refer you to the full text of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits that were filed with the registration statement may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from the SEC upon payment of the prescribed fee. Information on the operation of the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is <http://www.sec.gov>. You may also request copies of these filings, at no cost, by telephone at (650) 515-3185 or by mail to 343 Oyster Point Blvd., Suite 100, South San Francisco, CA 94080, Attention: Chief Financial Officer.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act, and, in accordance with such requirements, we will file periodic reports and other information with the SEC. These periodic reports and other information are available for inspection and copying at the regional offices, public reference facilities and website of the SEC referred to above. We intend to furnish our stockholders with annual reports containing financial statements audited by our independent registered accounting firm. We also maintain a website at [www.cytomx.com](http://www.cytomx.com), at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not part of this prospectus.



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of CytomX Therapeutics, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations and comprehensive loss, of redeemable convertible preferred stock, of convertible preferred stock and stockholders' deficit, and of cash flows present fairly, in all material respects, the financial position of CytomX Therapeutics, Inc. at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

San Jose, California  
July 24, 2015

## CYTOMX THERAPEUTICS, INC.

## Balance Sheets

(In thousands, except share and per share data)

	December 31,		March 31,	Pro Forma as of
	2013	2014	2015	March 31,
			(unaudited)	2015
				(unaudited)
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 8,703	\$ 64,396	\$ 7,819	
Restricted cash	100	100	100	
Short-term investments	—	—	51,654	
Accounts receivable	237	1,875	210	
Prepaid expenses and other current assets	226	482	890	
Total current assets	9,266	66,853	60,673	
Property and equipment, net	2,070	3,018	3,400	
Intangible assets	1,750	1,750	1,750	
Goodwill	949	949	949	
Other assets	148	492	470	
Total assets	<u>\$ 14,183</u>	<u>\$ 73,062</u>	<u>\$ 67,242</u>	
<b>Liabilities, Redeemable Convertible Preferred Stock, Convertible Preferred Stock and Stockholders' (Deficit)</b>				
<b>Equity</b>				
Current liabilities:				
Accounts payable	\$ 930	\$ 1,919	\$ 1,486	
Accrued liabilities	1,127	1,695	1,513	
Deferred revenue, current portion	857	6,130	6,130	
Long-term debt, current portion	1,258	1,419	1,360	
Total current liabilities	4,172	11,163	10,489	
Long-term debt, net of current portion	2,945	1,568	1,284	
Deferred revenue, net of current portion	4,643	60,833	59,301	
Convertible preferred stock warrant liability	144	186	408	\$
Convertible preferred stock liability	1,290	395	1,426	
Deferred tax liability	491	499	499	
Other long-term liabilities	59	249	239	
Total liabilities	<u>13,744</u>	<u>74,893</u>	<u>73,646</u>	
Commitments and contingencies (Note 11)				
Redeemable convertible preferred stock, \$0.00001 par value—995,783,023, 1,370,793,023 and 1,370,793,023 (unaudited) shares authorized at December 31, 2013 and 2014 and March 31, 2015, respectively; 755,679,623, 1,162,817,471 and 1,180,622,550 (unaudited) shares issued and outstanding at December 31, 2013 and 2014 and March 31, 2015, respectively; aggregate liquidation preference of \$74,143 and \$76,904 (unaudited) at December 31, 2014 and March 31, 2015, respectively; shares issued and outstanding, pro forma (unaudited)	44,244	76,236	79,143	
Convertible preferred stock, \$0.00001 par value—15,420,567 shares authorized at December 31, 2013 and 2014 and March 31, 2015 (unaudited), respectively; 15,420,567 shares issued and outstanding at December 31, 2013 and 2014 and March 31, 2015 (unaudited), respectively; aggregate liquidation preference of \$2,589 and \$2,589 (unaudited) at December 31, 2014 and March 31, 2015, respectively; shares issued and outstanding, pro forma (unaudited)	474	474	474	
Stockholders' (deficit) equity:				
Common stock, \$0.00001 par value—1,250,000,000, 1,800,000,000 and 1,800,000,000 (unaudited) shares authorized at December 31, 2013 and 2014 and March 31, 2015, respectively; 62,401,314, 62,779,765 and 62,779,765 (unaudited) shares issued and outstanding at December 31, 2013 and 2014 and March 31, 2015, respectively; shares issued and outstanding, pro forma (unaudited)	1	1	1	
Stockholder notes receivable	(399)	(404)	(406)	
Additional paid-in capital	—	—	—	
Accumulated other comprehensive loss	—	—	(10)	
Accumulated deficit	(43,881)	(78,138)	(85,606)	
Total stockholders' (deficit) equity	<u>(44,279)</u>	<u>(78,541)</u>	<u>(86,021)</u>	\$
Total liabilities, redeemable convertible preferred stock, convertible preferred stock and stockholders' deficit	<u>\$ 14,183</u>	<u>\$ 73,062</u>	<u>\$ 67,242</u>	

The accompanying notes are an integral part of these financial statements.

## CYTOMX THERAPEUTICS, INC.

## Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

	Year Ended December 31,		Three Months Ended	
	2013	2014	2014 (unaudited)	2015
Revenue	\$ 888	\$ 5,077	\$ 635	\$ 1,742
Operating expenses:				
Research and development	10,890	28,302	16,041	4,664
General and administrative	4,954	6,540	1,441	1,946
Total operating expenses	15,844	34,842	17,482	6,610
Loss from operations	(14,956)	(29,765)	(16,847)	(4,868)
Interest income	6	7	1	138
Interest expense	(254)	(487)	(134)	(230)
Other income (expense), net	71	(55)	(24)	(1,251)
Net loss before provision for income taxes	(15,133)	(30,300)	(17,004)	(6,211)
Provision for income taxes	10	10	—	—
Net loss	(15,143)	(30,310)	(17,004)	(6,211)
Accretion to redemption value and cumulative dividends on preferred stock	(3,751)	(4,566)	(1,051)	(1,432)
Net loss attributable to common stockholders	(18,894)	(34,876)	(18,055)	(7,643)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.39)	\$ (0.56)	\$ (0.29)	\$ (0.12)
Shares used to compute net loss per share attributable to common stockholders, basic and diluted	48,653,814	62,332,585	62,273,240	62,779,765
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		\$		\$
Shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)				
Other comprehensive loss:				
Changes in unrealized losses on short-term investments	—	—	—	(10)
Total other comprehensive loss	—	—	—	(10)
Comprehensive loss	\$ (15,143)	\$ (30,310)	\$ (17,004)	\$ (6,221)

The accompanying notes are an integral part of these financial statements.

CYTOMX THERAPEUTICS, INC.

Statements of Redeemable Convertible Preferred Stock,  
Convertible Preferred Stock and Stockholders' Deficit

(In thousands, except share data)

	Redeemable Convertible Preferred Stock		Convertible Preferred Stock		Common Stock		Stockholder Notes	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount					
<b>Balance at December 31, 2012</b>	755,679,623	\$ 40,493	15,420,567	\$ 474	49,138,651	\$ —	\$ (393)	\$ —	\$ —	\$ (25,652)	\$ (26,045)
Common stock issued in connection with a license agreement	—	—	—	—	9,911,450	1	—	198	—	—	199
Exercise of stock options	—	—	—	—	3,351,213	—	—	60	—	—	60
Interest on stockholder notes	—	—	—	—	—	—	(6)	—	—	—	(6)
Vesting of early exercise stock options	—	—	—	—	—	—	—	64	—	—	64
Stock-based compensation	—	—	—	—	—	—	—	343	—	—	343
Accretion to redemption value and cumulative dividends on preferred stock	—	3,751	—	—	—	—	—	(665)	—	(3,086)	(3,751)
Net loss	—	—	—	—	—	—	—	—	—	(15,143)	(15,143)
<b>Balance at December 31, 2013</b>	755,679,623	44,244	15,420,567	474	62,401,314	1	(399)	—	—	(43,881)	(44,279)
Issuance of Series B-1 redeemable convertible preferred stock for cash and value of convertible preferred stock liability of \$1,303, net of issuance costs of \$33	211,361,865	11,618	—	—	—	—	—	—	—	—	—
Issuance of Series C redeemable convertible preferred stock, net of issuance costs of \$298 and preferred stock liability of \$395	195,775,983	15,808	—	—	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	378,451	—	—	8	—	—	8
Interest on stockholder notes	—	—	—	—	—	—	(5)	—	—	—	(5)
Vesting of early exercise stock options	—	—	—	—	—	—	—	58	—	—	58
Stock-based compensation	—	—	—	—	—	—	—	553	—	—	553
Accretion to redemption value and cumulative dividends on preferred stock	—	4,566	—	—	—	—	—	(619)	—	(3,947)	(4,566)
Net loss	—	—	—	—	—	—	—	—	—	(30,310)	(30,310)
<b>Balance at December 31, 2014</b>	1,162,817,471	76,236	15,420,567	474	62,779,765	1	(404)	—	—	(78,138)	(78,541)
Issuance of Series C redeemable convertible preferred stock, net of issuance costs of \$25 (unaudited)	17,805,079	1,475	—	—	—	—	—	—	—	—	—
Exercise of stock options (unaudited)	—	—	—	—	—	—	—	—	—	—	—
Interest on stockholder notes (unaudited)	—	—	—	—	—	—	(2)	—	—	—	(2)
Stock-based compensation (unaudited)	—	—	—	—	—	—	—	175	—	—	175
Accretion to redemption value and cumulative dividends on preferred stock (unaudited)	—	1,432	—	—	—	—	—	(175)	—	(1,257)	(1,432)
Other comprehensive loss (unaudited)	—	—	—	—	—	—	—	—	(10)	—	(10)
Net loss (unaudited)	—	—	—	—	—	—	—	—	—	(6,211)	(6,211)
<b>Balance at March 31, 2015 (unaudited)</b>	<u>1,180,622,550</u>	<u>\$ 79,143</u>	<u>15,420,567</u>	<u>\$ 474</u>	<u>62,779,765</u>	<u>\$ 1</u>	<u>\$ (406)</u>	<u>\$ —</u>	<u>\$ (10)</u>	<u>\$ (85,606)</u>	<u>\$ (86,021)</u>

The accompanying notes are an integral part of these financial statements.

## CYTOMX THERAPEUTICS, INC.

## Statements of Cash Flows

(In thousands)

	Year Ended December 31,		Three Months Ended	
	2013	2014	2014	2015
			(unaudited)	
<b>Cash flows from operating activities</b>				
Net loss	\$ (15,143)	\$ (30,310)	\$(17,004)	\$ (6,211)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization	655	783	175	268
Amortization of debt discount	12	40	10	13
Accretion of marketable securities	—	—	—	124
Issuance of common stock in connection with a license agreement	198	—	—	—
Stock-based compensation expense	343	553	111	175
Change in fair value of convertible preferred stock liability	(110)	13	13	1,031
Change in fair value of convertible preferred stock warrant liability	43	42	11	222
Deferred income taxes	10	8	(1)	—
Loss on disposal of fixed assets	26	—	—	—
Changes in operating assets and liabilities				
Accounts receivable	(237)	(1,638)	(184)	1,665
Prepaid expenses and other current assets	(88)	(261)	(209)	(410)
Other assets	(78)	(344)	(389)	22
Accounts payable	366	660	(132)	(567)
Accrued liabilities	495	793	(306)	(169)
Deferred revenue	5,500	61,463	13,025	(1,532)
Net cash (used in) provided by operating activities	<u>(8,008)</u>	<u>31,802</u>	<u>(4,880)</u>	<u>(5,369)</u>
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(732)	(1,663)	(246)	(255)
Purchases of short-term investments	—	—	—	(51,788)
Net cash used in investing activities	<u>(732)</u>	<u>(1,663)</u>	<u>(246)</u>	<u>(52,043)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	26,802	8,393	1,191
Proceeds from exercise of stock options	62	8	—	—
Proceeds from issuance of notes payable	3,359	—	—	—
Repayments of notes payable	(724)	(1,256)	(258)	(356)
Net cash provided by financing activities	<u>2,697</u>	<u>25,554</u>	<u>8,135</u>	<u>835</u>
Net (decrease) increase in cash and cash equivalents	(6,043)	55,693	3,009	(56,577)
Cash and cash equivalents, beginning of period	14,746	8,703	8,703	64,396
Cash and cash equivalents, end of period	<u>\$ 8,703</u>	<u>\$ 64,396</u>	<u>\$ 11,712</u>	<u>\$ 7,819</u>
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid for interest	\$ 228	\$ 403	\$ 94	\$ 84
<b>Supplemental disclosure of noncash investing and financing items:</b>				
Purchases of property and equipment in accounts payable and accrued liabilities	—	68	—	463
Accretion to redemption value and cumulative dividends on preferred stock	3,751	4,566	1,051	1,432
Convertible preferred stock liability recorded in connection with redeemable convertible preferred stock, net	—	908	1,303	—
Issuance costs in accounts payable and accrued liabilities	—	284	—	—
Convertible preferred stock warrants issued in connection with debt	82	—	—	—
Common stock issued in connection with a license agreement	198	—	—	—

The accompanying notes are an integral part of these financial statements.

**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements**

**1. Description of Business (conform to Business section)**

CytomX Therapeutics, Inc. (the “Company”) is an oncology-based biopharmaceutical company focused on developing Probody therapeutics for the treatment of cancer. Probodyes are masked antibodies that remain inert in healthy tissue but are activated specifically in the disease microenvironment. The Company is located in South San Francisco, California and was incorporated in the state of Delaware in September 2010.

**2. Liquidity**

The accompanying financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities in the normal course of business. Since inception, the Company has incurred recurring net operating losses. As of December 31, 2014 and March 31, 2015 the Company had an accumulated deficit of \$78.1 million and \$85.6 million (unaudited), respectively, and expects to incur losses for the next several years. Since its inception, the Company has funded its operations primarily with the net proceeds from private placements of convertible preferred stock and proceeds from borrowings. As of December 31, 2014 and March 31, 2015, the Company had cash, cash equivalents and short-term investments of \$64.4 million and \$59.5 million (unaudited), respectively. In May and June 2015, the Company received aggregate proceeds of \$73.5 million (unaudited) from the issuance of its Series C and Series D redeemable convertible preferred stock (Note 20).

**3. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company’s functional and reporting currency is the U.S. dollar.

***Unaudited Interim Consolidated Financial Information***

The balance sheet as of March 31, 2015 and the statements of operations and comprehensive loss and cash flows for the three months ended March 31, 2014 and 2015 and the statement of redeemable convertible preferred stock, convertible preferred stock and stockholders’ deficit for the three months ended March 31, 2015 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company’s financial position as of March 31, 2015 and its results of operations and cash flows for the three months ended March 31, 2014 and 2015. The financial data and the other financial information disclosed in these notes to the financial statements related to the three-month periods are also unaudited. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015 or for any other future annual or interim period.

***Unaudited Pro Forma Balance Sheet Information***

The unaudited pro forma balance sheet information as of March 31, 2015 is presented as though all of the Company’s outstanding shares of redeemable convertible preferred stock and convertible preferred stock have converted and the convertible preferred stock warrants have been net exercised into shares of common stock upon the completion of an initial public offering (“IPO”) of the Company’s common stock. In addition, the

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

pro forma balance sheet information assumes the reclassification of the convertible preferred stock liability to stockholders' equity. The unaudited pro forma stockholders' equity does not assume any proceeds from the proposed IPO.

**Use of Estimates**

The preparation of 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.

**Concentration of Credit Risk and Other Risks and Uncertainties**

The Company is subject to a number of risks similar to other biopharmaceutical companies in the early stage, including, but not limited to, the need to obtain adequate additional funding, possible failure of preclinical testing or clinical trials, the need to obtain marketing approval for its product candidates, competitors developing new technological innovations, the need to successfully commercialize and gain market acceptance of the Company's products, and protection of proprietary technology. If the Company does not successfully obtain regulatory approval, commercialize or partner any of its product candidates, it will be unable to generate revenue from product sales or achieve profitability.

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, short term investments and accounts receivable. Substantially all the Company's cash and cash equivalents are held by one financial institution that management believes is of high credit quality. Such deposits may, at times, exceed federally insured limits.

Customers who represent 10% or more of the Company's total revenue or net accounts receivable balance at each respective balance sheet date are as follows:

	<u>Revenue</u>		<u>Accounts Receivable, net</u>	
	<u>Customer A</u>	<u>Customer B</u>	<u>Customer A</u>	<u>Customer B</u>
<b>Year ended December 31,</b>				
2013	100%	*	100%	*
2014	46%	54%	92%	*
<b>Three months ended March 31,</b>				
2014 (unaudited)	100%	*	100%	*
2015 (unaudited)	20%	80%	31%	69%

\* Less than 10%.

All of the Company's customers are located in the United States of America.

**Segments**

Management has determined that it has one business activity and operates as one operating segment as it only reports financial information on an aggregate basis to its Chief Executive Officer, who is the Company's chief operating decision maker. All long-lived assets are maintained in the United States of America.



**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

***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 amounts related to the security deposit for the Company's credit card accounts.

***Short-term Investments***

All investments have been classified as "available-for-sale" and are carried at estimated fair value as determined based upon quoted market prices or pricing models for similar securities. Unrealized gains and losses, if any, are excluded from earnings and are reported as a component of accumulated other comprehensive income (loss). Realized gains and losses and declines in fair value judged to be other than temporary, if any, on available-for-sale securities are included in other income (expense), net. The Company did not identify any of its short-term investments as other-than-temporarily impaired as of March 31, 2015. The Company did not have any investments as of December 31, 2013 or 2014.

***Property and Equipment, net***

Property and equipment are recorded at cost net of accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. The useful lives of property and equipment are as follows:

Machinery and equipment	5 years
Computer equipment and software	3 years
Furniture and fixtures	3 years
Leasehold improvements	Shorter of remaining lease term or estimated life of the assets

Certain of the Company's assets have been collateralized pursuant to a Master Loan and Security Agreement (Note 10).

Maintenance and repairs that do not extend the life or improve the asset are expensed when incurred.

***Goodwill and Intangible Assets***

Goodwill represents the excess of the purchase price paid over the fair value of tangible and identifiable intangible net 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 ("IPR&D"). The Company assesses impairment indicators annually 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. There was no impairment of goodwill or intangible assets identified during the years ended December 31, 2013 and 2014 and three months ended March 31, 2015 (unaudited).

CYTOMX THERAPEUTICS, INC.

Notes to the Financial Statements—(Continued)

***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. There was no impairment of long-lived assets during the periods presented in these financial statements.

***Convertible Preferred Stock Warrant Liability***

Freestanding warrants for shares that are contingently redeemable are classified as liabilities on the balance sheet at their estimated fair value because the shares underlying the warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances such as a deemed liquidation event. The warrants are subject to re-measurement at each balance sheet date and the change in fair value, if any, is included in other income (expense), net. The Company will continue to adjust the liability for changes in fair value until the earlier of (i) exercise or expiration of the warrants, (ii) conversion of the convertible preferred stock warrants into equity classified common stock warrants or (iii) the completion of an IPO, at which time all convertible preferred stock warrants will be net exercised into shares of common stock and the related convertible preferred stock warrant liability will be reclassified to additional paid-in capital.

***Convertible Preferred Stock Liability***

The obligation to issue additional shares of Series B-1 and Series C redeemable convertible preferred stock at a future date was determined to be a freestanding instrument that should be accounted for as a liability. At initial recognition, the Company recorded the convertible preferred stock liability on the balance sheets at its estimated fair value. The liability is subject to remeasurement at each balance sheet date, with changes in fair value recognized as a component of other income (expense), net. At the time of each funding, the Company remeasures the liability, with the change in fair value recognized as a component of other income (expense), net and then reclassifies the final value associated with the convertible preferred stock liability to the applicable series of redeemable convertible preferred stock.

***Comprehensive Loss***

Comprehensive loss represents all changes in stockholders' deficit except those resulting from distributions to stockholders. The Company's unrealized losses on short-term investments represent the only component of other comprehensive loss that is excluded from the reported net loss.

***Revenue Recognition***

The Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; transfer of technology has been completed or services have been rendered; the price to the customer is fixed or determinable and collectability is reasonably assured.

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 to the

**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

Company's technology, (ii) research and development services, and (ii) 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.

In arrangements involving the delivery of more than one element, each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting. The determination is based on whether the deliverable has "standalone value" to the customer. If a deliverable does not qualify as a separate unit of accounting, it is combined with the other applicable undelivered item(s) within the arrangement and these combined deliverables are treated as a single unit of accounting.

The arrangement's consideration that is fixed or determinable is allocated to each separate unit of accounting based on the relative selling price methodology in accordance with the selling price hierarchy, which includes vendor-specific objective evidence ("VSOE") of selling price, if available, or third party evidence of selling price if VSOE is not available, or the best estimate of selling price, if neither VSOE nor third party evidence is available.

Payments or reimbursements for the Company's research and development efforts for the arrangements where such efforts are considered as deliverables are recognized as the services are performed and are presented on a gross basis. When upfront payments are received and if there is no discernible pattern of performance and/or objectively measurable performance measures do not exist, the Company recognizes revenue ratably over the associated period of performance.

The Company's collaboration and license agreements may include contingent payments related to specified research, development and regulatory milestones and sales-based milestones. Such 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, upon receipt of actual marketing approvals of a covered product or for additional indications, or upon the first commercial sale of a covered product. Sales-based milestones are typically payable when annual sales of a covered product reach specified levels. Each contingent and milestone payment is evaluated to determine whether it is substantive and at risk to both parties. The Company recognizes any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved. Any payments that are contingent upon achievement of a non-substantive milestone are recognized as revenue prospectively, when such payments become due and collectible, over the remaining expected performance period under the arrangement, which is generally the remaining period over which the research and development services are expected to be provided.

***Research and Development Expenses***

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.

CYTOMX THERAPEUTICS, INC.

Notes to the Financial Statements—(Continued)

***Stock-Based Compensation***

The Company measures its stock-based awards made to employees based on the estimated fair values of the awards as of the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense is recognized over the requisite service period using the straight-line method and is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As such, the Company's stock-based compensation is reduced for the estimated forfeitures at the date of grant and revised in subsequent periods if actual forfeitures differ from those estimates.

Stock-based compensation expense for options granted to non-employees as consideration for services received is measured on the date of performance at the fair value of the consideration received or the fair value of the equity instruments issued, using the Black-Scholes option-pricing model, whichever can be more reliably measured. Compensation expense for options granted to non-employees is periodically remeasured as the underlying options vest.

***Income Taxes***

The Company accounts for income taxes under the liability method which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Company's assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

The Company recognizes benefits of uncertain tax positions if it is more likely than not that such positions will be sustained upon examination based solely on their technical merits, as the largest amount of benefit that is more likely than not to be realized upon the ultimate settlement. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense or benefit. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

***Net Loss per Share Attributable to Common Stockholders***

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period, without consideration of potentially dilutive securities. Diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders since the effect of potentially dilutive securities is anti-dilutive.

***Unaudited Pro Forma Net Loss per Share Attributable to Common Stockholders***

In contemplation of an IPO, the Company has presented the unaudited pro forma basic and diluted net loss per share attributable to common stockholders, which has been computed to give effect to the conversion of the redeemable convertible preferred stock and convertible preferred stock into shares of common stock and the net exercise of the preferred stock warrants as of the beginning of the respective period or the date of issuance, if later. In addition, the numerator in the pro forma basic and diluted net loss per common share calculation has been adjusted to remove gains or losses resulting from the remeasurement of the convertible preferred stock warrant liability as the warrants will be net exercised into common stock and the related convertible preferred stock warrant liability will be reclassified to additional paid-in capital upon the completion of an IPO of the Company's common stock.

CYTOMX THERAPEUTICS, INC.

Notes to the Financial Statements—(Continued)

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers, 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 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will be effective for the Company on January 1, 2018, which is the effective date for public companies. Early application is permitted as of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern*. This standard update provides guidance around management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The new guidance is effective for all annual and interim periods ending after December 15, 2016. The Company does not believe that adopting ASU 2014-15 will have a material impact on its financial statements.

**4. Fair Value Measurements**

The Company records its financial assets and liabilities at fair value. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring 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. Based on the borrowing rates available to the Company for debt with similar terms and consideration of default and credit risk using Level II inputs, the carrying value of the Company’s long-term debt as of December 31, 2014 and March 31, 2015 approximates its fair value. The Company’s financial instruments consist of Level I and II assets and Level III liabilities. Level I assets consist primarily of highly liquid money market funds that are included in restricted cash. The Company’s Level II assets include U.S. government securities that are included in cash equivalents and short-term investments. The Company’s Level III liabilities include the convertible preferred stock warrant liability and the convertible preferred stock liability. The determination of the fair value

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

of the convertible preferred stock warrant liability is discussed in Note 10. The determination of the fair value of the convertible preferred stock liability is discussed in Note 12.

The following tables set forth the fair value of the Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements (in thousands):

	December 31, 2013			Total
	Level I	Level II	Level III	
<b>Assets</b>				
Money market funds	\$ 100	\$ —	\$ —	\$ 100
	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 100</u>
<b>Liabilities</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 144	\$ 144
Convertible preferred stock liability	—	—	1,290	1,290
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,434</u>	<u>\$ 1,434</u>

	December 31, 2014			Total
	Level I	Level II	Level III	
<b>Assets</b>				
Money market funds	\$ 100	\$ —	\$ —	\$ 100
	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 100</u>
<b>Liabilities</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 186	\$ 186
Convertible preferred stock liability	—	—	395	395
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 581</u>	<u>\$ 581</u>

	March 31, 2015 (unaudited)			Total
	Level I	Level II	Level III	
<b>Assets</b>				
Money market funds	\$4,690	\$ —	\$ —	\$ 4,690
Marketable securities	—	53,157	—	53,157
	<u>\$4,690</u>	<u>\$53,157</u>	<u>\$ —</u>	<u>\$57,847</u>
<b>Liabilities</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 408	\$ 408
Convertible preferred stock liability	—	—	1,426	1,426
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,834</u>	<u>\$ 1,834</u>

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

The following table sets forth the changes in the fair value of Level III liabilities (in thousands):

	Convertible Preferred Stock Warrant Liability	Convertible Preferred Stock Liability
<b>Fair value at December 31, 2012</b>	\$ 19	\$ 1,400
Fair value at issuance	82	—
Change in fair value	43	(110)
<b>Fair value at December 31, 2013</b>	144	1,290
Fair value at issuance	—	395
Change in fair value	42	13
Recognition of fair value upon issuance of redeemable convertible preferred stock	—	(1,303)
<b>Fair value at December 31, 2014</b>	186	395
Change in fair value (unaudited)	222	1,031
<b>Fair value at March 31, 2015 (unaudited)</b>	<u>\$ 408</u>	<u>\$ 1,426</u>

**5. Property and Equipment**

Property and equipment, net consisted of the following (in thousands):

	<u>December 31</u>		<u>March 31</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>
			(unaudited)
Machinery and equipment	\$ 2,841	\$ 4,059	\$ 4,573
Computer equipment and software	203	315	417
Furniture and fixtures	52	54	54
Leasehold improvements	166	183	613
Construction in progress	17	399	3
	3,279	5,010	5,660
Less: accumulated depreciation and amortization	(1,209)	(1,992)	(2,260)
	<u>\$ 2,070</u>	<u>\$ 3,018</u>	<u>\$ 3,400</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2014 was \$655,000 and \$783,000, respectively, and \$175,000 (unaudited) and \$268,000 (unaudited) for the three months ended March 31, 2014 and 2015, respectively.

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

**6. Goodwill and Intangible Assets**

Goodwill and in-process research and development assets result from a series of integrated financing transactions in 2010 that was accounted for as a business combination. The in-process research and development relates to the Company's proprietary Probody technology platform and is accounted for as an indefinite-lived intangible asset until the underlying project is completed or abandoned.

Goodwill and intangible assets consisted of the following (in thousands):

	<u>2013</u>	<u>December 31</u> <u>2014</u>	<u>March 31</u> <u>2015</u> <u>(unaudited)</u>
Goodwill	\$ 949	\$ 949	\$ 949
In-process research and development	1,750	1,750	1,750
	<u>\$2,699</u>	<u>\$2,699</u>	<u>\$ 2,699</u>

**7. Accrued Liabilities**

Accrued liabilities consisted of the following (in thousands):

	<u>2013</u>	<u>December 31</u> <u>2014</u>	<u>March 31</u> <u>2015</u> <u>(unaudited)</u>
Payroll and related expenses	\$ 722	\$ 859	\$ 628
Research and clinical expenses	142	276	306
Legal and professional expenses	67	418	416
Other accrued expenses	196	142	163
Total	<u>\$1,127</u>	<u>\$1,695</u>	<u>\$ 1,513</u>

**8. Research and Collaboration Agreements*****Pfizer Inc.***

In May 2013, the Company and Pfizer Inc. ("Pfizer") entered into a Research Collaboration, Option and License Agreement (the "Pfizer Agreement") to collaborate on the discovery and preclinical research activities related to Probodyes, and Probody drug conjugates ("PDCs") for research project targets nominated by Pfizer. Pfizer nominated two research targets in 2013 and had the option of nominating two additional research targets. In December 2014, Pfizer selected an additional research target.

The Pfizer Agreement provides Pfizer with an option to acquire an exclusive development and commercialization license for each research project target. Upon exercise of the option, Pfizer (1) will receive an exclusive development and commercialization license for use of the Probody during the development, manufacturing and commercialization of the potential product, and (2) will be responsible for the development, manufacturing and commercialization of such potential products.

Pursuant to the Pfizer Agreement, the Company received an upfront payment of \$6 million and is entitled to contingent payments of up to an aggregate of \$626.5 million as follows: (i) \$1.5 million for each of the



**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

two additional targets; (ii) up to \$12.0 million upon exercise of the license options, (iii) up to \$25.0 million from the achievement of development milestones for each research target program, or up to \$82.0 million if the maximum of four research targets are selected by Pfizer; and (iv) up to \$98.0 million in milestone payments for the first commercial sale in various territories for up to three indications per research target program or up to \$249.5 million if the maximum of four research targets are selected and (v) up to \$100.0 million in sales milestones payments per research target program, or up to \$280.0 million if the maximum of four research targets are selected by Pfizer. The Company is entitled to receive royalties in the mid-single digits to low teens on initial targets and mid-single digit royalties on additional targets from potential future sales of product candidates. The Company will also receive research and development service fees based on a prescribed full-time employee (“FTE”) rate per year that is capped.

In accordance with ASC 605-25, the Company identified the following deliverables at the inception of the Pfizer Agreement: (1) the research license, (2) the research services and (3) the obligation to participate in the joint research committee. The Company determined that the research license does not have stand-alone value to Pfizer due to specialized nature of the research services to be provided by the Company, and accordingly, this deliverable was combined with the research services and participation in the joint research committee as a single unit of accounting. The Company concluded that, at the inception of the agreement, Pfizer’s options to obtain an exclusive development and commercialization license for each research project target do not represent deliverables of the agreement because they are substantive options and do not contain a significant or incremental discount.

The upfront payment of \$6.0 million was recorded as deferred revenue and is being recognized on a ratable basis over the estimated performance period of seven years. In December 2014, Pfizer selected an additional target and paid \$1.5 million, which was recorded as deferred revenue and will be recognized over the remaining performance period.

The Company recognized \$0.9 million, \$2.3 million, \$0.6 million (unaudited) and \$0.3 million (unaudited) for the year ended December 31, 2013 and 2014 and the three months ended March 31, 2014 and 2015, respectively. As of December 31, 2013 and 2014 and March 31, 2015, deferred revenue relating to the Pfizer Agreement was \$5.5 million, \$6.1 million and \$5.8 million (unaudited), respectively. As of December 31, 2014, the amount due from Pfizer under the Agreement was \$1.7 million.

***ImmunoGen, Inc.***

In January 2014, the Company and ImmunoGen, Inc. (“ImmunoGen”) entered into the Research Collaboration Agreement (the “ImmunoGen Agreement”). The ImmunoGen Agreement provides the Company with the right to use ImmunoGen’s Antibody Drug Conjugate (“ADC”) technology in combination with the Company’s Probody technology to create Probody Drug Conjugates (“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 technology to create PDCs directed at two targets under the research license and to subsequently obtain exclusive, worldwide development and commercialization licenses to develop and commercialize such PDCs. Under the research licenses, the parties have one replacement right for each target, which needs to be made before the third anniversary of the agreement execution.

Under the terms of the agreement, both the Company and ImmunoGen are required to perform research activities on behalf of the other party for no monetary consideration. The research activities for a particular target

**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

will last until January 2018 unless they are terminated by one of the parties or when a development and commercialization license is obtained with respect to that target. Each party is solely responsible for the development, manufacturing and commercialization of any products resulting from the exclusive development and commercialization license obtained by such party under the agreement. Each party may be liable to pay annual maintenance fees to the other party if the licensed product candidate covered under each development and commercialization license has not progressed to the clinical stage of development within six years of the exercise of the development and commercialization license

In consideration for the exclusive development and commercialization license that may be obtained by ImmunoGen, the Company is entitled to receive up to \$30.0 million in development and regulatory milestone payments per the research program target, up to \$50.0 million in sales milestone payments per target and royalties in the mid-single digits on the commercial sales of any resulting product. For the development and commercialization license that may be obtained by the Company, ImmunoGen is entitled to receive up to \$60.0 million in development and regulatory milestone payments, up to \$100.0 million in sales milestone payments and royalties in the mid to high single digits on the commercial sales of any resulting product.

The Company accounted for the ImmunoGen Agreement based on the fair value of the assets and services exchanged. The Company identified the following significant deliverables at the inception of the ImmunoGen Agreement: (1) the research license, (2) the research services, (3) the obligation to participate in the joint research committee, (4) the exclusive research, development and commercialization license and (5) the obligation to provide future technology improvements, when available. The Company determined that the research license, participation in the joint steering committee and the research services do not have stand-alone value from the development and commercialization license and therefore those deliverables were combined into one unit of accounting. The Company considered factors such the limited economic benefits to ImmunoGen if development and commercialization license is not obtained and the lack of sublicensing rights in the research license.

The estimated total fair value of the consideration of \$13.2 million was recorded as deferred revenue, of which \$13.0 million was allocated to the unit of accounting comprised of the research license, research services, participation in the joint research committee and the development and commercialization license, and \$0.2 million was allocated to the future technological improvements. The Company will recognize \$13.0 million upon delivery of development and commercialization licenses and will recognize amount allocated to the future technology improvements over the term of the license.

The estimated fair value of assets and services received was also \$13.2 million, of which \$12.7 million was allocated to the licenses received and was charged to research and development expense, with the remaining amount of \$0.5 million was allocated to the research services, joint research committee participation and technology improvements, which will be expensed over the period of services to be provided.

***Bristol-Myers Squibb Company***

On May 23, 2014, the Company and Bristol-Myers Squibb Company (“BMS”) 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 technology. The effective date of the BMS Agreement was July 7, 2014.

Under the terms of the BMS Agreement, the Company granted BMS exclusive worldwide rights to develop and commercialize Probody therapeutics for up to four oncology targets. BMS will have additional

**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

rights to substitute up to two collaboration targets. Each collaboration target has a two year research term and the two additional targets must be nominated by BMS within five years of the effective date of the BMS Agreement. The research term for each collaboration target can be extended in one year increments up to three times.

Pursuant to the BMS Agreement, the financial consideration from BMS was comprised of an upfront payment of \$50.0 million and 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 to high single digits to low teens from potential future sales. The Company will also receive research and development service fees based on a prescribed FTE rate that is capped.

The BMS Agreement also provides the Company with the right, subject to certain conditions, including approval of the lead underwriter of the IPO, to sell to BMS the Company's common stock upon an IPO by the Company prior to December 31, 2017, at the price per share being offered in an IPO, in the amount not to exceed the lesser of (a) \$10.0 million or (b) the dollar amount equal to the IPO share price multiplied by 4.9% of the issued and outstanding shares determined to be outstanding immediately following the closing of the IPO.

The Company identified the following deliverables at the inception of the BMS Agreement: (1) the exclusive research, development and commercialization license ("license"), (2) the research and development services and (3) the obligation to participate in the joint research committee. The Company determined that the license does not have stand-alone value to BMS without the Company's research services and expertise related to the development of the product candidates, and accordingly, it was combined with the research services and participation in the joint research committee as a single unit of accounting.

The Company received an upfront payment of \$50.0 million from BMS in July 2014. The upfront payment was recorded as deferred revenue and being recognized on a ratable basis over the estimated performance period of ten years. The Company determined that the remaining contingent payments under the Agreement do not constitute substantive milestones and will not be accounted for under the milestone method of revenue recognition. The events leading to these payments do not meet the definition of a substantive milestone because the achievement of these events solely depends on BMS's performance. Accordingly, any revenue from these contingent payments would be subject to an allocation of arrangement consideration and would be recognized over any remaining period of performance obligations, if any, relating to this arrangement. If there are no remaining performance obligations under the arrangement at the time the contingent payment is triggered, the contingent payment will be recognized as revenue in full upon triggering the event.

During the year ended December 31, 2014 and the three months ended March 31, 2015, the Company recognized revenue of \$2.8 million and \$1.4 million (unaudited), respectively, under the BMS Agreement. As of December 31, 2014 and March 31, 2015, deferred revenue relating to the BMS Agreement was \$47.6 million and \$46.3 million (unaudited), respectively.

**9. License Agreement**

The Company has an exclusive, worldwide license agreement (the "UC Agreement") with the Regents of the University of California (the "UC Regents") relating to the use of certain patents and technology relating

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

to its core technology, including its therapeutic antibodies. Pursuant to the UC Agreement, the Company is obligated to (i) make royalty payments to the UC Regents on net sales of its products covered under the agreement, subject to annual minimum amounts, (ii) make milestone payments to the UC Regents upon the occurrence of certain events, (iii) make a milestone payment to the UC Regents upon occurrence of an IPO or change of control, and (iv) reimburse the UC Regents for prosecution and maintenance of the licensed patents. If the Company sublicenses its rights under the UC Agreement, it is obligated to pay the UC Regents a percentage of the total gross proceeds received in consideration of the grant of the sublicense, which total amount would be first reduced by the aggregate amount of certain research and development related expenses incurred by the Company.

In 2013, the Company amended the UC Agreement to reduce the amounts due the UC Regents upon receipt by the Company of upfront payments, milestone payments and royalties from sublicensees. In exchange for this amendment, the Company issued to the UC Regents 9,911,450 shares of common stock. The UC Agreement, as amended, will remain in effect until the expiration or abandonment of the last to expire of the licensed patents.

In the years ended December 31, 2013 and 2014, the Company paid \$540,000 and \$500,000 respectively, to the UC Regents under the milestone and minimum annual royalty provisions of the agreement and paid \$100,000 and \$175,000 (unaudited) to the UC Regents in the three months ended March 31, 2014 and 2015, respectively.

**Royalty obligations**

The Company has future minimum royalty obligations due under the terms of certain exclusive licensed patent rights. These minimum future obligations are as follows (in thousands):

Year ended December 31,	
2015	\$125
2016	150
2017	150
Total minimum royalty obligations	<u>\$425</u>

**10. Long-term Debt**

In May 2012, the Company entered into a Master Loan and Security Agreement (the “Debt Facility”). Under the terms of the agreement, an aggregate of \$2.0 million could be drawn down during the initial basic loan term of 42 months. In January and December 2013, the Company amended the Debt Facility to borrow an additional \$0.3 million and \$3.0 million, respectively, with similar terms. Borrowings under the debt facility bear interest at 11.74% per annum.

The Company’s obligations under the Debt Facility are collateralized by a security interest in substantially all of its assets, excluding its intellectual property and certain other assets. The Debt Facility also contains customary conditions related to borrowing, events of default, and covenants, including covenants limiting the Company’s ability to dispose of assets, undergo a change in control, merge with or acquire other entities, incur debt, incur liens, pay dividends or other distributions to holders of its capital stock, repurchase stock and make investments, in each case subject to certain exceptions. The agreement also allows the lender to call the debt in the event there is a material adverse change in the Company’s business or financial condition. At

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

December 31, 2014 and March 31, 2015, management does not believe that the material adverse change clause will be triggered within the next 12 months, and therefore, the debt is classified as long-term.

In connection with the execution and the amendment of the Debt Facility, the Company issued warrants to the lender to purchase an aggregate of 5,141,847 shares of the Company's Series B-1 redeemable convertible preferred stock. The warrants expire at the earlier of (i) the tenth anniversary of issuance, (ii) upon the closing of an IPO of the Company's common stock, or (iii) the consummation of certain change of control events. The warrants are exercisable in cash at an exercise price of \$0.048961 per share or through a cashless exercise provision. Under the cashless exercise provision, the holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of the Company's Series B-1 redeemable convertible preferred stock at the time of exercise of the warrant after deducting the aggregate exercise price. If the warrant has not been previously exercised, the cashless exercise provision is automatically triggered upon expiration if the fair value of the Series B-1 redeemable convertible preferred stock is higher than the exercise price of the warrants. In the event that all of the Company's Series B-1 redeemable convertible preferred stock have been converted into common stock, the warrants will be exercisable for the same number of shares of common stock at the same exercise price.

Upon issuance of the warrants, the Company recorded a preferred stock warrant liability based on its initial fair value estimated using the Black-Scholes model with an offset to debt discount. The debt discount is amortized to interest expense using the effective interest method over the term of the Debt Facility. The warrant liability is subject to remeasurement to fair value at each balance sheet date until the earliest of the exercise or expiration of the convertible preferred stock warrant, and any change in fair value is recognized in other income (expense), net. As of December 31, 2014 and March 31, 2015, the warrants remained outstanding.

Aggregate annual principal payments due on the Debt Facility are as follows (in thousands):

<b>Year Ending December 31:</b>	
2015	\$ 1,460
2016	999
2017	591
2018	<u>14</u>
Total	3,064
Less: unamortized balance of debt discount	(77)
Less: current portion, net of discount	<u>(1,419)</u>
Long-term portion, net of discount	<u>\$ 1,568</u>

**11. Commitments and Contingencies*****Operating Lease***

The Company leases office and laboratory facilities at its headquarters in South San Francisco, California under a lease agreement that expires in 2019. 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 as a deferred rent liability.

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

The minimum lease payments under this lease are as follows (in thousands):

Year Ending December 31:	
2015	\$ 941
2016	926
2017	864
2018	894
2019	76
Total	<u>\$3,701</u>

Rent expense during the years ended December 31, 2013 and 2014 was \$529,000 and \$836,000, respectively and \$196,000 (unaudited) and \$235,000 (unaudited) for three months ended March 31, 2014 and 2015, respectively.

**Legal Proceedings**

The Company is subject to claims and assessments from time to time in the ordinary course of business but do not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

**Indemnifications**

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance.

**12. Convertible Preferred Stock**

Under the Company's Amended and Restated Certificate of Incorporation, as amended, the Company is authorized to issue two classes of shares: preferred and common stock. The preferred stock is issuable in series, and the Company's Board of Directors is authorized to determine the rights, preferences, and terms of each series.

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

Convertible preferred stock consisted of the following (in thousands, except share amounts):

	<b>December 31, 2013</b>			
	<b>Shares Authorized</b>	<b>Shares Issued and Outstanding</b>	<b>Net Carrying Value</b>	<b>Aggregate Liquidation Preference</b>
Series A-1	2,085,290	2,085,290	\$ 49	\$ 250
Series A-2	13,335,277	13,335,277	425	2,339
Series B-1	941,463,610	701,350,210	41,944	37,692
Series B-2	54,329,413	54,329,413	2,300	2,920
Total	<u>1,011,213,590</u>	<u>771,100,190</u>	<u>\$44,718</u>	<u>\$ 43,201</u>
	<b>December 31, 2014</b>			
	<b>Shares Authorized</b>	<b>Shares Issued and Outstanding</b>	<b>Net Carrying Value</b>	<b>Aggregate Liquidation Preference</b>
Series A-1	2,085,290	2,085,290	\$ 49	\$ 250
Series A-2	13,335,277	13,335,277	425	2,339
Series B-1	941,463,610	912,712,075	57,695	54,040
Series B-2	54,329,413	54,329,413	2,698	3,570
Series C	375,000,000	195,775,983	15,843	16,533
Total	<u>1,386,213,590</u>	<u>1,178,238,038</u>	<u>\$76,710</u>	<u>\$ 76,732</u>
	<b>March 31, 2015 (unaudited)</b>			
	<b>Shares Authorized</b>	<b>Shares Issued and Outstanding</b>	<b>Net Carrying Value</b>	<b>Aggregate Liquidation Preference</b>
Series A-1	2,085,290	2,085,290	\$ 49	\$ 250
Series A-2	13,335,277	13,335,277	425	2,339
Series B-1	941,463,610	912,712,075	58,678	54,922
Series B-2	54,329,413	54,329,413	2,782	3,623
Series C	375,000,000	213,581,062	17,683	18,359
Total	<u>1,386,213,590</u>	<u>1,196,043,117</u>	<u>\$79,617</u>	<u>\$ 79,493</u>

**Series B-1 Redeemable Convertible Preferred Stock**

On September 22, 2010, the Company executed a Series B-1 Preferred Stock Purchase Agreement (“Series B-1 Agreement”) to raise up to an aggregate of \$30.0 million of equity capital through the issuance of shares of Series B-1 redeemable convertible preferred stock at \$0.048961 per share in two tranches. The first tranche of \$10.0 million or 204,244,193 shares was completed upon execution of the Series B-1 Agreement. The Company determined that the obligation to issue additional shares of redeemable convertible preferred stock at a future date was a freestanding instrument and should be accounted as a liability. The preferred stock liability was valued using the option-pricing method, which resulted in an initial fair value of \$3.0 million. The second tranche of \$20.0 million was split into two subsequent tranches (“Tranche A” and “Tranche B”) of \$10.0 million or 204,244,193 shares each, based on an amendment of the Series B-1 Agreement in 2011. Tranche A was completed in December 2011.

On July 26, 2012, the Company executed an extension to the Series B-1 Agreement to raise up to an aggregate of \$21.0 million of equity capital through issuance of shares of B-1 preferred stock in two tranches.

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

Tranche B was increased from \$10.0 million or 204,244,193 shares to \$12.6 million or 257,347,683 shares to new investors, and an additional tranche (“Tranche C”) of \$8.4 million or 171,565,122 shares to new investors, was added. Tranche B was completed on July 26, 2012 when the Company issued 257,347,683 shares for net proceeds of \$12.6 million.

The preferred stock liability for Tranche C was valued using the option-pricing method, which resulted in an initial fair value of \$1.7 million. The preferred stock liability was valued at \$1.3 million as of December 31, 2013 and the Company recorded a gain of \$110,000 to other income (expense), net for the year ended December 31, 2013. On January 31, 2014, Tranche C was completed and the Company issued 171,565,122 shares of Series B-1 redeemable convertible preferred stock for net proceeds of \$8.4 million. Immediately prior to the closing of this tranche, the Company remeasured the preferred stock liability to its then fair value and recorded a loss from remeasurement of \$13,000 in other income (expense), net. The fair value of the preferred stock liability in the amount of \$1.3 million was reclassified to redeemable convertible preferred stock.

**Series C Redeemable Convertible Preferred Stock and Second Tranche Option**

On December 22, 2014, the Company executed the Series C Preferred Stock Purchase Agreement for the issuance of up to 355,956,334 shares of Series C redeemable convertible preferred stock. In December 2014, the Company issued 195,775,983 shares for net proceeds of \$15.8 million and in February 2015, an additional 17,805,079 shares were issued for net proceeds of \$1.5 million.

In connection with the issuance of the Series C redeemable convertible preferred stock in December 2014, the Company granted a second tranche option (“Second Tranche Option”) to one of its investors to purchase 41,528,239 shares of its Series C redeemable convertible preferred stock upon the achievement of certain milestones. At initial recognition, the Company recorded the Second Tranche Option as a derivative liability on the balance sheet at its estimated fair value of \$395,000. The fair value of the convertible preferred stock liability at December 31, 2014 and March 31, 2015 was \$395,000 and \$1.4 million (unaudited), respectively, resulting in the recognition of a loss on remeasurement of \$0 and \$1.0 million (unaudited) in other income (expense), net for the year ended December 31, 2014 and the three months ended March 31, 2015, respectively. In May 2015, the Company achieved the relevant milestones and the investor exercised their right to purchase 41,528,239 shares of Series C convertible redeemable preferred stock for \$3.5 million.

The preferred stock liability related to Series B-1 and Series C redeemable convertible preferred stock was valued using the option-pricing method with the following assumptions:

	<u>Term</u>	<u>Interest Rate</u>	<u>Volatility</u>
July 26, 2012 (upon issuance)	2.6 years	0.32%	66%
December 31, 2013	0.1 years	0.01%	69%
December 31, 2014	0.4 years	0.10%	50%
March 31, 2015	0.2 years	0.04%	65%

Significant provisions of the convertible preferred stock are as follows:

**Dividends**

Holders of Series B-1, Series B-2 and Series C redeemable convertible preferred stock are entitled to cumulative dividends at the rate of eight percent (8%) of the Series B-1, B-2 and C original issue price per



**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

annum. The Series B-1, Series B-2 and Series C dividends accrue from day to day, whether or not declared, and are payable only when, as, and if declared by the Company's board of directors.

The Company will not pay dividends on other series of preferred stock, but such preferred stock holders are entitled to receive dividends as if they had been converted to common stock and dividends had been declared for common stock. Since inception, the Company has never declared a dividend.

**Liquidation**

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the holders of Series C redeemable convertible preferred stock are entitled to receive, prior and in preference to the holders of Series B-2 redeemable convertible preferred stock and Series B-1 redeemable convertible preferred stock (collectively, the "Series B preferred stock"), Series A-2 convertible preferred stock and Series A-1 convertible preferred stock (collectively, the "Series A preferred stock") or common stock, from the assets of Company legally available for distribution, an amount per share equal to the Series C original issue price (\$0.084280) plus the Series C accrued but unpaid dividends. If upon a liquidation, dissolution or winding up the Company, the assets of the Company available for distribution to its stockholders are insufficient to pay the holders of the Series C redeemable convertible preferred stock the full amount they are entitled to, they shall share ratably in all assets available for distribution in proportion to the respective amounts which would otherwise be payable to the holders of the Series C redeemable convertible preferred stock.

Upon completion of the distribution to the holders of the Series C redeemable convertible preferred stock, the holders of the Series B-1 redeemable convertible preferred stock shall be entitled to receive, prior and in preference to any amount paid or distributed to the holders of Series B-2 redeemable convertible preferred stock, the Series A preferred stock or common stock, from the assets of the Company available for distribution to its stockholders, an amount per share equal to the Series B-1 original issue price (\$0.048961) plus the Series B-1 accrued but unpaid dividends. If upon a liquidation, dissolution or winding up the Company, the assets of the Company available for distribution to its stockholders are insufficient, after payment in full of the aggregate Series C liquidation preference amount, to pay the holders of the Series B-1 redeemable convertible preferred stock the full amount they are entitled to, they shall share ratably in all assets available for distribution in proportion to the respective amounts which would otherwise be payable to the holders of the Series B-1 redeemable convertible preferred stock.

After payment in full of the aggregate to the holders of Series C and Series B-1 redeemable convertible preferred stock and before any amount is paid or distributed to the holders of Series A preferred stock or common stock, the holders of shares of Series B-2 redeemable convertible preferred stock are entitled to be paid out of the assets of the Company available for distribution to its stockholders, an amount per share equal to the Series B-2 original issue price (\$0.048961), plus the Series B-2 accrued but unpaid dividends. If upon a liquidation, dissolution or winding up the Company, the assets of the Company available for distribution to its stockholders are insufficient, after payment in full of the aggregate Series C and Series B-1 liquidation preference amount, to pay the holders of the Series B-2 redeemable convertible preferred stock the full amount they are entitled to, they shall share ratably in all assets available for distribution in proportion to the respective amounts which would otherwise be payable to the holders of the Series B-2 redeemable convertible preferred stock.

After payment in full of the aggregate to the holders of Series C, Series B preferred stock and before any amount shall be paid or distributed to the holders of common stock, the holders of shares of Series A preferred stock shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, on

**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

a pari passu basis, an amount per share equal to original issue price of \$0.119887 for Series A-1 and \$0.175397 for Series A-2 plus any dividends declared but unpaid on Series A preferred stock.

After the payment in full the aggregate to the holders of Series C, Series B preferred stock, Series A preferred stock, the remaining assets of the Company available for distribution to its stockholders shall be distributed among the holders of shares of common stock. This will be pro rata based on the number of shares of common stock held by each such holder.

***Conversion***

Each share of Series A, Series B and Series C convertible preferred stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance into such number of fully paid and non-assessable shares of common stock as determined by dividing the original issue price for the relevant series of convertible preferred stock (\$0.119887 for Series A-1, \$0.175397 for Series A-2, \$0.048961 for Series B-1 and B-2, and \$0.084280 for Series C) by the applicable conversion price for such series. The initial conversion price per share for each series of preferred stock shall be the original issue price applicable to such series; provided, however, that the conversion price for the preferred stock shall be subject to anti-dilution provisions. The conversion ratio at December 31, 2014 and March 31, 2015 is one-to-one.

Each share of Series A, Series B and Series C convertible preferred stock shall automatically be converted into shares of common stock at the conversion rate at the time in effect for such series of preferred stock immediately upon the earlier of (i) the Company's sale of its common stock in a firm commitment underwritten public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, covering the offer and sale of the Company's common stock at a price at least \$0.195844 per share, resulting in at least \$75,000,000 of gross proceeds, or (ii) the date and time, or the occurrence of an event, specified by vote or written consent from the holders of at least 71% of the shares of common stock issuable upon conversion of the shares of convertible preferred stock then outstanding (the "Requisite Investors").

***Redemption***

Shares of Series C and Series B preferred stock are redeemable by the Company at a per share price equal to the applicable original issue price, plus any Series C, Series B-1 and Series B-2 dividends accrued but unpaid thereon, whether or not declared, in three installments commencing not more than 60 days after receipt by the Company of a written request for redemption from the Requisite Investors at any time on or after December 22, 2019.

In connection with the issuance of Series C redeemable convertible preferred stock on December 22, 2014, the Company amended the redemption terms of the Series B preferred stock, as a result of which the redemption date for Series B preferred stock was changed to December 22, 2019 from July 26, 2017. The redemption date was changed to June 12, 2020 in connection with the issuance of the Series D redeemable convertible preferred stock in June 2015 (see Note 20).

During the years ended December 31, 2013 and 2014 and the three months ended March 31, 2015, the Company accreted \$0.8 million, \$0.8 million, and \$0.2 million (unaudited) respectively, to the redemption value of the preferred stock representing issuance cost, including the convertible preferred stock liability, and \$3.0 million, \$3.7 million and \$1.3 million (unaudited), respectively, to the redemption value of the preferred stock representing cumulative dividends.

***Voting Rights***

Each holder of outstanding shares of preferred stock is entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock held by such holder are

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

convertible as of the record date for determining stockholders entitled to vote on such matter. Holders of preferred stock vote together with the holders of common stock as a single class.

The holders of record of the shares of Series B preferred stock, exclusively and as a single class on an as-converted to common stock basis, were originally entitled to elect four out of seven directors under the terms of the initial Series B-1 Agreement. However, in December 2014, in conjunction with the issuance of the Series C shares, the Company amended its certificate of incorporation so that the holders of Series B preferred stock are entitled to elect three members of the Company's board of directors. The holders of shares of Series C preferred stock are entitled to elect one director, the holders of shares of common stock are entitled to elect two directors, and the holders of shares of common stock and preferred stock, voting together on an as-converted to common stock basis, are entitled to elect two directors.

**Classification**

The Company has classified the convertible preferred stock as mezzanine equity on the balance sheets as the stock is contingently redeemable. Upon the occurrence of certain change in control events that are outside the Company's control, including liquidation, sale or transfer of the Company, holders of the convertible preferred stock can cause redemption for cash.

The Company has classified the redeemable convertible preferred stock as mezzanine equity on the balance sheets as such stock shall be redeemed by the Company after receipt by the Company at any time on or after December 22, 2019 of written notice requesting redemption of such stock from the Requisite Investors, as discussed above. The carrying values of the redeemable convertible preferred stock are adjusted to redemption value over the period from the date of issuance to the earliest redemption date of the redeemable convertible preferred stock using the effective interest rate method.

**13. Common Stock**

Common stockholders are entitled to dividends if and when declared by the Board of Directors subject to the prior rights of the preferred stockholders. As of December 31, 2014, no dividends on common stock had been declared by the Board of Directors.

The Company had reserved shares of common stock for issuance, on an as-converted basis, as follows:

	<u>2013</u>	<u>December 31</u> <u>2014</u>	<u>March 31</u> <u>2015</u> <u>(unaudited)</u>
Convertible preferred stock outstanding	771,100,190	1,178,238,038	1,196,043,117
Options issued and outstanding	106,245,917	135,312,463	181,097,532
Convertible preferred stock warrants	5,141,847	5,141,847	5,141,847
Shares available for future stock option grants	<u>48,924,509</u>	<u>119,479,512</u>	<u>73,694,443</u>
	<u>931,412,463</u>	<u>1,438,171,860</u>	<u>1,455,976,939</u>

**14. Stock Option Plans**

In 2010, the Company adopted its 2010 Stock Incentive Plan (the "2010 Plan") which provided for the granting of stock options to employees, directors and consultants of the Company. Options granted under the 2010 Plan were either incentive stock options ("ISOs") or nonqualified stock options ("NSOs").

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

In February 2012, the Company adopted its 2011 Stock Incentive Plan (the “2011 Plan”). The 2011 Plan is divided into two separate equity programs, an option and stock appreciation rights grant program and a stock award program. The total number of shares authorized for issuance under the 2011 Plan are 213,554,550 shares of which 119,479,512 shares and 73,694,443 shares (unaudited) are available for grant at December 31, 2014 and March 31, 2015, respectively. In conjunction with adopting the 2011 Plan, the Company discontinued the 2010 Plan and released the shares reserved and still available under that plan.

Options under the 2011 Plan may be granted for periods of up to ten years. All options issued to date have had a 10-year life. Under the terms of the 2011 Plan, options may be granted at an exercise price not less than the estimated fair value of the shares on the date of grant, as determined by the Company’s board of directors. For employees holding more than 10% of the voting rights of all classes of stock, the exercise price of ISOs and NSOs may not be less than 110% of the estimated fair value of the shares on the date of grant, as determined by the board of directors. To date, options granted generally vest over four years and vest at a rate of 25% upon the first anniversary of the issuance date and 1/48th per month thereafter.

Activity under the Company’s stock option plans is set forth below:

	Options Available for Grant	Number of Options	Options Outstanding		Aggregate Intrinsic Value
			Weighted-Average Exercise Price Per Share (in thousands)	Weighted-Average Remaining Contractual Life (years)	
<b>Balances at December 31, 2012</b>	99,526,478	59,235,310	\$ 0.019		
Options granted	(51,052,893)	51,052,893	0.016		
Options exercised	—	(3,351,213)	0.018		
Options forfeited	450,924	(450,924)	—		
Retirement of shares under the 2010 Plan	—	(240,149)	0.017		
<b>Balances at December 31, 2013</b>	48,924,509	106,245,917	0.017	8.5	\$ 291
Options authorized	100,000,000	—	—		
Options granted	(43,944,997)	43,944,997	0.023		
Options exercised	—	(378,451)	0.020		
Options forfeited	14,500,000	(14,500,000)	0.015		
<b>Balances at December 31, 2014</b>	119,479,512	135,312,463	0.019	8.1	\$ 767
Options granted (unaudited)	(46,368,403)	46,368,403	0.025		
Options forfeited (unaudited)	583,334	(583,334)	0.023		
<b>Balances at March 31, 2015 (unaudited)</b>	<u>73,694,443</u>	<u>181,097,532</u>	0.021	8.3	
<b>Options Exercisable—December 31, 2014</b>		<u>78,192,591</u>	0.019	7.5	
<b>Options vested and expected to vest—December 31, 2014</b>		<u>134,236,287</u>	0.019	8.1	
<b>Options Exercisable—March 31, 2015 (unaudited)</b>		<u>88,001,577</u>	0.019	7.4	\$ 546
<b>Options vested and expected to vest—March 31, 2015 (unaudited)</b>		<u>180,191,617</u>	0.021	8.3	\$ 760

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

The aggregate intrinsic values of options outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the estimated fair value of the Company's common stock, as determined by the Board of Directors, as of December 31, 2014 and March 31, 2015.

The aggregate intrinsic value of stock options exercised in the years ended December 31, 2013 and 2014 was \$600 and \$1,500, respectively. There were no stock options exercised during the three months ended March 31, 2014 and March 31, 2015.

The total fair value of options that vested in the years ended December 31, 2013 and 2014, and the three months ended March 31, 2014 and 2015 were \$268,000, \$410,000, \$106,000 (unaudited) and \$117,000 (unaudited), respectively.

The following table summarizes information about stock options outstanding and vested by exercise price at December 31, 2014:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Outstanding</u> <u>Weighted-Average</u> <u>Remaining</u> <u>Contractual Life</u> <u>(Years)</u>	<u>Exercisable</u> <u>Number</u> <u>Exercisable</u>
\$0.015	26,920,801	8.16	13,538,010
\$0.018	41,698,134	6.59	35,581,474
\$0.020	25,782,913	8.18	18,842,808
\$0.022	11,218,073	9.05	5,109,036
\$0.023	13,971,499	9.34	4,454,597
\$0.024	15,721,043	9.78	666,666
Total	<u>135,312,463</u>		<u>78,192,591</u>

The following table summarizes information about stock options outstanding and vested by exercise price at March 31, 2015 (unaudited):

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Outstanding</u> <u>Weighted-Average</u> <u>Remaining</u> <u>Contractual Life</u> <u>(Years)</u>	<u>Exercisable</u> <u>Number</u> <u>Exercisable</u>
\$0.015	26,920,801	7.91	14,817,784
\$0.018	41,698,134	6.35	38,023,876
\$0.020	25,782,913	7.94	19,647,857
\$0.022	11,218,073	8.80	6,386,295
\$0.023	13,388,165	9.10	6,601,599
\$0.024	15,721,043	9.53	841,666
\$0.025	46,368,403	9.87	1,682,500
Total	<u>181,097,532</u>		<u>88,001,577</u>

The options granted in the years ended December 31, 2013 and 2014, and the three months ended March 31, 2014 and 2015 had a weighted average per share grant-date fair value of \$0.008, \$0.015, \$0.014 (unaudited), and \$0.015 (unaudited), respectively. At December 31, 2014 and March 31, 2015, the unrecognized

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

compensation expense with respect to options granted to employees was \$603,000 and \$991,000 (unaudited), respectively, and is expected to be recognized over 2.3 years and 2.8 years (unaudited), respectively.

**Early Exercise of Employee Options**

Certain stock options granted under the Plans provide option holders the right to elect to exercise unvested options in exchange for restricted common stock. Such unvested restricted shares are subject to a repurchase right held by the Company at the original issuance price in the event the optionee's service to the Company is terminated either voluntarily or involuntarily. The right usually lapses 25% on the first anniversary of the vesting start date and in 36 equal monthly amounts thereafter. These repurchase terms are considered to be a forfeiture provision. The cash or full recourse notes received from employees for exercise of unvested options is treated as a refundable deposit and is classified as a liability on the balance sheets.

At December 31, 2013, there were 512,295 unvested restricted shares outstanding and the liability related to unvested shares was \$58,500. There were no unvested restricted shares outstanding at December 31, 2014 and March 31, 2015 (unaudited).

**15. Stock Based Compensation**

Total stock-based compensation expense recognized was as follows (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Research and development	\$ 121	\$ 195
General and administrative	222	358
<b>Total stock-based compensation expense</b>	<b>\$ 343</b>	<b>\$ 553</b>

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(unaudited)</b>	
Research and development	\$ 55	\$ 79
General and administrative	56	96
<b>Total stock-based compensation expense</b>	<b>\$ 111</b>	<b>\$ 175</b>

**Employee Stock-Based Compensation**

Stock based compensation expense for employees was \$317,000 and \$459,000 for the years ended December 31, 2013 and 2014, respectively. Stock based compensation expense for employees was \$92,000 (unaudited) and \$136,000 (unaudited) for the three months ended March 31, 2014 and 2015, respectively.

The Company estimated the fair value of employee stock options using the Black-Scholes valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of employee stock options was estimated using the following assumptions for the year ended December 31, 2013 and 2014:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Expected volatility	70.8% – 71.7%	66.4% – 71.2%
Risk-free interest rate	0.9% – 1.9%	1.6% – 2.0%
Dividend yield	— %	— %
Expected term (in years)	5.5 – 6.1	5.3 – 6.1

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

The fair value of employee stock options was estimated using the following assumptions for the three months ended March 31, 2014 and 2015:

	2014	Three Months Ended March 31, (unaudited)	2015
Expected volatility	69.7% – 71.2%		62.9% – 65.6%
Risk-free interest rate	1.8% – 2.0%		1.5% – 1.6%
Dividend yield	— %		— %
Expected term (in years)	5.5 – 6.1		5.2 – 6.1

The expected term of stock options represents the period these stock options are expected to remain outstanding and is based on industry peers, as the Company did not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment information to develop reasonable expectations about future exercise patterns and post vesting employment termination behavior. The expected stock price volatility for the Company's stock options was determined by examining the historical volatilities for comparable publicly traded companies within the biotechnology and pharmaceutical industry and using an average of historical volatilities of Company's industry peers as the Company is not a public company. The risk-free rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the Company's stock options. The Company has not historically paid any cash dividends and does not anticipate paying any cash dividends in the near term, and, as a result, the expected dividend assumption is based on this history and expectation of dividend payouts.

Forfeiture rates were estimated based on actual employee head count and were immaterial to the financial statements during 2013 and 2014 and for three months ended March 31, 2014 and 2015, respectively.

**Non-employee Stock-Based Compensation**

Stock-based compensation expense related to stock options granted to non-employees is recognized as the stock options are earned. The Company determined that the estimated fair value of the stock options is more readily measurable than the fair value of the services received. The fair value of stock options granted to non-employees is calculated at each grant date and re-measured at each reporting date using the Black-Scholes option pricing model. The stock-based compensation expense related to a grant will fluctuate as the estimated fair value of the common stock fluctuates over the period from the grant date to the vesting date.

Stock based compensation expense for non-employees was \$26,000 and \$94,000 for the years ended December 31, 2013 and 2014, respectively, and \$19,000 (unaudited) and \$39,000 (unaudited) for the three months ended March 31, 2014 and 2015, respectively.

**16. Related Party Transactions**

Certain employees of Third Rock Ventures, a stockholder of the Company, provides consulting services to the Company. General and administrative expense for these services of \$17,000 and \$46,000 were recorded for the years ended December 31, 2013 and 2014, respectively, and were insignificant for the three months ended March 31, 2014 and 2015 (unaudited). The amounts outstanding and included in accounts payable were \$1,000, \$17,600 and \$9,000 as of December 31, 2013 and 2014 and March 31, 2015, respectively.

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

The Company has outstanding full recourse loans (“stockholder notes” or “loans”) to current and former executive officers. Principal and interest under these loans are due at the earliest of (i) the fifth anniversary of the related note, (ii) the sale of the shares securing the notes, or (iii) thirty days after the termination of services. The principal loan amount and the accrued interest are reported as a deduction from stockholders’ deficit on the Company’s balance sheets. The remaining balance of these loans was approximately \$0.4 million at December 31, 2013 and 2014 and March 31, 2015 (unaudited), respectively. Interest income of \$6,000 and \$5,000 was recorded in the years ended December 31, 2013 and 2014, respectively. Interest income earned on the loans was insignificant during the three months ended March 31, 2014 and 2015 (unaudited).

**17. Income Taxes**

The Company derives its income only from the United States. The components of the provision (benefit) for income taxes are as follows (in thousands):

	Year Ended December 31,	
	2013	2014
<b>Current:</b>		
Federal	\$ —	\$ —
State	1	1
Total current	1	1
<b>Deferred:</b>		
Federal	9	9
State	—	—
Total deferred	9	9
Total provision	\$ 10	\$ 10

A reconciliation of the Company’s effective tax rate to the statutory U.S. federal rate is as follows:

	Year Ended December 31,	
	2013	2014
U.S. federal taxes at statutory rate	34.0%	34.0%
State taxes, net of federal benefit	6.6	1.0
Stock compensation	(0.5)	(0.3)
Foreign rate differential	0.0	0.0
Tax credits	3.3	1.3
Other	(0.9)	(0.1)
Change in valuation allowance	(42.6)	(35.9)
Total	(0.1)%	— %



## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

The types of temporary differences that give rise to significant portions of the Company's deferred income tax liabilities are set out below (in thousands):

	Year Ended December 31,	
	2013	2014
Net operating loss carryforwards	\$ 13,900	\$ 22,484
Research and development credits	1,324	2,009
Intangible—in-process R&D	124	96
Deferred revenue	—	1,579
Accruals and deferred rent	321	276
Stock-based compensation	86	155
Total gross deferred income tax assets	15,755	26,599
Less: valuation allowance	(15,130)	(26,012)
Deferred tax assets, net of valuation allowance	625	587
Fixed assets	(419)	(491)
In-process R&D	(697)	(595)
Deferred tax liabilities	(1,116)	(1,086)
Net deferred income tax liabilities	\$ (491)	\$ (499)

A valuation allowance has been established for the portion of deferred assets for which realization is not probable. The net change in the total valuation allowance for the years ended December 31, 2013 and 2014 was an increase of \$6.7 million and \$10.9 million, respectively.

The Company has net operating loss carry forwards for federal and state income tax purposes of approximately \$60.4 million and \$58.6 million as of December 31, 2014 and March 31, 2015, respectively, available to reduce future income subject to income taxes. The federal and state net operating loss carry forwards will begin to expire in 2030 if not utilized.

The Company also has federal and state research and development tax credits carry forwards of \$1.6 million, and \$1.6 million, respectively, available to reduce future income subject to income taxes. The federal research and development tax credits will begin to expire in 2030 if not utilized. The state research and development tax credits have no expiration date.

The Tax Reform Act of 1986 imposes restrictions on the utilization of net operating loss and tax credit carry forwards in the event of an "ownership change" as defined by the Internal Revenue Code. The Company's ability to utilize its net operating loss and tax credit carry forwards may be subject to restrictions pursuant to these provisions.

The Company had approximately \$3.0 million of unrecognized tax benefits as of December 31, 2014, none of which would affect the Company's effective tax rate if recognized, due to the Company's valuation allowance.

## CYTOMX THERAPEUTICS, INC.

## Notes to the Financial Statements—(Continued)

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

	Year Ended December 31,	
	2013	2014
Balance at the beginning of the year	\$ 200	\$ 532
Additions based on tax positions related to current year	60	2,473
Adjustment based on submitted prior year tax returns	272	14
Balance at end of the year	<u>\$ 532</u>	<u>\$ 3,019</u>

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the provision for income taxes in the period that such determination is made. Interest and penalties have not been accrued at December 31, 2014 and 2013.

The Company files income tax returns in the United States, including California state jurisdiction. The tax years 2010 to 2014 remains open to U.S. federal and state examination to the extent of the utilization of net operating loss and credit carryovers. As of December 31, 2014, the Company is not under examination by the Internal Revenue Service or any state or foreign tax jurisdiction.

**18. Defined Contribution Plan**

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time U.S. employees. Employee contributions are voluntary and are determined on an individual basis subject to the maximum allowable under federal tax regulations. The Company made contributions to the plan of \$9,000 and \$16,500 for the years ended December 31, 2013 and 2014, respectively. During the three months ended March 31, 2014 and 2015, the Company made contributions to the plan of \$8,000 (unaudited) and \$18,000 (unaudited), respectively.

**19. Net Loss Per Share Attributable to Common Stockholders**

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

	Years ended December 31,		Three months Ended	
	2013	2014	2014	2015
			(unaudited)	
Redeemable convertible preferred stock (on an as-converted basis)	755,679,623	946,482,754	870,056,371	1,172,511,347
Convertible preferred stock (on an as-converted basis)	15,420,567	15,420,567	15,420,567	15,420,567
Options to purchase common stock	93,398,027	125,208,537	117,482,393	161,490,669
Convertible preferred stock warrants	2,303,132	5,141,847	5,141,847	5,141,847
Total	<u>866,801,349</u>	<u>1,092,253,705</u>	<u>1,008,101,178</u>	<u>1,354,564,430</u>

CYTOMX THERAPEUTICS, INC.

Notes to the Financial Statements—(Continued)

A reconciliation of the numerator and denominator used in the calculation of the basic and diluted net loss per share attributable to common stockholders is as follows (in thousands except share and per share amounts):

	Years ended December 31,		Three months Ended	
	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
	(unaudited)			
<b>Numerator:</b>				
Net loss	\$ (15,143)	\$ (30,310)	\$ (17,004)	\$ (6,211)
Add: accretion to redemption value and cumulative dividends on preferred stock	<u>(3,751)</u>	<u>(4,566)</u>	<u>(1,051)</u>	<u>(1,432)</u>
Net loss attributable to common stockholders	<u>(18,894)</u>	<u>(34,876)</u>	<u>(18,055)</u>	<u>(7,643)</u>
<b>Denominator:</b>				
Weighted-average common shares outstanding used to calculate net loss per share attributable to common stockholders, basic and diluted	<u>48,653,814</u>	<u>62,332,585</u>	<u>62,273,240</u>	<u>62,779,765</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.39)</u>	<u>\$ (0.56)</u>	<u>\$ (0.29)</u>	<u>\$ (0.12)</u>

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data) assuming the automatic conversion of the redeemable convertible preferred stock and the convertible preferred stock and the automatic net exercise of the preferred stock warrant, based on the mid-point of the IPO price range of \$ , upon consummation of a IPO as if such event had occurred as of the beginning of the respective period:

	Year Ended	Three Months
	December 31, 2014	Ended March 31, 2015
	(unaudited)	
<b>Numerator:</b>		
Net loss	\$	\$
Change in fair value of preferred stock warrant liability	<u>                    </u>	<u>                    </u>
Net loss used in calculating pro forma net loss per share attributable to common stockholders, basic and diluted	<u>\$</u>	<u>\$</u>
<b>Weighted-average shares used to calculate net loss per share attributable to common stockholders, basic and diluted</b>		
Pro forma adjustment to reflect assumed cashless exercise of preferred stock warrant	<u>                    </u>	<u>                    </u>
Pro forma adjustment to reflect assumed conversion of all outstanding shares of preferred stock	<u>                    </u>	<u>                    </u>
Weighted-average shares used to calculate pro forma net loss per share attributable to common stockholders, basic and diluted	<u>                    </u>	<u>                    </u>
Pro forma net loss per share attributable to common stockholders, basic and diluted	<u>\$</u>	<u>\$</u>

**CYTOMX THERAPEUTICS, INC.**

**Notes to the Financial Statements—(Continued)**

**20. Subsequent Events**

On May 20, 2015, an investor exercised its option to purchase 41,528,239 shares of Series C redeemable convertible preferred stock for proceeds of \$3.5 million (see Note 12).

On June 16, 2015 the Company raised an additional \$70.0 million in funding through the sale and issuance of 471,882,536 shares of a newly authorized series of preferred stock, Series D redeemable convertible preferred stock, at \$0.148342 per share. In connection with the issuance of the Series D redeemable convertible preferred stock, the Company amended and restated its certificate of incorporation and amended the conditions under which all series of the Company's preferred stock would automatically convert into common stock. Based on the revised terms, the Company's convertible preferred stock will automatically convert into common stock upon the earlier of (i) an IPO with gross proceeds of not less than \$50.0 million to the Company; or (ii) at the date and time, or the occurrence of an event, specified by vote or written consent of the holders of a majority of the outstanding shares of preferred stock, voting together as a single class on as converted basis, and 60% of the holders of outstanding shares of Series D redeemable convertible preferred stock ("Series D Majority Investors"), voting together as a single class. The Company also amended the terms for redemption whereby the Series B, Series C and Series D preferred stock are redeemable in three annual installments commencing not more than 60 days after receipt by the Company of a written request from the Requisite Investors and the Series D Majority Investors at any time on or after June 12, 2020.

Shares of Series D redeemable convertible preferred stock are convertible, at the option of the holder thereof, at any time after the date of issuance into such number of fully paid and non-assessable shares of common stock as determined by dividing the original issue price (\$0.148342 per share) by the applicable conversion price. The initial conversion price per share shall be the original issue price subject to anti-dilution provisions. Holders of Series D redeemable convertible preferred stock are entitled to cumulative dividends at a rate of eight percent of the Series D original issue price per annum and such dividends accrue from day to day, whether or not declared. In the event of any liquidation of the Company, Series D stockholders are entitled to receive, in preference to the Series A, Series B and Series C preferred stockholders, an amount per share equal to the original issue price plus any accrued but unpaid dividends.

The Company has reviewed and evaluated subsequent events that occurred through July 24, 2015, the date the financial statements were available to be issued, and determined that no additional subsequent events had occurred that would require recognition in these financial statements and all material subsequent events that require disclosure have been disclosed.

Through and including \_\_\_\_\_, 2015 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

**Shares**



**CytomX Therapeutics, Inc.**

**Common Stock**

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**PROSPECTUS**

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**BofA Merrill Lynch**

**Jefferies**

**Cowen and Company**

**Oppenheimer & Co.**

, 2015

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**PART II INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth all expenses to be paid by us, other than estimated underwriting discounts and commissions, in connection with our initial public offering. All amounts shown are estimates except for the Securities and Exchange Commission registration fee and the FINRA filing fee.

	<b>AMOUNT PAID OR TO BE PAID</b>
Securities and Exchange Commission registration fee	*
FINRA filing fee	*
Initial listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses (including road show)	*
	*
Total	*

\* To be completed by amendment

**Item 14. Indemnification of Directors and Officers**

CytomX Therapeutics, Inc. is incorporated under the laws of the State of Delaware. Reference is made to Section 102(b)(7) of the Delaware General Corporation Law, as amended (the "DGCL"), which enables a corporation in its original certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director for violations of the director's fiduciary duty, except (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) pursuant to Section 174 of the DGCL, which provides for liability of directors for unlawful payments of dividends or unlawful stock purchase or redemptions or (4) for any transaction from which the director derived an improper personal benefit.

Section 145(a) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to

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be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses which the adjudicating court shall deem proper.

Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the DGCL.

We expect that the amended and restated certificate of incorporation adopted by us prior to the consummation of this offering (the “charter”) will provide that no director of our company shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (1) for any breach of the director’s duty of loyalty to us or our stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) in respect of unlawful dividend payments or stock redemptions or repurchases or other distributions pursuant to Section 174 of the DGCL, or (4) for any transaction from which the director derived an improper personal benefit. In addition, our charter will provide that if the DGCL is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of our company shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

We also expect our charter will further provide that any repeal or modification of such article by our stockholders or an amendment to the DGCL will not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or omissions occurring before such repeal or modification of a director serving at the time of such repeal or modification.

We expect that our amended and restated bylaws adopted by us prior to the consummation of this offering (the “bylaws”) will provide that we shall indemnify each of our directors and executive officers, and shall have power to indemnify our other officers, employees and agents, to the fullest extent permitted by the DGCL as the same may be amended (except that in the case of an amendment, only to the extent that the amendment permits us to provide broader indemnification rights than the DGCL permitted us to provide prior to such the amendment) against any and all expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by the director, officer or such employee or on the director’s, officer’s or employee’s behalf in connection with any threatened, pending or completed proceeding or any claim, issue or matter therein, to which he or she is or is threatened to be made a party because he or she is or was serving as a director, officer or employee of our company, or at our request as a director, partner, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. We expect the bylaws will further provide for the advancement of expenses to each of our directors and, in the discretion of the board of directors, to certain officers and employees, in advance of the final disposition of such action, suit or proceeding only upon receipt of an undertaking by such person to repay all amounts advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such person is not entitled to be indemnified for such expenses.

In addition, we expect the bylaws will provide that the right of each of our directors and officers to indemnification and advancement of expenses shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any statute, provision of the charter or bylaws, agreement, vote of stockholders or otherwise. Furthermore, our bylaws will authorize us to provide insurance for our directors,

officers, employees, and agents against any liability, whether or not we would have the power to indemnify such person against such liability under the DGCL or the bylaws. Our bylaws will also provide that any indemnification agreement we enter into with any individual director, officer, employee or agent shall supersede all of the indemnification rights conferred upon such person under our bylaws to the extent so provided in such indemnification agreement.

In connection with the sale of the common stock being registered hereby, we intend to enter into indemnification agreements with each of our directors and our executive officers. These agreements will provide that we will indemnify each of our directors and such officers to the fullest extent permitted by law and the charter and bylaws.

We also maintain a general liability insurance policy which covers certain liabilities of directors and officers of our company arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we will enter into in connection with the sale of the common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), against certain liabilities.

#### **Item 15. Recent Sales of Unregistered Securities.**

The following lists set forth information regarding all securities sold or granted by us since January 1, 2012, which were not registered under the Securities Act, and the consideration, if any, received by us for such securities.

##### ***Issuances of common stock***

(1) On November 8, 2013, we issued 9,911,450 shares of our common stock to The Regents of the University of California (the "UC Regents") as consideration for the reduction in the sublicense fees payable by us to the UC Regents under an exclusive license agreement, as amended and restated, between us and the UC Regents.

##### ***Issuances of preferred stock***

(2) On July 26, 2012, we issued and sold to three accredited investors an aggregate of 257,347,683 shares of our Series B-1 redeemable convertible preferred stock at a purchase price of \$0.048961 per share for an aggregate consideration of \$12,599,999.92 redeemable convertible in cash. On August 30, 2012, we issued and sold to one accredited investor 25,301,932 shares of our Series B-1 preferred stock at a purchase price of \$0.048961 for a total consideration of \$1,238,807.91 in cash. On October 12, 2012, we issued and sold to one accredited investor 10,212,209 shares of our Series B-1 redeemable convertible preferred stock at a purchase price of \$0.048961 per share for a total consideration of \$499,999.97 in cash. On January 31, 2014, we issued to three accredited investors an aggregate of 171,565,122 shares of our Series B-1 redeemable convertible preferred stock at a purchase price of \$0.048961 per share for an aggregate consideration of \$8,399,999.94 in cash. On April 7, 2014, we issued and sold to two accredited investors 10,722,819 shares of our Series B-1 redeemable convertible preferred stock at a purchase price of \$0.048961 per share for an aggregate consideration of \$524,999.95 in cash. On April 24, 2014, we issued and sold to one accredited investor 29,073,924 shares of our Series B-1 redeemable convertible preferred stock at a purchase price of \$0.048961 per share for a total consideration of \$1,423,488.40 in cash. Each share of Series B-1 redeemable convertible preferred stock will convert into one share of our common stock upon the closing of this offering.

(3) On December 22, 2014, we issued and sold to four accredited investors an aggregate of 195,775,983 shares of our Series C redeemable convertible preferred stock at a purchase price of \$0.084280 per share for an aggregate consideration of \$16,499,999.84 in cash. On February 11, 2015, we issued and sold to one accredited investor 17,805,079



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shares of our Series C redeemable convertible preferred stock at a purchase price of \$0.084280 per share for a total consideration of \$1,500,612.06 in cash. On May 20, 2015, we issued and sold to one accredited investor 41,528,239 shares of our Series C redeemable convertible preferred stock at a purchase price of \$0.084280 per share for a total consideration of \$3,499,999.98 in cash. Each share of Series C redeemable convertible preferred stock will convert into one share of our common stock upon the closing of this offering.

(4) On June 12, 2015, we issued and sold to 32 accredited investors an aggregate of 424,694,281 shares of our Series D redeemable convertible preferred stock at a purchase price of \$0.148342 per share for an aggregate consideration of \$62,999,999.21 in cash. On June 22, 2015, we issued and sold to one accredited investor 47,188,255 shares of our Series D redeemable convertible preferred stock at a purchase price of \$0.148342 per share for a total consideration of \$7,000,000.13 in cash. Each share of Series D redeemable convertible preferred stock will convert into one share of our common stock upon the closing of this offering.

***Issuance of warrants***

(5) On May 31, 2012, January 31, 2013 and December 20, 2013, we issued three warrants to purchase 1,940,319, 291,048 and 2,910,480 shares of our Series B-1 redeemable convertible preferred stock, respectively, to ATEL Ventures, Inc. in connection with the loans provided to us by ATEL Ventures, Inc. Each warrant has an exercise price of \$0.048961 per share of our Series B-1 redeemable convertible preferred stock. Upon the closing of this offering, the three warrants will be automatically net exercised for 1,940,319, 291,048 and 2,910,480 shares of our common stock each having an exercise price of \$0.048961 per share of our common stock.

***Grants of stock options and issuances of common stock upon exercise of options***

(6) Since January 1, 2012, we have granted stock options to purchase an aggregate of 190,337,892 shares of our common stock with exercise prices of \$0.015, \$0.020, \$0.022, \$0.023, \$0.024 and \$0.025 per share, respectively, to our employees, directors and consultants pursuant to our 2011 stock incentive plan, as amended (the "2011 Plan"). Since January 1, 2012, we have issued an aggregate of 4,213,522 shares of our common stock upon exercise of stock options granted pursuant to our 2011 Plan and 2010 stock incentive plan, as amended, for an aggregate consideration of \$77,963.92 in cash.

We deemed the offers, sales and issuances of the securities described in paragraphs (1) through (5) above to be exempt from registration under the Securities Act, in reliance on Section 4(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, relative to transactions by an issuer not involving a public offering. All purchasers of securities in transactions exempt from registration pursuant to Regulation D represented to us that they were accredited investors and were acquiring the shares for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from such registration.

We deemed the grants of stock options and issuances of common stock upon exercise of stock options described in paragraph (6) above, except to the extent described above as exempt pursuant to Section 4(2) of the Securities Act, to be exempt from registration under the Securities Act in reliance on Rule 701 of the Securities Act as offers and sales of securities under compensatory benefit plans and contracts relating to compensation in compliance with Rule 701. Each of the recipients of securities in any transaction exempt from registration either received or had adequate access, through employment, business or other relationships, to information about us.

All of the foregoing securities are deemed restricted securities for purposes of the Securities Act. The certificates representing the securities issued in the transactions described in this Item 15 included appropriate legends setting forth that the securities had not been offered or sold pursuant to a registration statement and describing the applicable restrictions on transfer of the securities. There were no underwriters employed in connection with any of the transactions set forth in this Item 15.

**Item 16. Exhibits.**

- (a) See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.
- (b) No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in South San Francisco, State of California on July , 2015.

**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_  
Name: Sean A. McCarthy  
Title: Chief Executive Officer

**SIGNATURES AND POWER OF ATTORNEY**

We, the undersigned directors and officers of CytomX Therapeutics, Inc. (the “Company”), hereby severally constitute and appoint \_\_\_\_\_ and \_\_\_\_\_, and each of them singly, our true and lawful attorneys, with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below, the registration statement on Form S-1 filed herewith, and any and all pre-effective and post-effective amendments to said registration statement, and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, in connection with the registration under the Securities Act of 1933, as amended, of equity securities of the Company, and to file or cause to be filed the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, and hereby ratifying and confirming all that said attorneys, and each of them, or their substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney. This Power of Attorney does not revoke any power of attorney previously granted by the undersigned, or any of them.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities indicated on the date indicated:

<u>SIGNATURE</u>	<u>DATE</u>
_____ Sean A. McCarthy, D. Phil.	Chief Executive Officer and Director <i>(principal executive officer)</i>
_____ Robert C. Goeltz II	Chief Financial Officer <i>(principal financial officer and principal accounting officer)</i>
_____ Hoyoung Huh, M.D., Ph.D.	Chairman of the Board
_____ Neil Exter	Director
_____ Frederick W. Gluck	Director
_____ Rachel W. Humphrey, M.D.	Director
_____ Elaine V. Jones, Ph.D.	Director
_____ Timothy M. Shannon, M.D.	Director

**EXHIBIT INDEX**

<b><u>EXHIBIT NUMBER</u></b>	<b><u>EXHIBIT DESCRIPTION</u></b>
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation, as currently in effect.
3.2	Bylaws, as currently in effect.
3.3*	Form of Amended and Restated Certificate of Incorporation, to be in effect immediately prior to the completion of this offering.
3.4*	Form of Amended and Restated Bylaws, to be in effect immediately prior to the completion of this offering.
4.1*	Specimen Common Stock Certificate.
4.2	Amended and Restated Investors' Rights Agreement dated as of June 12, 2015, by and among CytomX Therapeutics, Inc. and the investors named therein.
4.3	Warrant to Purchase Preferred Stock dated as of May 31, 2012, by and between ATEL Ventures, Inc., as Trustee, and CytomX Therapeutics, Inc.
4.4	Warrant to Purchase Preferred Stock dated as of January 31, 2013, by and between ATEL Ventures, Inc., as Trustee, and CytomX Therapeutics, Inc.
4.5	Warrant to Purchase Preferred Stock dated as of December 20, 2013, by and between ATEL Ventures, Inc., as Trustee, and CytomX Therapeutics, Inc.
5.1*	Opinion of Sidley Austin LLP.
10.1+	2011 Stock Incentive Plan, adopted on February 7, 2012, as amended the ("2011 Plan").
10.2+	Form of Restricted Stock Award Agreement and Option Exercise Agreement under the 2011 Plan.
10.3+	2010 Stock Incentive Plan adopted on September 21, 2010 the ("2010 Plan").
10.4+	Form of Stock Option Agreement under the 2010 Plan.
10.5+*	2015 Performance Incentive Plan, to be in effect immediately prior to the completion of this offering.
10.6+*	2015 Employee Stock Purchase Plan, to be in effect immediately prior to the completion of this offering.
10.7+	Form of Indemnification Agreement by and between CytomX Therapeutics, Inc. and each of its directors.
10.8†*	Research Collaboration Agreement dated as of January 8, 2014, by and between ImmunoGen, Inc. and CytomX Therapeutics, Inc., as amended by the First Amendment to Research Collaboration Agreement effective as of April 3, 2015.
10.9†*	Collaboration and License Agreement dated as of May 23, 2014, by and between CytomX Therapeutics, Inc. and Bristol-Myers Squibb Company.
10.10†*	Research Collaboration, Option and License Agreement dated as of May 30, 2013, by and between Pfizer, Inc. and CytomX Therapeutics, Inc.
10.11	Lease Agreement dated as of March 29, 2013, by and between ARE-Technology Center SSF, LLC and CytomX Therapeutics, Inc.
10.12	Master Loan and Security Agreement No. CYTOY dated as of December 20, 2013, by and between ATEL Ventures, Inc. and CytomX Therapeutics, Inc.
10.13	Master Loan and Security Agreement NO. CYTOX dated as of May 31, 2012, by and between ATEL Ventures, Inc. and CytomX Therapeutics, Inc.

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<u>EXHIBIT NUMBER</u>	<u>EXHIBIT DESCRIPTION</u>
10.14	Amendment No. 1 to Master Loan and Security Agreement NO. CYTOX dated as of January 31, 2013, by and between ATEL Ventures, Inc. and CytomX Therapeutics, Inc.
10.15†*	Amended and Restated License Agreement dated as of August 19, 2010, by and between CytomX Therapeutics, Inc. and the Regents of the University of California, as amended by Amendment No. 1 dated as of May 30, 2013 and Amendment No. 2 dated as of November 8, 2013.
23.1*	Consent of Independent Registered Accounting Firm.
23.2*	Consent of Sidley Austin LLP (included in Exhibit 5.1).
24.1*	Power of Attorney (included on the signature page to this registration statement).

\* To be filed with an amendment.

+ Indicates a management contract or compensatory plan.

† Portions of this exhibit have been omitted pursuant to a request for confidential treatment, and omitted portions have been filed separately with the Securities and Exchange Commission.

**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
CYTOMX THERAPEUTICS, INC.**

(Pursuant to Sections 242 and 245 of the  
General Corporation Law of the State of Delaware)

CytomX Therapeutics, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the “**General Corporation Law**”),

**DOES HEREBY CERTIFY:**

1. That the name of this corporation is CytomX Therapeutics, Inc., and that this corporation was originally incorporated pursuant to the General Corporation Law on September 16, 2010 under the name CytomX Therapeutics, Inc.
2. That the Certificate of Incorporation of this corporation was amended and restated on September 22, 2010, July 26, 2012 and December 22, 2014.
3. That the Corporation’s Board of Directors (the “**Board of Directors**”) duly adopted resolutions proposing to amend and restate further the Certificate of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

**RESOLVED**, that the Certificate of Incorporation of this corporation be amended and restated in its entirety to read as follows:

**FIRST:** The name of this corporation is CytomX Therapeutics, Inc. (the “**Corporation**”).

**SECOND:** The address of the Corporation’s registered office in the State of Delaware is 615 South DuPont Highway, City of Dover, County of Kent, State of Delaware 19901. National Corporate Research, Ltd., is the Corporation’s registered agent at that address.

**THIRD:** The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 2,280,000,000 shares of Common Stock, \$0.00001 par value per share (“**Common Stock**”), and (ii) 1,714,595,739 shares of Preferred Stock, \$0.00001 par value per share (“**Preferred Stock**”).

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings); provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or pursuant to the General Corporation Law. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

B. PREFERRED STOCK

2,085,290 shares of the authorized Preferred Stock of the Corporation are hereby designated “**Series A-1 Preferred Stock**,” 13,335,277 shares of the authorized Preferred Stock of the Corporation are hereby designated “**Series A-2 Preferred Stock**,” 917,853,922 shares of the authorized Preferred Stock of the Corporation are hereby designated “**Series B-1 Preferred Stock**,” 54,329,413 shares of the authorized Preferred Stock of the Corporation are hereby designated “**Series B-2 Preferred Stock**,” 255,109,301 shares of the authorized Preferred Stock of the Corporation are hereby designated “**Series C Preferred Stock**,” and 471,882,536 shares of the authorized Preferred Stock of the Corporation are hereby designated “**Series D Preferred Stock**” and each such series shall have the following rights, preferences, powers, privileges and restrictions, qualifications and limitations. The Series A-1 Preferred Stock and Series A-2 Preferred Stock shall be referred to herein collectively as the “**Series A Preferred Stock**” and the Series B-1 Preferred Stock and Series B-2 Preferred Stock shall be referred to herein collectively as the “**Series B Preferred Stock**.” Unless otherwise indicated, references to “Sections” or “Subsections” in this Part B of this Article Fourth refer to sections and subsections of Part B of this Article Fourth.



## 1. Dividends.

1.1 Series D Preferred Stock Dividends. From and after the applicable date of the issuance of any shares of Series D Preferred Stock, dividends at the rate of eight percent (8%) of the Series D Original Issue Price (as defined below) per annum shall accrue on each such share of the Series D Preferred Stock (the “**Series D Accruing Dividends**”). The Series D Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative; provided, however, that except as set forth in the following sentence of this Section 1.1 or in Subsections 2.1 and 6, such Series D Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series D Accruing Dividends other than as set forth herein. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Series D Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series D Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Series D Accruing Dividends then accrued on such share of Series D Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series D Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series D Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series D Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to the Series D Original Issue Price; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series D Preferred Stock pursuant to this Section 1.1 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series D Preferred Stock dividend. The “**Series D Original Issue Price**” shall mean \$0.148342 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series D Preferred Stock.

1.2 Series C Preferred Stock Dividends. From and after the applicable date of the issuance of any shares of Series C Preferred Stock, dividends at the rate of eight percent (8%) of the Series C Original Issue Price (as defined below) per annum shall accrue on each such share of the Series C Preferred Stock (the “**Series C Accruing Dividends**”). The Series C Accruing Dividends shall accrue from day to day, whether or

not declared, and shall be cumulative; provided, however, that except as set forth in the following sentence of this Section 1.2 or in Subsections 2.1 and 6, such Series C Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series C Accruing Dividends other than as set forth herein. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than (i) dividends on shares of Series D Preferred Stock, and (ii) dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Series C Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series C Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Series C Accruing Dividends then accrued on such share of Series C Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series C Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series C Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series C Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to the Series C Original Issue Price; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series C Preferred Stock pursuant to this Section 1.2 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series C Preferred Stock dividend. The “**Series C Original Issue Price**” shall mean \$0.084280 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series C Preferred Stock.

1.3 Series B-1 Preferred Stock Dividends. From and after the applicable date of the issuance of any shares of Series B-1 Preferred Stock, dividends at the rate of eight percent (8%) of the Series B-1 Original Issue Price (as defined below) per annum shall accrue on each such share of the Series B-1 Preferred Stock (the “**Series B-1 Accruing Dividends**”). The Series B-1 Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative; provided, however, that except as set forth in the following sentence of this Section 1.3 or in Subsections 2.1 and 6, such Series B-1 Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series B-1 Accruing Dividends other than as set forth herein. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the

Corporation (other than (i) dividends on shares of Series C Preferred Stock and Series D Preferred Stock, and (ii) dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Series B-1 Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series B-1 Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Series B-1 Accruing Dividends then accrued on such share of Series B-1 Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series B-1 Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series B-1 Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series B-1 Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to the Series B-1 Original Issue Price; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series B-1 Preferred Stock pursuant to this Section 1.3 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series B-1 Preferred Stock dividend. The “**Series B-1 Original Issue Price**” shall mean \$0.048961 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-1 Preferred Stock.

1.4 Series B-2 Preferred Stock Dividends. From and after the applicable date of the issuance of any shares of Series B-2 Preferred Stock, dividends at the rate of eight percent (8%) of the Series B-2 Original Issue Price (as defined below) per annum shall accrue on each such share of the Series B-2 Preferred Stock (the “**Series B-2 Accruing Dividends**”). The Series B-2 Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative; provided, however, that except as set forth in the following sentence of this Section 1.4 or in Subsections 2.1 and 6, such Series B-2 Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series B-2 Accruing Dividends other than as set forth herein. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than (i) dividends on shares of Series B-1 Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, and (ii) dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Series B-2 Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series B-2 Preferred Stock in an amount at least

equal to the greater of (i) the amount of the aggregate Series B-2 Accruing Dividends then accrued on such share of Series B-2 Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series B-2 Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series B-2 Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series B-2 Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to the Series B-2 Original Issue Price; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series B-2 Preferred Stock pursuant to this Section 1.4 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series B-2 Preferred Stock dividend. The “**Series B-2 Original Issue Price**” shall mean \$0.048961 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-2 Preferred Stock.

**1.5 Series A Preferred Stock Dividends.** The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than (i) dividends on shares of Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, and (ii) dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Series A Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A Preferred Stock in an amount at least equal to (i) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series A Preferred Stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (B) the number of shares of Common Stock issuable upon conversion of a share of Series A Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (ii) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series A Preferred Stock determined by (A) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (B) multiplying such fraction by an amount equal to the Series A-1 Original Issue Price (as defined

below) or Series A-2 Original Issue Price (as defined below), as applicable; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series A Preferred Stock pursuant to this Section 1 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series A Preferred Stock dividend. The “**Series A-1 Original Issue Price**” shall mean \$0.119887 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A-1 Preferred Stock. The “**Series A-2 Original Issue Price**” shall mean \$0.175397 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A-2 Preferred Stock.

The “**Applicable Original Issue Price**” shall mean (i) the Series A-1 Original Issue Price in the case of the Series A-1 Preferred Stock, (ii) the Series A-2 Original Issue Price in the case of the Series A-2 Preferred Stock, (iii) the Series B-1 Original Issue Price in the case of the Series B-1 Preferred Stock, (iv) the Series B-2 Original Issue Price in the case of the Series B-2 Preferred Stock, (v) the Series C Original Issue Price in the case of the Series C Preferred Stock and (vi) the Series D Original Issue Price in the case of the Series D Preferred Stock.

## 2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

### 2.1 Payments to Holders of Preferred Stock.

2.1.1 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any Deemed Liquidation Event, before any amount shall be paid or distributed in respect of the Series C Preferred Stock, Series B-2 Preferred Stock, Series B-1 Preferred Stock, Series A-2 Preferred Stock, Series A-1 Preferred Stock or Common Stock, the holders of shares of Series D Preferred Stock then outstanding, by reason of their ownership of such stock, shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders an amount per share equal to the Series D Original Issue Price, plus any Series D Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon (the “**Series D Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series D Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1.1, the holders of shares of Series D Preferred Stock shall share ratably in all distributions of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series D Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares of Series D Preferred Stock were paid in full.

2.1.2 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock and

before any amount shall be paid or distributed in respect of the Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series A-2 Preferred Stock, Series A-1 Preferred Stock or Common Stock, the holders of shares of Series C Preferred Stock then outstanding, by reason of their ownership of such stock, shall be entitled to be paid out of such remaining assets of the Corporation available for distribution to its stockholders an amount per share equal to the Series C Original Issue Price, plus any Series C Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon (the “**Series C Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation, such assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series C Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1.2, after payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock, the holders of shares of Series C Preferred Stock shall share ratably in all distributions of such assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series C Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares of Series C Preferred Stock were paid in full.

2.1.3 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock and the aggregate Series C Liquidation Amount in respect of all outstanding shares of the Series C Preferred Stock and before any amount shall be paid or distributed in respect of the Series B-2 Preferred Stock, Series A-2 Preferred Stock, Series A-1 Preferred Stock or Common Stock, the holders of shares of Series B-1 Preferred Stock then outstanding, by reason of their ownership of such stock, shall be entitled to be paid out of such remaining assets of the Corporation available for distribution to its stockholders an amount per share equal to the Series B-1 Original Issue Price, plus any Series B-1 Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon (the “**Series B-1 Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation, such assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B-1 Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1.3, after payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock and the aggregate Series C Liquidation Amount in respect of all outstanding shares of Series C Preferred Stock, the holders of shares of Series B-1 Preferred Stock shall share ratably in all distributions of such assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series B-1 Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares of Series B-1 Preferred Stock were paid in full.

2.1.4 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock, the aggregate Series C Liquidation Amount in respect of all outstanding shares of Series C

Preferred Stock and the aggregate Series B-1 Liquidation Amount in respect of all outstanding shares of Series B-1 Preferred Stock and before any amount shall be paid or distributed in respect of the Series A-2 Preferred Stock, Series A-1 Preferred Stock or Common Stock, the holders of shares of Series B-2 Preferred Stock then outstanding, by reason of their ownership of such stock, shall be entitled to be paid out of such remaining assets of the Corporation available for distribution to its stockholders an amount per share equal to the Series B-2 Original Issue Price, plus any Series B-2 Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon (the “**Series B-2 Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation, such assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B-2 Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1.4, after payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock, the aggregate Series C Liquidation Amount in respect of all outstanding shares of Series C Preferred Stock and the aggregate Series B-1 Liquidation Amount in respect of all outstanding shares of Series B-1 Preferred Stock, the holders of shares of Series B-2 Preferred Stock shall share ratably in all distributions of such assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series B-2 Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares of Series B-2 Preferred Stock were paid in full.

2.1.5 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock, the aggregate Series C Liquidation Amount in respect of all outstanding shares of Series C Preferred Stock, the aggregate Series B-1 Liquidation Amount in respect of all outstanding shares of Series B-1 Preferred Stock and the aggregate Series B-2 Liquidation Amount in respect of all outstanding shares of Series B-2 Preferred Stock and before any amount shall be paid or distributed to the holders of Common Stock, the holders of shares of Series A Preferred Stock then outstanding, by reason of their ownership of such stock, shall be entitled to be paid out of such remaining assets of the Corporation available for distribution to its stockholders, on a pari passu basis, an amount per share equal to (i) with respect to the Series A-1 Preferred Stock, the Series A-1 Original Issue Price plus any dividends declared but unpaid thereon (the “**Series A-1 Liquidation Amount**”) and (ii) with respect to the Series A-2 Preferred Stock, the Series A-2 Original Issue Price plus any dividends declared but unpaid thereon (the “**Series A-2 Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation, such assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1.5, after payment in full of the aggregate Series D Liquidation Amount in respect of all outstanding shares of Series D Preferred Stock, the aggregate Series C Liquidation Amount in respect of all outstanding shares of Series C Preferred Stock, the aggregate Series B-1 Liquidation Amount in respect of all outstanding shares of Series B-1 Preferred Stock and the aggregate Series B-2 Liquidation Amount in respect of all outstanding shares of Series B-2 Preferred Stock, the holders of shares of Series A Preferred Stock shall share ratably in

all distributions of such assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series A Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares of Series A Preferred Stock were paid in full.

The “**Applicable Liquidation Amount**” shall mean (i) in the case of an amount payable with respect to each share of Series A-1 Preferred Stock, the Series A-1 Liquidation Amount; (ii) in the case of an amount payable with respect to each share of Series A-2 Preferred Stock, the Series A-2 Liquidation Amount, (iii) in the case of an amount payable with respect to each share of Series B-1 Preferred Stock, the Series B-1 Liquidation Amount, (iv) in the case of an amount payable with respect to each share of Series B-2 Preferred Stock, the Series B-2 Liquidation Amount, (v) in the case of an amount payable with respect to each share of Series C Preferred Stock, the Series C Liquidation Amount and (vi) in the case of an amount payable with respect to each share of Series D Preferred Stock, the Series D Liquidation Amount.

2.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment in full of the aggregate Series D Liquidation Amount with respect to the holders of Series D Preferred Stock, the aggregate Series C Liquidation Amount to the holders of Series C Preferred Stock, the aggregate Series B-1 Liquidation Amount to the holders of Series B-1 Preferred Stock, the aggregate Series B-2 Liquidation Amount to the holders of Series B-2 Preferred Stock, the aggregate Series A-1 Liquidation Amount to the holders of Series A-1 Preferred Stock and the aggregate Series A-2 Liquidation Amount to the holders of Series A-2 Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares of Common Stock held by each such holder. Notwithstanding the foregoing Subsection 2.1 and the first sentence of this Subsection 2.2, for purposes of determining the amount that each holder of a particular series of Preferred Stock is entitled to receive in connection with any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, each such holder of such series of Preferred Stock shall be deemed to have converted (regardless of whether such holder actually converted) such holder’s shares of such series of Preferred Stock into shares of Common Stock at such time as such holder would receive, as a result of an actual conversion, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert such shares of such series of Preferred Stock into shares of Common Stock. If any such holder of Preferred Stock shall be deemed to have converted such shares of Preferred Stock into Common Stock pursuant to the immediately preceding sentence, then such holder shall not be entitled to receive any distribution that would otherwise be made to such holder under Subsection 2.1.

### 2.3 Deemed Liquidation Events.

2.3.1 Definition. Each of the following events shall be considered a “**Deemed Liquidation Event**” unless the holders of at least (i) a majority of the shares of Common Stock issuable upon conversion of the then outstanding shares of Preferred Stock, voting together as a single class (the “**Requisite Investors**”) and (ii) sixty percent



(60%) of the then-outstanding shares of Series D Preferred Stock, exclusively and as a single class (the “**Series D Majority Investors**”), elect otherwise by written notice sent to the Corporation at least ten (10) days prior to the effective date of any such event (unless such notice period is otherwise shortened or waived in writing by the Requisite Investors and the Series D Majority Investors):

(a) a reorganization, merger or consolidation in which (i) the Corporation is a constituent party or (ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such reorganization, merger or consolidation, *other than* any such reorganization, merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such reorganization, merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such reorganization, merger or consolidation, a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such reorganization, merger or consolidation, the parent corporation of such surviving or resulting corporation (*provided that*, for the purpose of this Section 2.3.1(a), all shares of Common Stock issuable upon exercise of Options (as defined below) outstanding immediately prior to such reorganization, merger or consolidation or upon conversion of Convertible Securities (as defined below) outstanding immediately prior to such reorganization, merger or consolidation shall be deemed to be outstanding immediately prior to such reorganization, merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged); or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

#### 2.3.2 Effecting a Deemed Liquidation Event.

(a) Unless the Requisite Investors elect otherwise by written notice to the Corporation, the Corporation shall not have the power to effect a Deemed Liquidation Event and no stockholder shall authorize or enter into any Deemed Liquidation Event unless the consideration payable to the stockholders of the Corporation or the Corporation in such Deemed Liquidation Event shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2.

(b) Except as otherwise approved by the Board of Directors (including at least two Series B Directors) and the Series D Majority Investors, in the event of a

Deemed Liquidation Event referred to in Subsection 2.3.1(b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within twenty (20) days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the twentieth (20th) day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause; (ii) to require the redemption of such shares of Preferred Stock, and (iii) unless the Requisite Investors and the Series D Majority Investors agree otherwise in a written instrument delivered to the Corporation not later than thirty (30) days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors), together with any other assets of the Corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the “**Available Proceeds**”), on the sixtieth (60th) day after such Deemed Liquidation Event, to redeem all outstanding shares of Preferred Stock at a price per share equal to the Applicable Liquidation Amount. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Preferred Stock, the Corporation shall (i) first ratably redeem each holder’s shares of Series D Preferred Stock to the fullest extent of such Available Proceeds, (ii) second (after redemption of all shares of Series D Preferred Stock) ratably redeem each holder’s shares of Series C Preferred Stock to the fullest extent of the remaining Available Proceeds, (iii) third (after redemption of all shares of Series D Preferred Stock and Series C Preferred Stock) ratably redeem each holder’s shares of Series B-1 Preferred Stock to the fullest extent of the remaining Available Proceeds, (iv) fourth (after redemption of all shares of Series D Preferred Stock, Series C Preferred Stock and Series B-1 Preferred Stock) ratably redeem each holder’s shares of Series B-2 Preferred Stock to the fullest extent of the remaining Available Proceeds and (v) fifth (after redemption of all shares of Series D Preferred Stock, Series C Preferred Stock, Series B-1 Preferred Stock and Series B-2 Preferred Stock) ratably redeem each holder’s shares of Series A Preferred Stock to the fullest extent of the remaining Available Proceeds, and shall redeem the remaining shares in such order of priority as soon as it may lawfully do so under Delaware law governing distributions to stockholders. The provisions of Section 6 shall apply, with such necessary changes in the details thereof as are necessitated by the context, to the redemption of the Preferred Stock pursuant to this Section 2.3.2(b). Prior to the distribution or redemption provided for in this Section 2.3.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event.

2.3.3 Amount Deemed Paid or Distributed. Subject to Subsection 2.3.4, the amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. Subject to Subsection 2.3.4, the value of such property, rights or securities shall be determined in good faith by the Board of Directors.

2.3.4 Allocation of Escrow. Notwithstanding any other provision set forth in this Section 2, in the event that any consideration payable to the Corporation or its stockholders in connection with any Deemed Liquidation Event is contingent upon the occurrence of any event or the passage of time, including, without limitation, any deferred purchase price payments, installment payments, payments made in respect of any promissory note issued in such transaction, payments from escrow, purchase price adjustment payments or payments in respect of “earnouts” or holdbacks (the “**Contingent Consideration**”), such Contingent Consideration shall not be deemed received by the Corporation or its stockholders or available for distribution to such stockholders unless and until such Contingent Consideration is indefeasibly received by the Corporation or its stockholders in accordance with the terms of such Deemed Liquidation Event. The definitive agreement with respect to such Deemed Liquidation Event shall provide that (a) the portion of such consideration that is not Contingent Consideration (the “**Initial Consideration**”) shall be allocated among the stockholders of the Corporation in accordance with Section 2 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event and (b) any Contingent Consideration which becomes payable to the stockholders of the Corporation upon the release from escrow or the satisfaction of the applicable contingencies shall be allocated among the stockholders of the Corporation in accordance with Section 2 after taking into account the previous payment of the Initial Consideration as part of the same transaction.

### 3. Voting.

3.1 General. In addition to any class or series voting right provided to the Requisite Investors or the holders of Preferred Stock under the Certificate of Incorporation, applicable law or otherwise, on any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter and shall be entitled to notice of any stockholders’ meeting in accordance with the bylaws of the Corporation. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted to Common Stock basis (after aggregating all fractional shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole share (with one-half being rounded upward). Except as provided by law or by the other provisions of the Certificate of Incorporation, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class.

3.2 Election of Directors. The holders of record of the shares of Series C Preferred Stock, exclusively and as a single class, shall be entitled to elect one (1) director of the Corporation (the “**Series C Director**”), the holders of record of the shares

of Series B Preferred Stock, exclusively and as a single class, shall be entitled to elect three (3) directors of the Corporation (the “**Series B Directors**”), the holders of record of the shares of Common Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation, and the holders of record of the shares of Common Stock and Preferred Stock, voting together on an as-converted to Common Stock basis, shall be entitled to elect two (2) directors of the Corporation. Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. If the holders of shares of Series C Preferred Stock, Series B Preferred Stock, Common Stock, or Common Stock and Preferred Stock, as the case may be, fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, each voting exclusively and as a separate class on, if applicable, an as-converted basis, pursuant to the first sentence of this Subsection 3.2, then any directorship not so filled shall remain vacant until such time as the holders of the Series C Preferred Stock, Series B Preferred Stock, Common Stock, or Common Stock and Preferred Stock, as the case may be, elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, each voting exclusively and as a separate class on an as-converted basis, if applicable, pursuant to the first sentence of this Subsection 3.2. The holders of record of the shares of Common Stock and any other class or series of voting stock (including the Preferred Stock), exclusively and voting together as a single class, shall be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 3.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Subsection 3.2.

### 3.3 Preferred Stock Protective Provisions.

3.3.1 At any time when any shares of Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation, reclassification, reorganization or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the Requisite Investors, given in writing or by vote at a meeting:

- (a) liquidate, dissolve or wind up the Corporation, effect any Deemed Liquidation Event, or consent to any of the foregoing;
- (b) amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation;

(c) create, or authorize the creation of, or issue or obligate itself to issue shares of, any additional class or series of capital stock or increase or decrease the authorized number of shares of any additional class or series of capital stock, or effect any stock split, combination or stock dividends on any series of Preferred Stock;

(d) (i) reclassify, alter or amend any existing security of the Corporation that is pari passu with the Series B-1 Preferred Stock, Series C Preferred Stock or Series D Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or pari passu with the Series B-1 Preferred Stock, Series C Preferred Stock or Series D Preferred Stock in respect of any such right, preference or privilege, or (ii) reclassify, alter or amend any existing security of the Corporation that is junior to the Series B-1 Preferred Stock, Series C Preferred Stock or Series D Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or pari passu with the Series B-1 Preferred Stock, Series C Preferred Stock or Series D Preferred Stock in respect of any such right, preference or privilege;

(e) purchase or redeem (or permit any subsidiary to purchase or redeem from any person other than the Corporation) or pay or declare any dividend or make any distribution on, any shares of capital stock or other equity securities of the Corporation other than (i) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof ("**Equity Repurchases**"), (ii) the redemption of Preferred Stock in accordance with Section 2.3.2(b) or Section 6, or (iii) the payment or declaration of any dividends in accordance with Subsection 2.1 or Section 6;

(f) create, or authorize the creation of, or issue, or authorize the issuance of any indebtedness or any debt security, or permit any indebtedness or any subsidiary to take any such action with respect to any indebtedness or any debt security, if the aggregate indebtedness of the Corporation and its subsidiaries for borrowed money following such action would exceed \$500,000; provided, however, that this restriction shall not apply to any (i) trade accounts of the Corporation arising in the ordinary course of business, (ii) indebtedness to employees or other service providers as approved by the Board of Directors (including at least two Series B Directors) or (iii) indebtedness arising in strategic or intellectual property licensing transactions as approved by the Board of Directors (including at least two Series B Directors);

(g) (i) permit any subsidiary of the Corporation to authorize or issue any security to any person or entity other than to the Corporation or a wholly-owned subsidiary of the Corporation, or (ii) sell, assign, encumber, convey or otherwise dispose of any security of any subsidiary of the Corporation other than to a wholly-owned subsidiary of the Corporation;

(h) create any new stock or other equity incentive plan or authorize or issue any shares of Common Stock, Options or Convertible Securities to any employee, director, officer, consultant or advisor of the Corporation or any of its subsidiaries other than (x) shares of Common Stock or Options issued or granted pursuant to the Corporation's 2011 Stock Incentive Plan (the "**Equity Incentive Plan**") or (y) shares of Common Stock, Options or Convertible Securities to any consultant or advisor of the Corporation or any of its subsidiaries as approved by the Board of Directors (including at least two Series B Directors);

(i) increase (other than as a result of Equity Repurchases) the number of options or shares of capital stock reserved for issuance under the Stock Incentive Plan or other option plan or equity incentive plan;

(j) increase or decrease the authorized number of directors constituting the Board of Directors, unless approved by the Board of Directors (including at least two Series B Directors);

(k) create, or authorize the creation of, any new subsidiary of the Corporation, other than a wholly-owned (or wholly-owned but for a nominal share to meet international legal requirements) shell entity or enter into a partnership or joint venture, unless approved by the Board of Directors (including at least two Series B Directors); or

(l) enter into a material contract to purchase, sell, assign, transfer, license, pledge, hypothecate, grant a security interest in or otherwise acquire, dispose of, encumber, in whole or in part, any of the Corporation's material intellectual property, unless approved by the Board of Directors (including at least two Series B Directors).

3.3.2 At any time when any shares of Series C Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation, reclassification, reorganization or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of at least fifty-five percent (55%) of the then-outstanding shares of Series C Preferred Stock, given in writing or by vote at a meeting:

(a) adversely alter or change the rights, preferences or privileges of the Series C Preferred Stock (it being understood, solely for the avoidance of doubt and without in any way expanding the foregoing restriction, that neither (i) the liquidation, dissolution, or winding up of the Corporation or the effectuation of any Deemed Liquidation Event in accordance with the provisions of Section 2 nor (ii) the creation, issuance or authorization of any Common Stock or new series of Preferred Stock is such an alteration or change); or

(b) purchase or redeem (or permit any subsidiary to purchase or redeem from any person other than the Corporation) or pay or declare any dividend or

make any distribution on, any shares of capital stock or other equity securities of the Corporation other than (i) any Equity Repurchase, (ii) the redemption of Preferred Stock in accordance with Section 2.3.2(b) or Section 6, or (iii) the payment or declaration of any dividends in accordance with Subsection 2.1 or Section 6;

(c) the authorization or consummation of a transaction described in Section 2.3.1(a) or (b) above, unless such transaction would result in consideration to the holders of the Series C Preferred Stock in an amount at least equal to the amount they would receive pursuant to Sections 2.1.2 and 2.2 if such event constituted a Deemed Liquidation Event and consideration payable to the stockholders of the Corporation in connection with such transaction(s) was allocated among the holders of capital stock of the Corporation in accordance with Sections 2.1 and 2.2; or

(d) increase or decrease the authorized number of shares of Series C Preferred Stock.

3.3.3 At any time when any shares of Series D Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation, reclassification, reorganization or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the Series D Majority Investors, given in writing or by vote at a meeting:

(a) adversely alter or change the rights, preferences or privileges of the Series D Preferred Stock (it being understood, solely for the avoidance of doubt and without in any way expanding the foregoing restriction, that neither (i) the liquidation, dissolution, or winding up of the Corporation or the effectuation of any Deemed Liquidation Event in accordance with the provisions of Section 2 and Section 3.3.3(c) nor (ii) the creation, issuance or authorization of any Common Stock or new series of Preferred Stock is such an alteration or change in and of itself);

(b) purchase or redeem (or permit any subsidiary to purchase or redeem from any person other than the Corporation) or pay or declare any dividend or make any distribution on, any shares of capital stock or other equity securities of the Corporation other than (i) any Equity Repurchase, (ii) the redemption of Preferred Stock in accordance with Section 2.3.2(b) or Section 6, or (iii) the payment or declaration of any dividends in accordance with Subsection 2.1 or Section 6;

(c) the authorization or consummation of a transaction described in Section 2.3.1(a) or (b) above, unless such transaction would result in consideration to the holders of the Series D Preferred Stock in an amount at least equal to the amount they would receive pursuant to Sections 2.1.1 and 2.2 if such event constituted a Deemed Liquidation Event and consideration payable to the stockholders of the Corporation in connection with such transaction(s) was allocated among the holders of capital stock of the Corporation in accordance with Sections 2.1 and 2.2; or

(d) increase or decrease the authorized number of shares of Series D Preferred Stock.

#### 4. Optional Conversion.

The holders of the Preferred Stock shall have conversion rights as follows (the “**Conversion Rights**”):

##### 4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (a) the Series B-1 Original Issue Price by the Applicable Conversion Price (as defined below) for each of Series A Preferred Stock and Series B Preferred Stock in effect at the time of conversion, (b) the Series C Original Issue Price by the Applicable Conversion Price for Series C Preferred Stock in effect at the time of conversion and (c) the Series D Original Issue Price by the Applicable Conversion Price for Series D Preferred Stock in effect at the time of conversion. The conversion price applicable to the Preferred Stock (the “**Applicable Conversion Price**”) shall initially be (i) \$0.048961 per share of Series A Preferred Stock, (ii) \$0.048961 per share of Series B Preferred Stock, (iii) \$0.084280 per share of Series C Preferred Stock and (iv) \$0.148342 per share of Series D Preferred Stock. The Applicable Conversion Price of each series of Preferred Stock and the rate at which shares of such series of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

4.1.2 Termination of Conversion Rights. In the event of a notice of redemption of any shares of Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock pursuant to Section 6, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full.

4.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

##### 4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert shares of Preferred Stock into shares of Common Stock, such holder



shall surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Preferred Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (iii) pay all declared but unpaid dividends on the shares of Preferred Stock converted.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing any Applicable Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of such series of Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Applicable Conversion Price.

4.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2 and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock and the applicable series thereof accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Applicable Conversion Price shall be made for any declared but unpaid dividends on the Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

#### 4.4 Adjustments to Applicable Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

(a) “**Option**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(b) “**Series D Original Issue Date**” shall mean the date on which the first share of Series D Preferred Stock was issued pursuant to the Purchase Agreement.

(c) “**Convertible Securities**” shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(d) “**Additional Shares of Common Stock**” shall mean all shares of Common Stock, including any series of Preferred Stock that is not convertible into Common Stock, issued (or, pursuant to Subsection 4.4.3 below, deemed to be issued) by the Corporation after the Series D Original Issue Date, other than (1) the following shares of Common Stock and (2) shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (clauses (1) and (2), collectively, “**Exempted Securities**”):

- (i) Shares of Common Stock issued as a dividend or distribution on all shares of Preferred Stock on a pro rata basis on an as-converted basis;
- (ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4.5, 4.6, 4.7 or 4.8;
- (iii) shares of Common Stock or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors, including at least two Series B Directors;
- (iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options outstanding as of the Series D Original Issue Date or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities outstanding as of the Series D Original Issue Date, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security in effect as of the Series D Original Issue Date;
- (v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors, including at least two Series B Directors;
- (vi) shares of Common Stock, Options or Convertible Securities issued to suppliers or third party service providers as consideration for the provision of goods or services pursuant to transactions approved by the Board of Directors, including at least two Series B Directors; or

- (vii) shares of Common Stock issued upon conversion of any shares of Preferred Stock outstanding as of the Series D Original Issue Date; or
- (viii) shares of Series D Preferred Stock issued pursuant to the Purchase Agreement and shares of Common Stock issuable upon conversion thereof.

(e) “**Purchase Agreement**” shall mean that certain Series D Preferred Stock Purchase Agreement dated on or about the date hereof, by and among the Corporation and the other parties named therein.

4.4.2 No Adjustment of Applicable Conversion Price. No adjustment to any Applicable Conversion Price other than the conversion price of the Series D Preferred Stock shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if prior to such issuance or deemed issuance, the Corporation receives written notice from the Requisite Investors specifically stating that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock. No adjustment to the Applicable Conversion Price of the Series D Preferred Stock shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if prior to such issuance or deemed issuance, the Corporation receives written notice from the Series D Majority Investors specifically stating that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

4.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Series D Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to any Applicable Conversion Price pursuant to the terms of Subsection 4.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise,

conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, such Applicable Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Applicable Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing any Applicable Conversion Price to an amount which exceeds the lower of (i) such Applicable Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) such Applicable Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to any Applicable Conversion Price pursuant to the terms of Subsection 4.4.4 (either because the consideration per share (determined pursuant to Subsection 4.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than such Applicable Conversion Price then in effect, or because such Option or Convertible Security was issued before the Series D Original Issue Date), are revised after the Series D Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to any Applicable Conversion Price pursuant to the terms of Subsection 4.4.4, such Applicable Conversion Price shall be readjusted to such Applicable Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or

exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Applicable Conversion Price provided for in this Subsection 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Applicable Conversion Price that would result under the terms of this Subsection 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to such Applicable Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

4.4.4 Adjustment of Applicable Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series D Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the Applicable Conversion Price in effect immediately prior to such issue, then the Applicable Conversion Price for each series of Preferred Stock shall be reduced, concurrently with such issue, to a price determined in accordance with the following formula:

$$CP_2 = CP_1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "CP<sub>2</sub>" shall mean the Applicable Conversion Price for each series of Preferred Stock in effect immediately after such issue of Additional Shares of Common Stock

(b) "CP<sub>1</sub>" shall mean the Applicable Conversion Price in effect immediately prior to such issue of Additional Shares of Common Stock;

(c) "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issue or upon conversion or exchange of Convertible Securities (including the Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CP<sub>1</sub> (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP<sub>1</sub>); and

(e) "C" shall mean the number of such Additional Shares of Common Stock issued in such transaction.

4.4.5 Determination of Consideration. For purposes of this Subsection 4.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

- (i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;
- (ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and
- (iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing

- (i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by
- (ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series D Original Issue Date effect a subdivision of the outstanding Common Stock, the Applicable Conversion Price for each series of Preferred Stock in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series D Original Issue Date combine the outstanding shares of Common Stock, the Applicable Conversion Price for each series of Preferred Stock in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series D Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Applicable Conversion Price for each series of Preferred Stock in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying such Applicable Conversion Price then in effect by a fraction:

- (1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and
- (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior



to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Applicable Conversion Price for each series of Preferred Stock shall be recomputed accordingly as of the close of business on such record date and thereafter such Applicable Conversion Price shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions; and (b) no such adjustment shall be made if the holders of Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series C Preferred Stock and/or Series D Preferred Stock, as applicable, simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series C Preferred Stock and/or Series D Preferred Stock, as applicable, had been converted into Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series D Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 2.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, 4.6 or 4.7), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of the applicable series of such Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of the Preferred Stock, to the end that the provisions set forth in this Section 4

(including provisions with respect to changes in and other adjustments of the Applicable Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Stock.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of any Applicable Conversion Price pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than ten (10) days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which each series of Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Preferred Stock (but in any event not later than ten (10) days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Applicable Conversion Price of such series of Preferred Stock then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of such series of Preferred Stock.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, unless the Requisite Investors elect otherwise, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least ten (10) days prior to the record date or effective date for the event specified in such notice, except as expressly waived in writing by the Requisite Investors.

## 5. Mandatory Conversion.

5.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$50,000,000 of gross proceeds to the Corporation and after which the Common Stock is listed on the New York Stock Exchange, the NASDAQ Global Market or another internationally recognized stock exchange, or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the Requisite Investors and the Series D Majority Investors (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “**Mandatory Conversion Time**”), (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate and (ii) such shares may not be reissued by the Corporation.

5.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Subsection 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the

Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

#### 6. Redemption.

6.1 Redemption. Shares of Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock shall be redeemed by the Corporation out of funds lawfully available therefor at a per share price equal to the Applicable Original Issue Price, plus any Series B-1 Accruing Dividends, Series B-2 Accruing Dividends, Series C Accruing Dividends and Series D Accruing Dividends, as applicable, accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon (the “**Redemption Price**”), in three annual installments commencing not more than sixty (60) days after receipt by the Corporation at any time on or after June 12, 2020 from the Requisite Investors and the Series D Majority Investors, of written notice requesting redemption of all shares of Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock. The date of each such installment shall be referred to as a “**Redemption Date.**” On each Redemption Date, the Corporation shall redeem, in accordance with the number of shares of Common Stock issuable upon conversion of the Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock owned by each holder, that number of outstanding shares of Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock determined by dividing (i) the total number of shares of the Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock outstanding immediately prior to such Redemption Date by (ii) the number of remaining Redemption Dates (including the Redemption Date to which such calculation applies); *provided, however*, that Excluded Shares (as such term is defined in Section 6.2) shall not be redeemed and shall be excluded from the calculations set forth in this sentence. Each annual installment shall be paid first to the holders of the then-outstanding Series D Preferred Stock that are not Excluded Shares (the “**Redeemable Series D Shares**”) such that the holders of Series C Preferred Stock and Series B Preferred Stock shall not receive an annual installment for a given year until all of the Redeemable Series D Shares have been redeemed. After the redemption of all of the Redeemable Series D Shares, each remaining annual installment shall be paid first to the holders of the then-outstanding shares of Series C Preferred Stock that are not Excluded Shares (the “**Redeemable Series C Shares**”) and then to the holders of the then-outstanding shares of Series B Preferred Stock that are not Excluded Shares such that the holders of Series B Preferred Stock shall not receive an annual installment for a given year until the holders of the Redeemable Series C Shares have received in full their annual installment for such year and all previous years. If the Corporation does not have sufficient funds legally available to redeem on any Redemption Date all shares to be redeemed on such Redemption Date, the Corporation shall, subject to the preceding sentence in relation to the order of redemption, redeem all of the shares of Preferred Stock of a particular series being redeemed on such Redemption Date pro rata (each based on the portion of the Redemption Price payable to them) to the extent possible applying all legally available funds, based on the respective amounts which would otherwise be payable in respect of the shares to be redeemed if the legally available funds were sufficient to redeem all such shares, and shall redeem the remaining shares to have been redeemed as soon as practicable after the Corporation has funds legally available therefor.

6.2 Redemption Notice. The Corporation shall send written notice of the mandatory redemption (the “**Redemption Notice**”) to each holder of record of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock not less than forty (40) days prior to each Redemption Date. Each Redemption Notice shall state:

- (a) the number of shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock held by the holder that the Corporation shall redeem on the Redemption Date specified in the Redemption Notice;
- (b) the Redemption Date and the Redemption Price;
- (c) the date upon which the holder’s right to convert such shares terminates (as determined in accordance with Subsection 4.1); and
- (d) that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock to be redeemed.

If the Corporation receives, on or prior to the 20th day after the date of delivery of the Redemption Notice to a holder of Preferred Stock, written notice from such holder that such holder elects to be excluded from the redemption provided in this Section 6, then the shares of Preferred Stock registered on the books of the Corporation in the name of such holder at the time of the Corporation’s receipt of such notice shall thereafter be “**Excluded Shares**.” Excluded Shares shall not be redeemed or redeemable pursuant to this Section 6, whether on such Redemption Date or thereafter, and the election by such holder to exclude such holder’s shares of Preferred Stock from redemption under this Section 6 shall be irrevocable.

6.3 Surrender of Certificates; Payment. On or before the applicable Redemption Date, each holder of shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock to be redeemed on such Redemption Date, unless such holder has exercised his, her or its right to convert such shares as provided in Section 4, shall surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock represented by a certificate are redeemed, a new certificate representing the unredeemed shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock shall promptly be issued to such holder.

6.4 Rights Subsequent to Redemption. If the Redemption Notice shall have been duly given, and if on the applicable Redemption Date the Redemption Price payable upon redemption of the shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock to be redeemed on such Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then notwithstanding that the certificates evidencing any of the shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock shall cease to accrue after such Redemption Date and all rights with respect to such shares shall forthwith after the Redemption Date terminate, except only the right of the holders to receive the Redemption Price without interest upon surrender of their certificate or certificates therefor. In the event that shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock are not redeemed on a Redemption Date, such shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock shall remain outstanding and shall be entitled to all of the rights, preferences and privileges provided herein until redeemed.

7. Redeemed or Otherwise Acquired Shares. Any shares of Preferred Stock and Common Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Preferred Stock or Common Stock following redemption.

8. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

**FIFTH:** Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

**SIXTH:** Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

**SEVENTH:** Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

**EIGHTH:** Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

**NINTH:** To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

**TENTH:** The Corporation shall indemnify its directors and officers, and shall provide advancement of the expenses of such persons, to the fullest extent provided by the General Corporation Law. To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) agents of the Corporation (and any other persons to which the General Corporation Law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by the General Corporation Law, subject only to limits created by applicable law (statutory or non-statutory), with respect to actions for breach of duty to the Corporation, its stockholders and others.

Any amendment, repeal or modification of the foregoing provisions of this Article Tenth shall not adversely affect any right or protection of any director, officer or other agent of the Corporation existing at the time of such amendment, repeal or modification.

**ELEVENTH:** Pursuant to Section 122(17) of the General Corporation Law, the Corporation hereby renounces any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An “**Excluded Opportunity**” is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation (collectively, “**Covered Persons**”). To the fullest extent permitted by applicable law, no Covered Person shall have any duty to the Corporation to refrain from competing with the Corporation, making investments in the businesses that compete with those of the Corporation or otherwise engaging in any commercial activity in the ordinary course of business of such stockholder. To the fullest extent permitted by applicable law, no Covered Person shall be obligated to present any particular investment

opportunity to the Corporation even if such opportunity is of a character that, if presented to the Corporation, could be taken by the Corporation, and each such Covered Person shall continue to have the right for its own account or to recommend to others any such particular investment opportunity. For purposes of this Article Eleventh, the term "Corporation" shall include any of its subsidiaries.

**TWELFTH:** In connection with repurchases by the Corporation of its Common Stock from employees, officers, directors, advisors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements under which the Corporation has the option to repurchase such shares at cost upon the occurrence of certain events, such as the termination of employment, Sections 502 and 503 of the California Corporations Code shall not apply in all or in part with respect to such repurchases.

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4. That the foregoing amendment and restatement was approved by the holders of the requisite number of shares of this corporation in accordance with Section 228 of the General Corporation Law.

5. That this Amended and Restated Certificate of Incorporation, which restates and integrates and further amends the provisions of this corporation's Certificate of Incorporation, has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law.

*[Signature appears on the following page.]*



**IN WITNESS WHEREOF**, this Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this 11<sup>th</sup> day of June 2015.

By: /s/ Sean McCarthy

Sean McCarthy, Chief Executive Officer

[Signature Page to CytomX Amended and Restated Certification of Incorporation]

## CYTOMX THERAPEUTICS, INC.

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**BYLAWS**

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**ARTICLE I.****OFFICES**

**Section 1. OFFICES.** The registered office of the Corporation shall be in the State of Delaware. The Corporation may have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or as may be necessary or convenient to the business of the Corporation.

**ARTICLE II.****MEETINGS OF STOCKHOLDERS**

**Section 1. ANNUAL MEETING.** The annual meeting of the stockholders of the Corporation shall be held on such date, at such time, and at such place (if any) within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. In lieu of holding an annual meeting of stockholders at a designated place, the Board of Directors may, in its sole discretion, determine that any annual meeting of stockholders may be held solely by means of remote communication.

**Section 2. SPECIAL MEETINGS.** Special meetings of the stockholders of the Corporation may be called in accordance with the procedures set forth in this Section 2 of Article II for the purpose of taking any action permitted to be taken by the stockholders under the General Corporation Law of the State of Delaware and the Corporation's Certificate of Incorporation.

(a) The Chairman of the Board, the Chief Executive Officer, the President, the Board of Directors, any two or more members of the Board, or one or more stockholders holding not less than twenty-five percent (25%) of the aggregate voting power of the stock of the Corporation issued and outstanding, may call a special meeting of the stockholders at any time.

(b) If a special meeting is called by any person other than the Board of Directors, the request for the special meeting, specifying the nature of the business proposed to be transacted, shall be delivered personally or sent by registered mail or by electronic, telegraphic or other facsimile transmission to the Chairman of the Board, Chief Executive Officer, President, or the Secretary of the Corporation. The officer receiving the request shall promptly cause notice to be given in the manner specified in Section 3 of Article II, below, to the stockholders entitled to vote at the meeting. Any special meeting called for pursuant to this Section 2 of Article II shall be held not fewer than ten days nor more than sixty days following receipt of the request for the special meeting. The special meeting shall be held on such date, at such time, and at such place (if any) within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. In lieu of holding a special meeting of stockholders at a designated place, the Board of Directors may, in its sole discretion, determine that any special meeting of stockholders may be held solely by means of remote communication. If notice of the special meeting is not given to stockholders within twenty days after the receipt of a request, the person(s) calling the meeting may give notice thereof in the manner provided by these Bylaws or apply to a court of competent jurisdiction as contemplated by the General Corporation Law of the State of Delaware.

### Section 3. NOTICE OF MEETINGS AND RECORD DATE

(a) The Corporation shall give notice of any annual or special meeting of stockholders. Notices of meetings of the stockholders shall state the place, if any, date, and hour of the meeting, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting. In the case of a special meeting, the notice shall state the purpose or purposes for which the meeting is called. No business other than that specified in the notice thereof shall be transacted at any special meeting. Unless otherwise provided by applicable law or the Certificate of Incorporation, notice shall be given to each stockholder entitled to vote at such meeting not fewer than ten days or more than sixty days before the date of the meeting.

(b) Notice to stockholders may be given by personal delivery, mail, or, with the consent of the stockholder entitled to receive notice, by facsimile or other means of electronic transmission. If mailed, such notice shall be delivered by postage prepaid envelope directed to each stockholder at such stockholder's address as it appears in the records of the Corporation and shall be deemed given when deposited in the United States mail. Notice given by electronic transmission pursuant to this subsection shall be deemed given: (1) if by facsimile telecommunication, when directed to a facsimile telecommunication number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by personal delivery, by mail, or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) Notice of any meeting of stockholders need not be given to any stockholder if waived by such stockholder either in a writing signed by such stockholder or by electronic transmission, whether such waiver is given before or after such meeting is held. If such a waiver is given by electronic transmission, the electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder.

(d) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty or fewer than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

**Section 4. QUORUM AND ADJOURNMENT.** Except as otherwise required by law, by the Certificate of Incorporation of the Corporation, or by these Bylaws, the presence, in person or represented by proxy, of the holders of a majority of the aggregate voting power of the stock issued and outstanding, entitled to vote thereat, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If such majority shall not be present or represented at any meeting of the stockholders, the stockholders present, although less than a quorum, shall have the power to adjourn the meeting to another time and place.

**Section 5. ADJOURNED MEETINGS.** When a meeting is adjourned to another time and place, if any, unless otherwise provided by these Bylaws, notice need not be given of the adjourned meeting if the date, time, and place, if any, thereof and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the stockholders may transact any business that might have been transacted at the original meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. If an adjournment is for more than thirty (30) days or, if after an adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

**Section 6. VOTE REQUIRED.** Except as otherwise provided by law or by the Certificate of Incorporation:

(a) Directors shall be elected by a plurality in voting power of the shares present in person or represented by proxy at a meeting of the stockholders and entitled to vote in the election of directors; and

(b) Whenever any corporate action other than the election of directors is to be taken, it shall be authorized by a majority in voting power of the shares present in person or represented by proxy at a meeting of stockholders and entitled to vote on the subject matter.

**Section 7. MANNER OF VOTING; PROXIES**

(a) At each meeting of stockholders, each stockholder having the right to vote shall be entitled to vote in person or by proxy. Each stockholder shall be entitled to vote each share of stock having voting power and registered in such stockholder's name on the books of the Corporation on the record date fixed for determination of stockholders entitled to vote at such meeting.

(b) Each person entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in law to support an irrevocable power. Proxies need not be filed with the Secretary of the Corporation until the meeting is called to order, but shall be filed before being voted. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, the following shall constitute valid means by which a stockholder may grant such authority:

(1) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or the stockholder's authorized officer, director, employee, or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature; and

(2) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other

means of electronic transmission to the person or persons who will be the holder of the proxy or to an agent of the proxyholder(s) duly authorized by such proxyholder(s) to receive such transmission; provided, however, that any such telegram, cablegram, or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram, or other electronic transmission was authorized by the stockholder. If it is determined that any such telegram, cablegram, or other electronic transmission is valid, the inspectors or, if there are no inspectors, such other persons making that determination, shall specify the information upon which they relied.

Any copy, facsimile telecommunication, or other reliable reproduction of a writing or electronic transmission authorizing a person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used; provided, however, that such copy, facsimile telecommunication, or other reproduction shall be a complete reproduction of the entire original writing or electronic transmission.

**Section 8. REMOTE COMMUNICATION.** For the purposes of these Bylaws, if authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders may, by means of remote communication:

(a) participate in a meeting of stockholders; and

(b) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

**Section 9. STOCKHOLDER ACTION WITHOUT A MEETING**

(a) Except as otherwise provided by law or by the Certificate of Incorporation, any action required to be taken at any meeting of stockholders of the Corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of the holders to take the action were delivered to the Corporation.

(b) A telegram, cablegram, or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed, and dated for the purposes of

these Bylaws, provided that any such telegram, cablegram, or other electronic transmission sets forth or is delivered with information from which the Corporation can determine (A) that the telegram, cablegram, or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (B) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram, or electronic transmission. Any consent by means of telegram, cablegram, or other electronic transmission shall be deemed to have been signed on the date on which such telegram, cablegram, or electronic transmission was transmitted. No consent given by telegram, cablegram, or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram, or other electronic transmission may be otherwise delivered to the principal place of business of the Corporation or to an officer or agent of the Corporation having custody of the book or books in which proceedings of meetings of stockholders are recorded if, to the extent, and in the manner provided by resolution of the Board of Directors of the Corporation.

(c) Any copy, facsimile, or other reliable reproduction of a consent in writing (or reproduction in paper form of a consent by telegram, cablegram, or electronic transmission) may be substituted or used in lieu of the original writing (or original reproduction in paper form of a consent by telegram, cablegram, or electronic transmission) for any and all purposes for which the original consent could be used, provided that such copy, facsimile, or other reproduction shall be a complete reproduction of the entire original writing (or original reproduction in paper form of a consent by telegram, cablegram, or electronic transmission).

(d) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date. Such record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action of the Board of Directors is required by applicable law, the Certificate of Incorporation, or these Bylaws, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner set forth in subsections (a) and (b) of this Section 9. If no record date has been fixed by the Board of Directors and prior action of the Board of Directors is required by applicable law, the Certificate of Incorporation, or these Bylaws, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

#### **Section 10. PRESIDING OFFICER AND SECRETARY**

(a) The Chairperson of the Board shall preside at meetings of the stockholders. In the absence of the Chairperson of the Board, the Vice Chairperson of the Board and, in his or her absence, the President shall preside at meetings of the stockholders. In the absence of the Chairperson of the Board, the Vice Chairperson of the Board, and the President, any director or officer designated by the Board of Directors shall preside at meetings of the stockholders.

(b) The Secretary of the Corporation shall act as secretary of all meetings of the stockholders, but, in the absence of the Secretary, the Assistant Secretary designated in accordance with Section 10(b) of Article IV of these Bylaws shall act as secretary of meetings of the stockholders. In the absence of the Secretary and any designated Assistant Secretary, the presiding officer of the meeting may appoint any person to act as secretary of the meeting.

**Section 11. PROCEDURE.** At each meeting of stockholders, the presiding officer of the meeting shall fix and announce the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting and shall determine the order of business and all other matters of procedure. The board of Directors may adopt by resolution such rules, regulations, and procedures for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with any such rules and regulations adopted by the Board of Directors, the presiding officer of the meeting shall have the right to convene and adjourn the meeting and to establish rules, regulations, and procedures, which need not be in writing, for the conduct of the meeting and to maintain order and safety, including rules restricting attendance at any time to bona fide stockholders and their proxies and other persons attending at the invitation of the presiding officer or the Board of Directors and rules governing speeches and debate. The presiding officer of the meeting shall act in his or her absolute discretion and his or her rulings shall not be subject to appeal.

### **ARTICLE III.**

#### **DIRECTORS**

**Section 1. NUMBER.** The number of directors that shall constitute the whole Board of Directors initially shall be four (4) and thereafter shall be determined from time to time by resolution adopted by the Board of Directors.

**Section 2. POWERS.** The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, and the Board of Directors shall exercise all of the powers of the Corporation except such as are by applicable law, by the Certificate of Incorporation of this Corporation, or by these Bylaws conferred upon or reserved to the stockholders of any class or classes or series thereof.

#### **Section 3. RESIGNATIONS AND REMOVAL**

(a) Any director may resign at any time by giving written notice in writing or by electronic transmission to the Board of Directors or the Secretary; provided, however, that if such notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director. Such resignation shall take effect at the date of receipt of such notice or at any later time specified therein. Acceptance of such resignation shall not be necessary to make it effective.

(b) Except as otherwise may be provided in the Certificate of Incorporation, any director or the entire Board of Directors may be removed with or without cause, by the holders of capital stock having a majority in voting power of the shares entitled to vote in the election of directors.

**Section 4. ANNUAL MEETINGS.** The Board of Directors shall meet each year as soon as practicable following the annual meeting of stockholders, at the place where such meeting of stockholders has been held, or at such other place as shall be fixed by the person presiding over the meeting of the stockholders, for the purpose of election of officers and consideration of such other business as the Board of Directors considers relevant to the management of the Corporation. In the event that in any year directors are elected by written consent in lieu of an annual meeting of stockholders, the Board of Directors shall meet in such year as soon as practicable after receipt of such written consent by the Corporation at such time and place as shall be fixed by the Chairperson of the Board, for the purpose of election of officers and consideration of such other business as the Board of Directors considers relevant to the management of the Corporation.

**Section 5. REGULAR MEETINGS.** Regular meetings of the Board of Directors shall be held on such dates and at such times and places, within or without the State of Delaware, as shall from time to time be determined by the Board of Directors, such determination to constitute the only notice of such regular meetings to which any director shall be entitled. In the absence of any such determination, such meetings shall be held, upon notice to each director in accordance with Section 7 of this Article III, at such times and places, within or without the State of Delaware, as shall be designated by the Chairperson of the Board.

**Section 6. SPECIAL MEETINGS.** Special meetings of the Board of Directors shall be held at the call of the Chairperson of the Board at such times and places, within or without the State of Delaware, as he or she shall designate, upon notice to each director in accordance with Section 7 of this Article III. Special meetings shall be called by the Secretary on like notice at the written request of a majority of the directors then in office.

**Section 7. NOTICE.** Notice of any regular (if required) or special meeting of the Board of Directors may be given by personal delivery, mail, telegram, courier service (including, without limitation, Federal Express), facsimile transmission (directed to the facsimile transmission number at which the director has consented to receive notice), electronic mail (directed to the electronic mail address at which the director has consented to receive notice), or other form of electronic transmission pursuant to which the director has consented to receive notice. If notice is given by personal delivery, by facsimile transmission, by telegram, by electronic mail, or by other form of electronic transmission pursuant to which the director has consented to receive notice, then such notice shall be given on not less than twenty-four hours' notice to each director. If written notice is delivered by mail or courier service, then it shall be given on not less than three (3) calendar days' notice to each director.

**Section 8. WAIVER OF NOTICE.** Notice of any meeting of the Board of Directors, or any committee thereof, need not be given to any member if waived by him or her in writing or by electronic transmission, whether before or after such meeting is held, or if he or she shall sign the minutes of such meeting or attend the meeting, except that if such director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened, then such director shall not be deemed to have waived notice of such meeting. If waiver of notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director.

**Section 9. QUORUM AND POWERS OF A MAJORITY.** At all meetings of the Board of Directors and of each committee thereof, a majority of the total number of directors constituting the whole board or such committee shall be necessary and sufficient to constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting of the Board of Directors or a committee thereof at which a quorum is present shall be the act of the Board of Directors or such committee, unless by express provision of applicable law, the Certificate of Incorporation, or these Bylaws, a different vote is required, in which case such express provision shall govern and control. In the absence of a quorum, a majority of the members present at any meeting may, without notice other than announcement at the meeting, adjourn such meeting from time to time until a quorum is present.

**Section 10. MANNER OF ACTING**

(a) Members of the Board of Directors, or any committee thereof, may participate in any meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating therein can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(b) Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or such committee; provided however, that such electronic transmission or transmissions must either set forth or be submitted with information from which it can be determined that the electronic transmission or transmissions were authorized by the director. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.



**Section 11. COMMITTEES.** The Board of Directors may designate one or more committees, each committee to consist of one or more directors, which to the extent provided in said resolution or resolutions shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation (including the power and authority to designate other committees of the Board of Directors); provided, however, that no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law of the State of Delaware to be submitted to stockholders for approval (other than recommending the election or removal of directors), or (ii) adopting, amending, or repealing any Bylaw of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee to replace any absent or disqualified member of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of such committee and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of such absent or disqualified director.

**Section 12. COMMITTEE PROCEDURE**

(a) Except as otherwise determined by the Board of Directors or provided by these Bylaws, each committee shall adopt its own rules governing the time, place, and method of holding its meetings and the conduct of its proceedings and shall meet as provided by such rules or by resolution of the Board of Directors. Unless otherwise provided by these Bylaws or any such rules or resolutions, notice of the time and place of each meeting of a committee shall be given to each member of such committee as provided in Section 7 of this Article III with respect to notices of meetings of the Board of Directors.

(b) Each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

(c) Any member of any committee may be removed from such committee either with or without cause, at any time, by the Board of Directors at any meeting thereof. Any vacancy in any committee may be filled by the Board of Directors in the manner prescribed by the Certificate of Incorporation or these Bylaws for the original appointment of the members of such committee.

**Section 13. VACANCIES AND NEWLY-CREATED DIRECTORSHIPS.** Unless otherwise provided in the Certificate of Incorporation or in these Bylaws, vacancies and newly-created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Unless otherwise

provided in the Certificate of Incorporation or these Bylaws, when one or more directors shall resign from the Board, effective at a future date, a majority of directors then in office, including those who have resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

#### **Section 14. COMPENSATION**

(a) The Board of Directors, by a resolution or resolutions, may fix, and from time to time change, the compensation of Directors.

(b) Each director shall be entitled to reimbursement from the Corporation for his or her reasonable expenses incurred with respect to duties as a member of the Board of Directors or any committee thereof.

(c) Nothing contained in these Bylaws shall be construed to preclude any director from serving the Corporation in any other capacity and from receiving compensation from the Corporation for service rendered to it in such other capacity.

### **ARTICLE IV.**

#### **OFFICERS**

**Section 1. NUMBER.** The officers of the Corporation shall include a President, a Secretary, and a Treasurer. The Board of Directors also shall elect a Chairperson of the Board and may elect a Vice Chairperson of the Board. The Board of Directors also may elect one or more Vice Presidents (including one or more Executive Vice Presidents and one or more Senior Vice Presidents if deemed appropriate by the Board of Directors), one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as the Board of Directors may from time to time deem appropriate or necessary.

**Section 2. ELECTION OF OFFICERS, TERM, AND QUALIFICATIONS.** The officers of the Corporation shall be elected from time to time by the Board of Directors and shall hold office at the pleasure of the Board of Directors. Except for the Chairperson of the Board and the Vice Chairperson of the Board, none of the officers of the Corporation needs to be a director of the Corporation. Any two or more offices may be held by the same person to the extent permitted by the General Corporation Law of the State of Delaware.

**Section 3. REMOVAL.** Any officer may be removed, either with or without cause, by the Board of Directors at any meeting thereof, or to the extent delegated to the Chairperson of the Board, by the Chairperson of the Board.

**Section 4. RESIGNATIONS.** Any officer of the Corporation may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors or to the Chairperson of the Board; provided, however, that if such notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the officer. Such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 5. SALARIES.** The salaries of all officers of the Corporation shall be fixed by the Board of Directors from time to time, and no officer shall be prevented from receiving such salary by reason of the fact that he or she also is a director of the Corporation.

**Section 6. THE CHAIRPERSON OF THE BOARD.** The Chairperson of the Board shall have the powers and duties customarily and usually associated with the office of the Chairperson of the Board. The Chairperson of the Board shall preside at meetings of the stockholders and of the Board of Directors.

**Section 7. VICE CHAIRPERSON OF THE BOARD.** The Vice Chairperson of the Board shall have the powers and duties customarily and usually associated with the office of the Vice Chairperson of the Board. In the case of absence or disability of the Chairperson of the Board, the Vice-Chairperson of the Board shall perform the duties and exercise the powers of the Chairperson of the Board.

**Section 8. THE PRESIDENT.** The President shall be the chief executive officer of the Corporation. The President shall have, subject to the supervision, direction, and control of the Board of Directors, the general powers and duties of supervision, direction, and management of the affairs and business of the Corporation customarily and usually associated with the position of chief executive officer, including, without limitation, all powers necessary to direct and control the organizational and reporting relationships within the Corporation. If at any time the office of the Chairperson of the Board and the Vice Chairperson of the Board shall not be filled, or in the event of the temporary absence or disability of the Chairperson of the Board and the Vice Chairperson of the Board, the President shall perform the duties and exercise the powers of the Chairperson of the Board unless otherwise determined by the Board of Directors.

**Section 9. THE VICE PRESIDENTS.** Each Vice President shall have such powers and perform such duties as may from time to time be assigned to him or her by the Board of Directors, the Chairperson of the Board, or the President.

**Section 10. THE SECRETARY AND ASSISTANT SECRETARIES**

(a) The Secretary shall attend meetings of the Board of Directors and meetings of the stockholders and record all votes and minutes of all such proceedings in a book or books kept for such purpose. The Secretary shall have all such further powers and duties as are customarily and usually associated with the position of Secretary or as may from time to time be assigned to him or her by the Board of Directors, the Chairperson of the Board, or the President.

(b) Each Assistant Secretary shall have such powers and perform such duties as may from time to time be assigned to him or her by the Board of Directors, the Chairperson of the Board, the President, or the Secretary. In the case of absence or disability of the Secretary, the Assistant Secretary designated by the President (or, in the absence of such designation, by the Secretary) shall perform the duties and exercise the powers of the Secretary.

**Section 11. THE TREASURER AND ASSISTANT TREASURERS**

(a) The Treasurer shall have custody of the Corporation's funds and securities, shall be responsible for maintaining the Corporation's accounting records and statements, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and shall deposit or cause to be deposited moneys or other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer also shall maintain adequate records of all assets, liabilities, and transactions of the Corporation and shall assure that adequate audits thereof are currently and regularly made. The Treasurer shall have all such further powers and duties as are customarily and usually associated with the position of Treasurer or as may from time to time be assigned to him or her by the Board of Directors, the Chairperson of the Board, or the President.

(b) Each Assistant Treasurer shall have such powers and perform such duties as may from time to time be assigned to him or her by the Board of Directors, the President, or the Treasurer. In the case of absence or disability of the Treasurer, the Assistant Treasurer designated by the President (or, in the absence of such designation, by the Treasurer) shall perform the duties and exercise the powers of the Treasurer.

## ARTICLE V.

### STOCK

**Section 1. CERTIFICATES.** The shares of capital stock of the Corporation shall be represented by certificates, unless the Certificate of Incorporation otherwise provides or unless the Board of Directors provides by resolution or resolutions that some or all of the shares of any class or classes, or series thereof, of the Corporation's capital stock shall be uncertificated. Every holder of capital stock of the Corporation represented by certificates shall be entitled to a certificate representing such shares. Certificates for shares of stock of the Corporation shall be issued under the seal of the Corporation, or a facsimile thereof, and shall be numbered and shall be entered in the books of the Corporation as they are issued. Each certificate shall bear a serial number, shall exhibit the holder's name and the number of shares evidenced thereby, and shall be signed by the Chairperson of the Board or a Vice Chairperson, if any, or the President or any Vice President, and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer. Any or all of the signatures on the certificate may be a facsimile. If any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if such person or entity were such officer, transfer agent, or registrar at the date of issue.

**Section 2. TRANSFERS.** Transfers of stock of the Corporation shall be made on the books of the Corporation only upon surrender to the Corporation of a certificate (if any) for the shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer; provided, however, that such succession, assignment, or transfer is not prohibited by the Certificate of Incorporation, these Bylaws, applicable law, or contract. Thereupon, the Corporation shall issue a new certificate (if requested) to the person entitled thereto, cancel the old certificate (if any), and record the transaction upon its books.

**Section 3. LOST, STOLEN, OR DESTROYED CERTIFICATES.** Any person claiming a certificate of stock to be lost, stolen, or destroyed shall make an affidavit or an affirmation of that fact, and shall give the Corporation a bond of indemnity in satisfactory form and with one or more satisfactory sureties, whereupon a new certificate (if requested) may be issued of the same tenor and for the same number of shares as the one alleged to be lost, stolen, or destroyed.

**Section 4. REGISTERED STOCKHOLDERS.** The names and addresses of the holders of record of the shares of each class and series of the Corporation's capital stock, together with the number of shares of each class and series held by each record holder and the date of issue of such shares, shall be entered on the books of the Corporation. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares of capital stock of the Corporation as the person entitled to exercise the rights of a stockholder, including, without limitation, the right to vote in person or by proxy at any meeting of the stockholders of the Corporation. The Corporation shall not be bound to recognize any equitable or other claim to or interest in any such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly required by the General Corporation Law of the State of Delaware or other applicable law.

**Section 5. FRACTIONAL SHARES.** The Corporation may, but shall not be required to, issue fractional shares of its capital stock if necessary or appropriate to effect authorized transactions. If the Corporation does not issue fractional shares, it shall (i) arrange for the disposition of fractional interests on behalf of those that otherwise would be entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those who otherwise would be entitled to receive such fractions are determined, or (iii) issue scrip or warrants in registered form (either represented by a certificate or uncertificated) or in bearer form (represented by a certificate), which scrip or warrants shall entitle the holder to receive a full share upon surrender of such scrip or warrants aggregating a full share. Fractional shares shall, but scrip or warrants for fractional shares shall not (unless otherwise expressly provided therein), entitle the holder to exercise voting rights, to receive dividends thereon, to participate in the distribution of any assets in the event of liquidation, and otherwise to exercise rights as a holder of capital stock of the class or series to which such fractional shares belong.

**Section 6. ADDITIONAL POWERS OF THE BOARD**

(a) In addition to, and without limiting, those powers set forth in Section 2 of Article III, the Board of Directors shall have power and authority to make all such rules and regulations as it shall deem expedient concerning the issue, transfer, and registration of certificates for shares of stock of the Corporation, including the use of uncertificated shares of stock, subject to the provisions of the General Corporation Law of the State of Delaware, other applicable law, the Certificate of Incorporation, and these Bylaws.

(b) The Board of Directors may appoint and remove transfer agents and registrars of transfers, and may require all stock certificates to bear the signature of any such transfer agent and/or any such registrar of transfers.

**ARTICLE VI.**

**INDEMNIFICATION**

**Section 1. INDEMNIFICATION**

(a) Subject to Section 3 of this Article VI, the Corporation shall indemnify, to the full extent that it shall have power under applicable law to do so and in a manner permitted by such law, any person who is made or threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter, a ("Proceeding"), by reason of the fact that such person is or was a director or officer of the Corporation, or while serving as a director or officer of the Corporation, is or was serving at the request of Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan (collectively, "Another Enterprise").

(b) The Corporation may indemnify, to the full extent that it shall have power under applicable law to do so and in a manner permitted by such law, any person who is made or threatened to be made a party to any Proceeding, by reason of the fact that such person is or was an employee or agent of the Corporation, or while not serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, or agent of Another Enterprise.

## **Section 2. ADVANCEMENT OF EXPENSES**

(a) Subject to Section 3 of this Article VI, with respect to any person who is made or threatened to be made a party to any threatened, pending, or completed Proceeding, by reason of the fact that such person is or was a director or officer of the Corporation or while serving as a director or officer of the Corporation, is or was serving at the request of Corporation as a director, officer, employee, or agent of Another Enterprise, the Corporation shall pay, to the fullest extent not prohibited by applicable law, the expenses (including attorneys' fees) incurred by such person in defending any such Proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that any advancement of expenses shall be made only upon receipt of an undertaking (hereinafter an "undertaking") by such person to repay all amounts advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such person is not entitled to be indemnified for such expenses under this Article VI or otherwise.

(b) With respect to any person who is made or threatened to be made a party to any Proceeding, by reason of the fact that such person is or was an employee or agent of the Corporation, or while not serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, or agent of Another Enterprise, the Corporation may, in its discretion and upon such terms and conditions, if any, as the Corporation deems appropriate, pay the expenses (including attorneys' fees) incurred by such person in defending any such Proceeding in advance of its final disposition.

**Section 3. ACTIONS INITIATED AGAINST THE CORPORATION.** Anything in Section 1(a) or Section 2(a) of this Article VI to the contrary notwithstanding, except as provided in Section 5(b) of this Article VI, with respect to a Proceeding initiated against the Corporation by any person who is or was serving as a director or officer of the Corporation (or by a person who, while serving as a director or officer of the Corporation, is or was serving at the request of Corporation as a director, officer, employee, or agent of Another Enterprise), whether initiated in such capacity or in any other capacity, the Corporation shall not be required to indemnify or to advance expenses (including attorneys' fees) to such person in connection with prosecuting such Proceeding (or part thereof) or in defending any counterclaim, cross-claim, affirmative defense, or like claim of the Corporation in such Proceeding (or part thereof) unless such Proceeding was authorized by the Board of Directors of the Corporation.

**Section 4. CONTRACT RIGHTS.** With respect to any person who is made or threatened to be made a party to any Proceeding, by reason of the fact that such person is or was a director or officer of the Corporation, or while serving as a director or officer of the Corporation, is or was serving at the request of Corporation as a director, officer, employee, or agent of Another Enterprise, the rights to indemnification and to the advancement of expenses conferred in Sections 1(a) and 2(a) of this Article VI shall be contract rights. Any amendment, repeal, or modification of, or adoption of any provision inconsistent with, this Article VI (or any provision hereof) shall not adversely affect any right to indemnification or advancement of expenses granted to any person pursuant hereto with respect to any act or omission of such person occurring prior to the time of such amendment, repeal, modification, or adoption (regardless of whether the Proceeding relating to such acts or omissions is commenced before or after the time of such amendment, repeal, modification, or adoption).

## **Section 5. CLAIMS**

(a) If (X) a claim under Section 1(a) of this Article VI with respect to any right to indemnification is not paid in full by the Corporation (following the final disposition of the Proceeding) within sixty days after a written demand has been received by the Corporation or (Y) a claim under Section 2(a) of this Article VI with respect to any right to the advancement of expenses is not paid in full by the Corporation within twenty days after a written demand has been received by the Corporation, then the person seeking to enforce a right to indemnification or to an advancement of expenses, as the case may be, may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim.

(b) If successful in whole or in part in any suit brought pursuant to Section 5(a) of this Article VI, or in a suit brought by the Corporation to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), the person seeking to enforce a right to indemnification or an advancement of expenses hereunder or the person from whom the Corporation sought to recover an advancement of expenses, as the case may be, shall be entitled to be paid by the Corporation the reasonable expenses (including attorneys' fees) of prosecuting or defending such suit.

(c) In any suit brought by a person seeking to enforce a right to indemnification hereunder (but not a suit brought by a person seeking to enforce a right to an advancement of expenses hereunder), it shall be a defense that the person seeking to enforce a right to indemnification has not met any applicable standard for indemnification under applicable law. With respect to any suit brought by a person seeking to enforce a right to indemnification or right to advancement of expenses hereunder or any suit brought by the Corporation to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), neither (i) the failure of the Corporation to have made a determination prior to commencement of such suit that indemnification of such person is proper in the circumstances because such person has met the applicable standards of conduct under applicable law, nor (ii) an actual determination by the Corporation that such person has not met such applicable standards of conduct, shall create presumption that such person has not met the applicable standards of conduct or, in a case brought by such person seeking to enforce a right to indemnification, be a defense to such suit.

(d) In any suit brought by a person seeking to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), the burden shall be on the Corporation to prove that the person seeking to enforce a right to indemnification or to an advancement of expenses or the person from whom the Corporation seeks to recover an advancement of expenses is not entitled to be indemnified, or to such an advancement of expenses, under this Article VI or otherwise.

**Section 6. DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION.** Any indemnification required or permitted under this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because he or she has met all applicable standards of conduct set forth in this Article VI and Section 145 of the General Corporation Law of the State of Delaware. Such determination shall be made, with respect to a person who is a director or officer of the Corporation at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum; (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum; (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion; or (iv) by the stockholders. Such determination shall be made, with respect to any person who is not a director or officer of the Corporation at the time of such determination, in the manner determined by the Board of Directors (including in such manner as may be set forth in any general or specific action of the Board of Directors applicable to indemnification claims by such person) or in the manner set forth in any agreement to which such person and the Corporation are parties.

**Section 7. NON-EXCLUSIVE RIGHTS.** The indemnification and advancement of expenses provided in this Article VI shall not be deemed exclusive of any other rights to which any person may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be such director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

**Section 8. INSURANCE.** The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of Another Enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VI or otherwise.

**Section 9. SEVERABILITY.** If any provision or provisions of this Article VI shall be held to be invalid, illegal, or unenforceable for any reason whatsoever: (1) the validity, legality, and enforceability of the remaining provisions of this Article VI (including, without limitation, each portion of any paragraph or clause containing any such provision held to be invalid, illegal, or unenforceable, that is not itself held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VI (including, without limitation, each such portion of any paragraph or clause containing any such provision held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

**Section 10. MISCELLANEOUS.** For purposes of this Article VI: (a) references to serving at the request of the Corporation as a director or officer of Another Enterprise shall include any service as a director or officer of the Corporation that imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan; (b) references to serving at the request of the Corporation as a employee or agent of Another Enterprise shall include any service as an employee or agent of the Corporation that imposes duties on, or involves services by, such employee or agent with respect to an employee benefit plan; (c) a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner not opposed to the best interests of the Corporation; and (d) references to a director of Another Enterprise shall include, in the case of any entity that is not managed by a board of directors, such other position, such as manager or trustee or member of the governing body of such entity, that entails responsibility for the management and direction of such entity's affairs, including, without limitation, general partner of any partnership (general or limited) and manager or managing member of any limited liability company.

## ARTICLE VII.

### MISCELLANEOUS

#### Section 1. BOOKS AND RECORDS

(a) Any books or records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device or method; provided, however, that the books and records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any books or records so kept upon the request of any person entitled to inspect such records pursuant to the Certificate of Incorporation, these Bylaws, or the provisions of the General Corporation Law of the State of Delaware.

(b) It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of the stock ledger to prepare and make, at least ten days before every meeting of the



stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the stockholder's name. Nothing contained in this subsection (b) shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence of the identity of the stockholders entitled to examine such list.

(c) Except to the extent otherwise required by law, or by the Certificate of Incorporation, or by these Bylaws, the Board of Directors shall determine from time to time whether and, if allowed, when and under what conditions and regulations the stock ledger, books, records, and accounts of the Corporation, or any of them, shall be open to inspection by the stockholders and the stockholders' rights, if any, in respect thereof. Except as otherwise provided by law, the stock ledger shall be the only evidence of the identity of the stockholders entitled to examine the stock ledger, the books, records, or accounts of the Corporation.

**Section 2. VOTING SHARES IN OTHER BUSINESS ENTITIES.** The President or any other officer of the Corporation designated by the Board of Directors may vote any and all shares of stock or other equity interest held by the Corporation in any other corporation or other business entity, and may exercise on behalf of the Corporation any and all rights and powers incident to the ownership of such stock or other equity interest.

**Section 3. RECORD DATE FOR DISTRIBUTIONS AND OTHER ACTIONS.** In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution, or allotment of any rights, or the stockholders entitled to exercise any rights in respect of any change, conversion, or exchange of capital stock, or for the purpose of any other lawful action, except as may otherwise be provided in these Bylaws, the Board of Directors may fix a record date. Such record date shall not precede the date upon which the resolution fixing such record date is adopted, and shall not be more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

**Section 4. FISCAL YEAR.** The fiscal year of the Corporation shall be such fiscal year as the Board of Directors from time to time by resolution shall determine.

**Section 5. GENDER/NUMBER.** As used in these Bylaws, the masculine, feminine, or neuter gender, and the singular and plural number, shall each include the other whenever the context so indicates.

**Section 6. SECTION TITLES.** The titles of the sections and subsections have been inserted as a matter of reference only and shall not control or affect the meaning or construction of any of the terms and provisions hereof.

**Section 7. ELECTRONIC TRANSMISSION.** For purposes of these Bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

**Section 8. AMENDMENT.** These Bylaws may be altered, amended, or repealed at any annual or regular meeting of the Board of Directors or at any special meeting of the Board of Directors if notice of the proposed alteration, amendment, or repeal be contained in written notice of such special meeting, or at any meeting of the stockholders of the Corporation.

**Section 9. CERTIFICATE OF INCORPORATION.** Notwithstanding anything to the contrary contained herein, if any provision contained in these Bylaws is inconsistent with or conflicts with a provision of the Certificate of Incorporation, such provision of these Bylaws shall be superseded by the inconsistent provision in the Certificate of Incorporation to the extent necessary to give effect to such provision in the Certificate of Incorporation.

END OF BYLAWS

## AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

This AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT is made as of June 12, 2015, by and among (i) CytomX Therapeutics, Inc., a Delaware corporation (the "**Company**"), and (ii) each of the investors listed on Schedule A hereto (each of which is referred to in this Agreement as an "**Investor**").

**RECITALS**

**WHEREAS**, the Company and certain of the Investors are parties to that certain Amended and Restated Investors' Rights Agreement dated as of December 22, 2014 (the "**Existing Agreement**"); and

**WHEREAS**, concurrently with the execution of this Agreement, the Company and certain of the Investors are entering into a Series D Preferred Stock Purchase Agreement (the "**Purchase Agreement**") providing for the sale of shares of the Series D Preferred Stock of the Company, par value \$0.00001 per share (the "**Series D Preferred Stock**") and, to induce such Investors to enter into the Purchase Agreement and to induce such Investors to invest funds in the Company pursuant to the Purchase Agreement, the parties signatory hereto desire to amend and restate the Existing Agreement in its entirety as set forth in this Agreement;

**NOW, THEREFORE**, the parties hereby agree as follows.

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Person, including, without limitation, any parent, subsidiary, affiliate of parent, general partner, managing member, officer or director of such Person or any venture capital or other investment fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company or investment advisor with, such Person. When used in this Agreement, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of a majority of the equity interests or the power to elect a majority of the board of directors (or Persons performing similar functions) of such Person, whether through the ownership of voting securities, status as a general partner, by contract or otherwise.

1.2 "**Board of Directors**" means the board of directors of the Company.

1.3 "**Canaan**" means Canaan IX L.P.

1.4 "**Common Stock**" means shares of the Company's common stock, par value \$0.00001 per share.

1.5 "**Damages**" means any loss, damage, or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, any other federal or state law or otherwise, insofar as such loss, damage, or liability (or any action in

respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

1.6 “**Deemed Liquidation Event**” shall have the meaning ascribed to such term in the Restated Certificate.

1.7 “**Derivative Securities**” means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including, without limitation, options and warrants.

1.8 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.9 “**Excluded Registration**” means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.10 “**Fidelity**” means Fidelity Management & Research Company and its Affiliates.

1.11 “**Form S-1**” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.12 “**Form S-3**” means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.13 “**GAAP**” means generally accepted accounting principles in the United States.

1.14 “**Holder**” means any holder of Registrable Securities who is a party to this Agreement or to whom the registration rights conferred by this Agreement are assigned after the date hereof in accordance with Section 6.1 hereof.

1.15 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

1.16 “**Initiating Holders**” means, collectively, Holders who properly initiate a registration request under this Agreement.

1.17 “**IPO**” means the Company’s first underwritten public offering of its Common Stock under the Securities Act.

1.18 “**Key Employee**” means any executive-level employee (including division director and vice president-level positions) as well as any employee who, either alone or in concert with others, develops, invents, programs, or designs any Company Intellectual Property (as defined in the Purchase Agreement).

1.19 “**Major Investor**” means any Investor that, individually or together with such Investor’s Affiliates, holds at least 13,699,795 shares of Registrable Securities that are issued or issuable upon conversion of Preferred Stock (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.20 “**Major Series C Investors**” means, collectively, Canaan, Pfizer, Roche and Third Rock Ventures.

1.21 “**New Securities**” means (i) all shares of capital stock or other equity securities of the Company, whether or not currently authorized, (ii) all rights, options and warrants to purchase such shares of capital stock or other equity securities, and (iii) all other securities or rights of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such shares of capital stock or other equity securities, other than (i) any Exempted Securities (as such term is defined in the Restated Certificate) and (ii) as otherwise determined not to be “New Securities” in writing by the Requisite Investors (subject to the first proviso in the second sentence of Section 6.6 hereof) and the Series D Majority Investors.

1.22 “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.23 “**Pfizer**” means Pfizer Inc.

1.24 “**Preferred Stock**” means, collectively, shares of the Company’s Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.

1.25 “**Registrable Securities**” means (i) the Common Stock issuable or issued upon conversion of the Preferred Stock; (ii) any Common Stock, or any Common Stock issued or issuable, directly or indirectly, upon conversion and/or exercise of any other securities of the Company, acquired by the Investors after the date hereof; and (iii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (ii) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.13 of this Agreement.

1.26 “**Registrable Securities then outstanding**” means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable, directly or indirectly, pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.27 “**Requisite Investors**” means the holders of at least a majority of the shares of Common Stock issued or issuable upon conversion of the Preferred Stock, voting together as a single class.

1.28 “**Restated Certificate**” means the Amended and Restated Certificate of Incorporation of the Company, as it may be amended from time to time.

1.29 “**Restricted Securities**” means the securities of the Company required to bear the legend set forth in Section 2.12(b) hereof.

1.30 “**Roche**” means Roche Finance Ltd.

1.31 “**SEC**” means the Securities and Exchange Commission.

1.32 “**SEC Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act.

1.33 “**SEC Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act.

1.34 “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.35 “**Selling Expenses**” means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any selling Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

1.36 “**Series A-1 Preferred Stock**” means shares of the Company’s Series A-1 Preferred Stock, par value \$0.00001 per share.

1.37 “**Series A-2 Preferred Stock**” means shares of the Company’s Series A-2 Preferred Stock, par value \$0.00001 per share.

1.38 “**Series B Director**” means any director of the Company that the holders of record of Series B-1 Preferred Stock and Series B-2 Preferred Stock, voting together as single class on an as converted to Common Stock basis, are entitled to elect pursuant to the Restated Certificate.

1.39 “**Series B Preferred Stock**” means, collectively, Series B-1 Preferred Stock and Series B-2 Preferred Stock.

1.40 “**Series B-1 Preferred Stock**” means shares of the Company’s Series B-1 Preferred Stock, par value \$0.00001 per share.

1.41 “**Series B-2 Preferred Stock**” means shares of the Company’s Series B-2 Preferred Stock, par value \$0.00001 per share.

1.42 “**Series C Director**” means any director of the Company that the holders of record of Series C Preferred Stock are entitled to elect pursuant to the Restated Certificate.

1.43 “**Series C Preferred Stock**” means shares of the Company’s Series C Preferred Stock, par value \$0.00001 per share.

1.44 “**Series D Majority Investors**” means the holders of at least sixty percent (60%) of the then-outstanding shares of Series D Preferred Stock.

1.45 “**Third Rock Ventures**” means Third Rock Ventures, LP.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) three (3) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the registration statement for the IPO, the Company receives a written request from the Holders of at least fifty percent (50%) of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to Registrable Securities having an anticipated aggregate offering price, net of Selling Expenses, of at least \$30 million, then the Company shall (i) within ten (10) days after the date such request is given, give notice thereof (the “**Demand Notice**”) to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by written notice given by each such Holder to the Company within twenty (20) days after the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a written request from Holders of at least ten percent (10%) of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price of at least \$5 million (net of the Selling Expenses), then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating

Holders; and (ii) as soon as practicable, and in any event within forty-five (45) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by written notice given by each such Holder to the Company within twenty (20) days after the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to the Initiating Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company's chief executive officer stating that in the good faith judgment of the Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than sixty (60) days after the request of the Initiating Holders is given under Section 2.1(a) or (b); provided, however, that the Company may not invoke this right more than once in any twelve (12) month period; and provided, further, that the Company shall not register any securities for its own account or that of any other stockholder during such sixty (60) day period other than pursuant to any Excluded Registration.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a) (i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Section 2.1(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b) (x) during the period that is thirty (30) days before the Company's good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing, in good faith, commercially reasonable efforts to cause such registration statement to become effective; or (y) if the Company has effected two registrations pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Section 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and



forfeit their right to one demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as “effected” for purposes of this Section 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for stockholders other than the Holders) any of its securities under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given in writing to the Company within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

### 2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to the Initiating Holders that hold a majority of the Registrable Securities that are held by all of the Initiating Holders. In such event, the right of any Holder to include such Holder’s Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 2.3, if the underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Section 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable) to the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below thirty percent (30%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other stockholder's securities are included in such offering. For purposes of the provision in this Section 2.3 concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, stockholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) For purposes of Section 2.1, a registration shall not be counted as "effected" if, as a result of an exercise of the underwriter's cutback provisions in Section 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included.

**2.4 Obligations of the Company.** Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such one hundred twenty (120) day period shall be extended for up to one hundred eighty (180) days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided, however, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, any underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to effect any registration statement pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b), as the case may be; provided further that if, at the time of such withdrawal, the Holders shall have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such information then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders that incurred such Selling Expenses.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and stockholders of each such Holder; legal counsel, accountants and investment advisors for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of and relating to such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the prior written consent of the Holder, which consent shall not be unreasonably withheld; and provided, further, that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Sections 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action; and provided, further, that prior to assuming control of such defense, the indemnifying party must (i) acknowledge that, if the facts as alleged by the claimant in such claim are true, it would have an indemnity obligation for the Damages pursuant to the provisions of this Section 2.8 and (ii) must furnish the indemnified party with reasonable evidence that the indemnifying party has adequate resources to defend such claim and fulfill its indemnity obligations hereunder. The indemnifying party shall not be entitled to assume or maintain control of the defense of any claim and shall pay the fees and expenses of one counsel retained by the indemnified party if (A) the indemnifying party does not deliver the acknowledgment referred to in clause (i) above within thirty (30) days of receipt of notice of the claim, (B) the claim relates to or arises in connection with any criminal proceeding, action, indictment or allegation, (C) the indemnified party reasonably believes an adverse determination with respect to the claim would be detrimental to the reputation or future business prospects of the indemnified party or any of its affiliates, (D) the claim seeks an injunction or equitable relief against the indemnified party or any of its affiliates or (E) the indemnifying party has failed or is failing to prosecute or defend vigorously the claim. No indemnifying party in the defense of any such action shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such action.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the

indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided, further, that in no event shall a Holder's liability pursuant to this Section 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise expressly superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any

time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Requisite Investors, enter into any agreement with any holder or prospective holder of any securities of the Company that would (i) allow such holder or prospective holder to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included or (ii) allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder; provided, however, that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Section 6.9.

2.11 "Market Stand-off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company for its own behalf of shares of its Common Stock or any other equity securities under the Securities Act on a registration statement on Form S-1, and ending on the date specified by the Company and the managing underwriter, such period not to initially exceed 180 days; provided, however, that if during the last 17 days of the initial lock-up period, the Company releases earnings results or material news or a material event relating to the Company occurs or prior to the expiration of the initial lock-up period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial lock-up period, then in each case the lock-up period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless the managing underwriter waives, in writing, such extension, (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall apply only to the IPO and, for the avoidance of doubt, only to the securities of the Company held by each Holder immediately prior to the



effectiveness of the registration statement filed by the Company in connection with the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers and directors are subject to the same restrictions and the Company obtains a similar agreement from all stockholders individually owning more than one percent (1%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock). The underwriters in connection with such registration are intended third-party beneficiaries of this Section 2.11 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give further effect thereto. If any of the obligations described in this Section 2.11 are waived or terminated with respect to any of the securities of any such Holder, officer or director or any stockholder (in any such case, the "**Released Securities**"), the foregoing provisions shall be waived or terminated, as applicable, to the same extent and with respect to the same percentage of securities of each Holder as the percentage of Released Securities represent with respect to the securities held by the applicable Holder, officer, director or stockholder.

#### 2.12 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement. Notwithstanding the foregoing, the Company shall not require any transferee of shares pursuant to an effective registration statement or, following the IPO, SEC Rule 144 to be bound by the terms of this Agreement.

(b) Each certificate or instrument representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be stamped or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this [Section 2.12](#).

The foregoing legends shall be removed from the certificates representing any Restricted Securities, at the request of the Holder thereof, at such time when such Restricted Securities can be sold without limitation and without registration in compliance with SEC Rule 144.

(c) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this [Section 2.12](#). Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction or, following the IPO, the transfer is made pursuant to SEC Rule 144, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied, at such Holder's expense, by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144 as determined by the Company in its reasonable discretion or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that, with respect to transfers under the foregoing clause (y), each transferee agrees in writing to be subject to the terms of this [Section 2.12](#). Each certificate or instrument evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to SEC Rule 144 or pursuant to an effective registration statement, the appropriate restrictive legend set forth in [Section 2.12\(b\)](#), except that such certificate shall not bear such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Section 2.1 or Section 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event (provided that if the occurrence of a Deemed Liquidation Event was waived under the Restated Certificate, a Deemed Liquidation Event shall not be deemed to occur for purposes of this provision) in which the consideration received by the Holders is in the form of cash and/or marketable securities and establishment of a plan of distribution of proceeds to or escrow for the benefit of the Holders in accordance with the Restated Certificate;

(b) the fifth anniversary of the IPO; and

(c) at such time, following an IPO and expiration of the restrictions described in Section 2.11 above, when all Registrable Securities held by such Holder (and any Affiliate of the Holder with whom such Holder must aggregate its sale under SEC Rule 144) can be sold without limitation (and without the requirement for the Company to be in compliance with the current public information required under Rule 144(c)(1)) and without registration in compliance with SEC Rule 144.

### 3. Information and Observer Rights.

3.1 Delivery of Financial Statements. The Company shall deliver to each Major Investor and to an entity that is an Investor holding at least 13,699,795 shares of Preferred Stock (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof):

(a) as soon as practicable, but in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and a comparison between (x) the actual amounts as of and for such fiscal year and (y) the comparable amounts for the prior year and as included in the Budget (as defined in Section 3.1(e)) for such year, with an explanation of any material differences between such amounts and a schedule as to the sources and applications of funds for such year, and (iii) a statement of stockholders' equity as of the end of such year, all such financial statements audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and of cash flows for such fiscal quarter, and an unaudited balance sheet and a statement of stockholders' equity as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(c) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, a

statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Major Investors to calculate their respective percentage equity ownership in the Company, and certified by the chief financial officer or chief executive officer of the Company as being true, complete, and correct;

(d) as soon as practicable, but in any event within thirty (30) days of the end of each month, an unaudited income statement and statement of cash flows for such month, and an unaudited balance sheet and statement of stockholders' equity as of the end of such month, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(e) as soon as practicable, but in any event thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year (collectively, the "**Budget**"), approved by the Board of Directors and prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company;

(f) with respect to the financial statements called for in Section 3.1(a), Section 3.1(b) and Section 3.1(d), an instrument executed by the chief financial officer and chief executive officer of the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (except as otherwise set forth in Section 3.1(b) and Section 3.1(d)) and fairly present the financial condition of the Company and its results of operation for the periods specified therein; and

(g) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request in writing; provided, however, that the Company shall not be obligated under this Section 3.1(g) to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company, executed and delivered by such Major Investor or other Investor) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date thirty (30) days before the Company's good-faith estimate of the date of filing of a registration statement if and so long as it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor, at such Major Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested in writing by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company, executed and delivered by the Major Investor) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Observer Rights. As long as (a) a Major Series C Investor continues to own not less than 1,000,000 shares of Series C Preferred Stock or an equivalent amount of Common Stock issued upon conversion thereof or (b) Fidelity continues to own at least 1,000,000 shares of Series D Preferred Stock or an equivalent amount of Common Stock issued upon conversion thereof, in each case as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof, the Company shall invite a representative of such Major Series C Investor and/or Fidelity, as applicable, to attend all meetings of the Board of Directors (and any of its committees) in a nonvoting observer capacity and, in this respect, shall give such Investor and such representative copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative shall be subject to the confidentiality terms set forth in Section 3.5 hereof; and provided, further, that the Company reserves the right to withhold any information and to exclude such representative from any meeting or portion thereof if the Company reasonably determines that such withholding of information or exclusion is reasonably necessary to preserve the attorney-client privilege, and except in the case of an Investor that is an institutional financial investor, to protect trade secrets or competitively-sensitive, confidential or proprietary information or other information which relates to a possible Deemed Liquidation Event, or joint venture, partnering or other strategic relationship or to avoid a conflict of interest, or if the Board of Directors reasonably determines that such representative (including its Affiliates) of the Major Series C Investor is an actual competitor of the Company. To the extent practicable, the Board of the Directors shall provide written notice to the representative as early as reasonably practicable prior to each Board meeting as to whether the Board of Directors anticipates excluding the representative from a portion or all of such Board meeting, which notice shall also specify the general basis upon which the Board of Directors has determined that such representative is expected to be excluded from the meeting.

3.4 Termination of Information and Observer Rights. The covenants set forth in Section 3.1, Section 3.2, and Section 3.3 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, or (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event (provided that if the occurrence of a Deemed Liquidation Event was waived under the Restated Certificate, a Deemed Liquidation Event shall not be deemed to occur for purposes of this provision) in which the consideration received by the Holders is in the form of cash and/or marketable securities and establishment of a plan of distribution of proceeds to or escrow for the benefit of the Holders in accordance with the Restated Certificate, whichever event occurs first.

3.5 Confidentiality. Each Investor severally agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company or to enforce its rights under the Transaction Agreements (as such term is defined in the Purchase Agreement (the “**Transaction Agreements**”)), the Restated Certificate or applicable law) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company’s intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.5 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company’s confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company or to enforce its rights under the Transaction Agreements, the Restated Certificate or applicable law); (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees in writing to be bound by the provisions of this Section 3.5; (iii) to any existing or prospective Affiliate, partner (and partners of such partner), member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law or request of a governmental or regulatory authority, provided that, to the extent permitted by applicable law, the Investor (x) promptly notifies in writing the Company of such disclosure such that the Company has a reasonable opportunity to seek a protective order or other appropriate legal relief and (y) takes reasonable steps to minimize the extent of any such required disclosure. Notwithstanding the foregoing, in the case of any Investor that is (i) a registered investment company within the meaning of the Investment Company Act of 1940, as amended, or (ii) is advised by a registered investment adviser under the regulations of the SEC, such Investor may identify only the Company and the value of such Investor’s security holdings in the Company in accordance with applicable investment reporting and disclosure regulations and respond to routine examinations, demands, requests or reporting requirements of a regulator solely with respect to such holdings (and not, for the avoidance of doubt, other confidential information with respect to the company’s business) without prior notice to or consent from the Company and such Investor shall otherwise comply with the confidentiality obligations set forth in this Section 3.5.

#### 4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Section 4.1 (including the exceptions in Section 4.1(d)) and applicable securities laws, if the Company proposes to offer or issue any New Securities, the Company shall first offer such New Securities to each Major Investor. A Major Investor shall be entitled to apportion the right of first offer hereby granted to it among itself and its Affiliates in such proportions as it deems appropriate.

(a) The Company shall give written notice (the “**Offer Notice**”) to each Major Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities. If the consideration to be paid for the New Securities is not cash, the fair market value of the consideration shall be determined in good faith by the Board of Directors and a reasonably detailed explanation of the Board of Director’s determination of such value shall be included in the Offer Notice. All Major Investors electing to participate in the offering of such New Securities shall pay the cash equivalent thereof as so determined.

(b) By written notice to the Company within twenty (20) days after the Offer Notice is given, each Major Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the total number of shares of Common Stock issued and held, and issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by such Major Investor bears to the total number of shares of Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Preferred Stock and other Derivative Securities). At the expiration of such twenty (20) day period, the Company shall promptly notify in writing each Major Investor that elects to purchase or acquire its full pro rata portion of the New Securities as determined pursuant to the preceding sentence (each, a “**Fully Exercising Investor**”) of any other Major Investor’s failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving written notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which the Major Investors were entitled to subscribe but that were not subscribed for by the Major Investors which is equal to the proportion that the total number of shares of Common Stock issued and held, and issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Preferred Stock and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, and issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed New Securities. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of ninety (90) days of the date that the Offer Notice is given and the date of the initial sale of New Securities pursuant to Section 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Section 4.1(b), the Company may, during the

ninety (90) day period following the expiration of the periods provided in Section 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Major Investors in accordance with this Section 4.1.

(d) The right of first offer in this Section 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Restated Certificate); (ii) shares of Common Stock issued in the IPO; and (iii) the issuance of Series D Preferred Stock pursuant to the Purchase Agreement.

4.2 Termination. The covenants set forth in Section 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event (provided that if the occurrence of a Deemed Liquidation Event was waived under the Restated Certificate, a Deemed Liquidation Event shall not be deemed to occur for purposes of this provision) and establishment of a plan of distribution of proceeds to or escrow for the benefit of the Holders in accordance with the Restated Certificate, whichever event occurs first.

## 5. Additional Covenants.

5.1 Employee Agreements. The Company will cause (i) each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement and (ii) each Key Employee to enter into a one (1) year nonsolicitation agreement, substantially in the form approved by the Board of Directors. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the consent of at least a majority of all members of the Board of Directors then in office, including at least two Series B Directors.

5.2 Employee Stock. Unless otherwise approved by the Board of Directors, including at least two Series B Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company's capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months, and for all employees, a market stand-off provision substantially similar to that set forth in Section 2.11. If any employees or consultants are permitted to exercise unvested options, such employees and consultants shall be required to enter into an agreement with the Company providing the Company or its assignee (to the extent permissible under applicable



securities law qualification) with an option to repurchase the shares upon termination of the employee's employment or the consultant's services, with or without cause, at the lesser of cost and the fair market value any unvested shares held by such employee or consultant, unless otherwise approved by the Board of Directors, including at least two Series B Directors. If any employee or consultant exercises any options and following such exercise such employee or consultant shall own greater than one percent (1%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock), then it shall be a condition of such exercise that the employee or consultant become a party to the Voting Agreement and the Right of First Refusal Agreement (as each term is defined in the Purchase Agreement) as a Key Holder thereunder. In addition, unless otherwise approved by the Board of Directors, including at least two Series B Directors, the Company shall retain a "right of first refusal" on employee transfers until the Company's IPO and shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted stock.

**5.3 Matters Requiring Investor Director Approval.** So long as the holders of Preferred Stock are entitled to elect any member of the Board of Directors, the Company hereby covenants and agrees with each of the Investors that it shall not, without approval of the Board of Directors, which approval must include the affirmative vote of at least two of the Series B Directors:

(a) make, or permit any subsidiary to make, any loan or advance to, or own any stock or other securities of, any subsidiary or other corporation, partnership, or other entity unless it is wholly owned by the Company;

(b) make, or permit any subsidiary to make, any loan or advance to any Person, including, without limitation, any employee or director of the Company or any subsidiary, except advances and similar expenditures in the ordinary course of business or under the terms of an employee stock or option plan or other benefits plan approved by the Board of Directors;

(c) guarantee, directly or indirectly, or permit any subsidiary to guarantee, directly or indirectly, any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business;

(d) make any investment inconsistent with any investment policy approved by the Board of Directors;

(e) otherwise enter into or be a party to any transaction with any director, officer, or employee of the Company or any "associate" (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such Person, except for transactions contemplated by this Agreement, the Purchase Agreement, and transactions made in the ordinary course of business and pursuant to reasonable requirements of the Company's business and upon fair and reasonable terms that are approved by a majority of the Board of Directors;

(f) hire, terminate, or change the compensation of the executive officers, including approving any option grants or stock awards to executive officers;

(g) change the principal business of the Company, enter new lines of business, or exit the current line of business;

(h) sell, assign, license, pledge, or encumber material technology or intellectual property, other than licenses granted in the ordinary course of business; or

(i) enter into any corporate strategic relationship involving the payment, contribution, or assignment by the Company or to the Company of money or assets greater than \$100,000.

5.4 Board Matters. Unless otherwise determined by the vote of a majority of the directors then in office, the Board of Directors shall meet at least quarterly in accordance with an agreed-upon schedule. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket expenses incurred (consistent with the Company's travel policy) in connection with attending meetings of the Board of Directors or the meetings of the board of directors (or other governing body) of any subsidiary of the Company, including any meetings of any committee thereof, and any other meetings or events attended on behalf of the Company or any such subsidiary or at the Company's request.

5.5 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, its Certificate of Incorporation, or elsewhere, as the case may be.

5.6 Insurance. The Company shall maintain, with financially sound and reputable insurers, general liability and directors and officers insurance in an amount and on terms and conditions satisfactory to the Board of Directors and such policies shall not be cancelable by the Company without prior written approval by the Board of Directors. The Company shall also maintain, with insurers that to the Company's knowledge are financially sound and reputable, directors and officers insurance in an amount at least equal to \$3,000,000 prior to initiation of human clinical trials and \$5,000,000 following the initiation of human clinical trials and on other terms and conditions satisfactory to the Board of Directors, and such policies shall not be cancelable by the Company without prior written approval by the Board of Directors.

5.7 Reservation of Capital Stock. The Company shall at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

5.8 Convertible Securities. All securities or obligations that are exercisable for, convertible into or exchangeable for shares of capital stock of the Company, other than

shares of the Company's Preferred Stock, shall, by their terms, terminate in their entirety at the time of a Deemed Liquidation Event if not exercised, converted or exchanged into shares of the Company's capital stock immediately prior to such Deemed Liquidation Event, unless affirmatively assumed by the acquirer or the Board, on or after the date hereof including at least two of the Series B Directors, expressly approves that such securities or obligations shall not terminate at the time of a Deemed Liquidation Event after it has been clearly and fully disclosed to the Board that such securities or obligations will not terminate at the time of a Deemed Liquidation Event.

5.9 FCPA Compliance. The Company shall not, and shall not permit any of its subsidiaries and controlled Affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents (collectively, "**Representatives**") to, within the scope of their permitted services to the Company, promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, any non-U.S. government official, in each case, in violation of the U.S. Foreign Corrupt Practices Act ("**FCPA**") or any other applicable anti-bribery or anti-corruption law. The Company shall, and shall cause each of its subsidiaries and controlled Affiliates to, cease all of its or their respective activities, as well as remediate any actions taken by the Company, its subsidiaries or Affiliates or any of its or their respective Representatives in violation of the FCPA or any other applicable anti-bribery or anti-corruption law. The Company shall, and shall cause each of its controlled Affiliates and subsidiaries to, maintain systems or internal controls that, in the Company's reasonable judgment, are adequate to ensure compliance with the FCPA or any other applicable anti-bribery or anti-corruption law.

5.10 Termination of Covenants. The covenants set forth in this Section 5, except for Section 5.5, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event (provided that if the occurrence of a Deemed Liquidation Event was waived under the Restated Certificate, a Deemed Liquidation Event shall not be deemed to occur for purposes of this provision) and establishment of a plan of distribution of proceeds to or escrow for the benefit of Holders in accordance with the Restated Certificate, whichever event occurs first.

## 6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least (A) 1,000,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other recapitalizations) if the transferring Holder held more than 1,000,000 shares of Registrable Securities before such transfer or (B) less than 1,000,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other recapitalizations) if the transferring Holder transferred all of its Registrable Securities to a transferee; provided, however, that, in each case of (i) through (iii) above, (x) the Company is, within a reasonable time after

such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.11. For purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or stockholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided, further, that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to its principles of conflicts of laws.

6.3 Counterparts; Facsimile. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed and delivered by facsimile or other electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) five (5) days after having been sent to a U.S. address by registered or certified mail, return receipt requested, postage prepaid, (d) two (2) business days after deposit with a nationally recognized overnight courier, freight prepaid for delivery to a U.S. address, specifying next business day delivery, with written verification of receipt, or (e) two (2) business days after deposit with an internationally recognized expedited delivery services company, freight prepaid for deliver to a non-U.S. address, specifying next available business day delivery, with written verification of receipt; provided, however, that notice and other communications given or made to Roche shall only be provided using the methods set forth in clauses (a), (b) and (e) above. All communications shall be sent to the respective parties only at their addresses as set forth on Schedule A hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Section 6.5. If notice is given to the

Company, a copy (which shall not constitute notice) shall also be sent to Sidley Austin, 1001 Page Mill Road, Building 1, Palo Alto, CA 94304, Attn: Sam Zucker, Esq., if notice is given to Third Rock Ventures, a copy (which shall not constitute notice) shall also be given to Cooley LLP, 500 Boylston Street, Boston, MA 02116-3736, Attn: Marc Recht, if notice is given to Canaan, a copy (which shall not constitute notice) shall also be given to Shipman & Goodwin LLP, One Constitution Plaza, Hartford, 06103-1919, Attn: J. Dormer Stephen, if notice is given to Pfizer, a copy (which shall not constitute notice) shall also be given to Ropes & Gray, 1900 University Avenue, 6th Floor, East Palo Alto, California 94303-2284, Attn: Lowell Segal, and if notice is given to Fidelity Management & Research Company or its Affiliates, a copy (which shall not constitute notice) shall also be given to Ropes & Gray, Prudential Tower, 800 Boylston Street, Boston, MA 02199-3600, Attn: Joel Freedman.

6.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the Requisite Investors; provided, however, that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver); provided, further, that any right of any party hereunder may be waived by any waiving party on such party's own behalf, without the consent of any other party; provided, further, that Section 3.3 with respect to the right of each Major Series C Investor or Fidelity, as the case may be, to appoint a nonvoting observer to the Board of Directors may not be amended or waived without the written consent of the applicable Major Series C Investor or Fidelity for as long as such Major Series C Investor or Fidelity continues to own not less than 1,000,000 shares of Series C Preferred Stock or Series D Preferred Stock, as applicable, or an equivalent amount of Common Stock issued upon conversion thereof, as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof. Notwithstanding the foregoing, (i) this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction; provided, however, that such waiver is signed by the holders of at least eighty percent (80%) of the shares of Common Stock issued or issuable upon conversion of the Preferred Stock, voting together as a single class; provided, further, that if such waiver is not signed by the Series D Majority Investors and any holders of Preferred Stock that signed such waiver nonetheless, by agreement with the Company, purchase securities in such transaction (the "**Participating Holders**"), the holders of Series D Preferred Stock that did not sign such waiver shall be entitled to purchase securities in such transaction on the same terms as the Participating Holders) and (ii) the provisions of Sections 2.11 and 3.1 may not be amended or terminated and the observance of any term thereof may not be waived without the prior written consent of the Series D Majority Investors, provided that no such amendment to, or termination or waiver of, the provisions of Section 3.1 shall be effective as to any Major Investor that is a registered investment company under the Investment Company Act of 1940, as amended, without such Major Investor's prior written consent. The Company shall give prompt notice of any

amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Section 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

6.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of Series D Preferred Stock after the date hereof, whether pursuant to the Purchase Agreement or otherwise, any purchaser of such shares of Series D Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder. Schedule A attached hereto shall be amended by the Company to add information regarding any such additional Investor or to modify the information set forth therein. No action or consent by the other parties hereto shall be required for such joinder to this Agreement by such additional Investor and amendment or modification by the Company to Schedule A hereto, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an "Investor" hereunder.

6.10 Entire Agreement. This Agreement (including any Schedules and Exhibits hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties (including, without limitation, the Existing Agreement) is expressly canceled. The Existing Agreement is hereby amended in its entirety and restated herein. All provisions of, rights granted under and covenants made in the Existing Agreement are hereby waived, released and superseded in their entirety and shall have no further force or effect.

6.11 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other

party under this Agreement, shall impair any such right, power, or remedy of such non-breaching or non-defaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.12 Acknowledgment. The Company acknowledges that the Investors are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this Agreement, subject to compliance with the provisions of Section 3.5 hereof, shall preclude or in any way restrict any Investors from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company, so long as such activities do not result in a violation of the confidentiality provisions of this Agreement, any other Transaction Agreement, or any other agreement between the Company and such Investor.

6.13 Cost of Enforcement. If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party, including, without limitation, all reasonable attorneys' fees.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

COMPANY:

CYTOMX THERAPEUTICS, INC.

By: /s/ Sean McCarthy

Name: Sean McCarthy

Title: CEO

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]



IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

CYTOMX THERAPEUTICS HOLDINGS, LLC

By: /s/ Michael E. Pfau

Name: Michael E. Pfau

Title: Secretary

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

ROCHE FINANCE LTD

By: /s/ Urs Jaisli

Name: Urs Jaisli

Title: authorized signatory

By: /s/ Andreas Knierzinger

Name: Andreas Knierzinger

Title: authorized signatory

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

CANAAN IX L.P.

By: Canaan Partners IX LLC

By: /s/ Brenton K. Ahrens

Name: Brenton K. Ahrens

Title: Manager

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

THIRD ROCK VENTURES, L.P.

By: Third Rock Ventures GP, L.P, its general partner

By: TRV GP, LLC, its general partner

By: /s/ Kevin Gillis

Name: Kevin Gillis

Title: Manager

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

PFIZER INC.

By: /s/ Barbara Dalton

Name: Barbara Dalton

Title: VP Venture Capital

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Select Portfolios: Biotechnology Portfolio

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Advisor Series VII: Fidelity Advisor Biotechnology Fund

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Growth Company Commingled Pool

By: Fidelity Management & Trust Co.

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_  
\_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]



IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Mt. Vernon Street Trust: Fidelity Series Growth  
Company Fund

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Mt. Vernon Street Trust: Fidelity Growth Company  
Fund

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Securities Fund: Fidelity Series Small Cap  
Opportunities Fund – Healthcare Sub

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Capital Trust: Fidelity Stock Selector Small Cap Fund  
– Health Care Sub

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Blue Chip Growth Commingled Pool

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Securities Fund: Fidelity Series Blue Chip Growth Fund

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Securities Fund: Fidelity Blue Chip Growth Fund

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Pyramis Lifecycle Blue Chip Growth Commingled Pool

By: Pyramis Global Advisors Trust Company, as Trustee

By: /s/ Dana Rancourt

Name: Dana Rancourt

Title: Director

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]



IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity OTC Commingled Pool

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_  
\_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Fidelity Securities Fund: Fidelity OTC Portfolio

By:

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Putnam Global Health Care Fund

By: Putnam Investment Management, LLC, as investment manager

By: /s/ Aaron M. Cooper

Name: Aaron M. Cooper

Title: Director of Global Equity Research

Address: One Post Office Square  
Boston, MA 02109

A copy of the Agreement and Declaration of Trust of PUTNAM GLOBAL HEALTH CARE FUND is on file with the Secretary of The Commonwealth of Massachusetts, and notice is hereby given that this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC. is executed on behalf of the trustees of PUTNAM GLOBAL HEALTH CARE FUND as trustees and not individually and that any obligations of or arising out of this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC. are not binding on any of the trustees, officers or shareholders individually of PUTNAM GLOBAL HEALTH CARE FUND, but are binding only upon the trust property of PUTNAM GLOBAL HEALTH CARE FUND. Furthermore, notice is given that the trust property of any series of the series trust applicable to PUTNAM GLOBAL HEALTH CARE FUND, if applicable, is separate and distinct and that any obligations of or arising out of this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC. are several and not joint or joint and several and are binding only on the trust property of PUTNAM GLOBAL HEALTH CARE FUND with respect to its obligations under this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC.

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Putnam Variable Trust - Putnam VT Global Health Care Fund

By: Putnam Investment Management, LLC, as investment manager

By: /s/ Aaron M. Cooper

Name: Aaron M. Cooper

Title: Director of Global Equity Research

Address: One Post Office Square  
Boston, MA 02109

A copy of the Agreement and Declaration of Trust of PUTNAM VARIABLE TRUST - PUTNAM VT GLOBAL HEALTH CARE FUND is on file with the Secretary of The Commonwealth of Massachusetts, and notice is hereby given that this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC. is executed on behalf of the trustees of PUTNAM VARIABLE TRUST - PUTNAM VT GLOBAL HEALTH CARE FUND as trustees and not individually and that any obligations of or arising out of this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC. are not binding on any of the trustees, officers or shareholders individually of PUTNAM VARIABLE TRUST - PUTNAM VT GLOBAL HEALTH CARE FUND, but are binding only upon the trust property of PUTNAM VARIABLE TRUST - PUTNAM VT GLOBAL HEALTH CARE FUND. Furthermore, notice is given that the trust property of any series of the series trust applicable to PUTNAM VARIABLE TRUST - PUTNAM VT GLOBAL HEALTH CARE FUND, if applicable, is separate and distinct and that any obligations of or arising out of this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC. are several and not joint or joint and several and are binding only on the trust property of PUTNAM VARIABLE TRUST - PUTNAM VT GLOBAL HEALTH CARE FUND with respect to its obligations under this AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT OF CYTOMX THERAPEUTICS, INC.

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Titan-Perc LTD

By: /s/ Darren Ross

Name: Darren Ross

Title: Director

Address: 750 Washington Blvd., 10<sup>th</sup> Floor  
Stanford, CT 06901

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Perceptive Life Sciences Master Fund Ltd

By: /s/ James Mannix

Name: James Mannix

Title: COO

Address: 499 Park Ave. 25th Floor  
NY NY 10022

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

VENROCK HEALTHCARE CAPITAL PARTNERS II, L.P.

By: VHCP Management II, LLC

Its: General Partner

By: /s/ David Stepp

Name: David Stepp

Title: Chief Compliance Officer

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

VHCP CO-INVESTMENT HOLDINGS II, LLC

By: VHCP Management II, LLC

Its: Manager

By: /s/ David Stepp

Name: David Stepp

Title: Chief Compliance Officer

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]



IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

BlackRock Health Sciences Master Unit Trust

By: BlackRock Capital Management, Inc.

Its: Investment Adviser

By: /s/ Hongying Erin Xie

Name: Hongying Erin Xie

Title: Managing Director

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

BlackRock Health Sciences Trust

By: BlackRock Advisors, LLC

Its: Investment Adviser

By: /s/ Hongying Erin Xie

Name: Hongying Erin Xie

Title: Managing Director

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

BlackRock Health Sciences Opportunities Portfolio, a series of  
BlackRock Funds

By: BlackRock Advisors, LLC  
Its: Investment Adviser

By: /s/ Hongying Erin Xie

Name: Hongying Erin Xie

Title: Managing Director

Address: \_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

**TEKLA HEALTHCARE INVESTORS**

By: /s/ Laura Woodward

Name: Laura Woodward

Title: Treasurer

Address: 100 Federal Street, 19th Floor  
Boston, MA 02110

Fax: 617-772-8577

\* The name Tekla Healthcare Investors is the designation of the Trustees for the time being under an Amended & Restated Declaration of Trust dated April 12, 1987, as amended, and all persons dealing with Tekla Healthcare Investors must look solely to the trust property for the enforcement of any claim against Tekla Healthcare Investors, as neither the Trustees, officers nor shareholders assume any personal liability for the obligations entered into on behalf of Tekla Healthcare Investors.

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

**TEKLA LIFE SCIENCES INVESTORS**

By: /s/ Laura Woodward

Name: Laura Woodward

Title: Treasurer

Address: 100 Federal Street, 19th Floor  
Boston, MA 02110

Fax: 617-772-8577

\* The name Tekla Life Sciences Investors is the designation of the Trustees for the time being under an Amended & Restated Declaration of Trust dated February 20, 1992, as amended, and all persons dealing with Tekla Life Sciences Investors must look solely to the trust property for the enforcement of any claim against Tekla Life Sciences Investors, as neither the Trustees, officers nor shareholders assume any personal liability for the obligations entered into on behalf of Tekla Life Sciences Investors.

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

**Redmile Capital Fund, LP**

By: /s/ Jeremy Green  
Name: Jeremy Green  
Title: Managing Member of the General Partner and the  
Investment Manager

Address: One Letterman Dr., Bldg D, Ste. D3-300  
San Francisco, CA 94129

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

**Redmile Capital Offshore Fund II, Ltd.**

By: /s/ Jeremy Green  
Name: Jeremy Green  
Title: Managing Member of the Investment Manager

Address: One Letterman Dr., Bldg D, Ste. D3-300  
San Francisco, CA 94129

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

**Redmile Capital Offshore Fund, Ltd.**

By: /s/ Jeremy Green  
Name: Jeremy Green  
Title: Managing Member of the Investment Manager

Address: One Letterman Dr., Bldg D, Ste. D3-300  
San Francisco, CA 94129

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]



IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

**Redmile Special Opportunities Fund, Ltd.**

By: /s/ Jeremy Green  
Name: Jeremy Green  
Title: Managing Member of the Investment Manager

Address: One Letterman Dr., Bldg D, Ste. D3-300  
San Francisco, CA 94129

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

CORMORANT GLOBAL HEALTHCARE MASTER FUND,  
LP

By: /s/ Bihua Chen  
Name: Bihua Chen  
Title: Managing Member of the General Partner

Address: 200 Clarendon Street 52<sup>nd</sup> Floor  
Boston, MA 02116

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

CASDIN PARTNERS MASTER FUND LP

By: /s/ Eli Casdin

Name: Eli Casdin

Title: Managing Partner

Address: 1345 Avenue of the Americas  
Suite 1140  
New York, NY 10019

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

DEERFIELD SPECIAL SITUATIONS FUND, L.P.

By: Deerfield Mgmt, L.P.  
General Partner

By: J.E. Flynn Capital, LLC  
General Partner

By: /s/ David J. Clark  
Name: David J. Clark  
Title: Authorized Signatory

Address: \_\_\_\_\_  
\_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.

By: Deerfield Mgmt III, L.P.  
General Partner

By: J.E. Flynn Capital III, LLC  
General Partner

By: /s/ David J. Clark  
Name: David J. Clark  
Title: Authorized Signatory

Address: \_\_\_\_\_  
\_\_\_\_\_

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

Hadley Harbor Master Investors (Cayman) L.P.

By: Wellington Management Company LLP, as  
investment adviser

By: /s/ Emily Babalas

Name: Emily Babalas

Title: Managing Director & Counsel

Address: Hadley Harbor Master Investors  
(Cayman) L.P.  
c/o Wellington Management Company LLP  
Attention: Legal and Compliance Dept.  
280 Congress Street  
Boston, Massachusetts 02110  
Facsimile Number: 617-289-5699  
Email address: [secclaw@wellington.com](mailto:secclaw@wellington.com)

[Signature Page to Amended and Restated Investors' Rights Agreement of CytomX Therapeutics, Inc.]

## Schedule A

### Investors

**CytomX Therapeutics Holdings, LLC\***

c/o Reicker, Pfau, Pyle & McRoy LLP  
Attn: Alan J. Heeger, Manager  
1421 State Street, Suite B  
Santa Barbara, CA 93101  
Email: [ajhel@physics.ucsb.edu](mailto:ajhel@physics.ucsb.edu)

\*A copy of all notices sent to CytomX Therapeutics Holdings, LLC shall be sent to the following:

CytomX Therapeutics Holdings, LLC  
c/o Reicker, Pfau, Pyle & McRoy LLP  
Attn: Michael Pfau  
1421 State Street, Suite B  
Santa Barbara, CA 93101  
Email: [mpfau@rppmh.com](mailto:mpfau@rppmh.com)

**Third Rock Ventures, L.P.**

29 Newbury Street, 3rd Floor  
Boston, MA 02116  
Phone: (617) 585-2000

**Roche Finance Ltd\*\***

Grenzacherstrasse 122  
4070 Basel, Switzerland  
Facsimile. 01141 61 687 0644  
Attn: Carole Nuechterlein, Corporate Finance  
Email: [carole.nuechterlein@roche.com](mailto:carole.nuechterlein@roche.com)

\*\*A copy of all notices sent to Roche Finance Ltd shall be sent to the following:

Hoffmann-La Roche Inc.  
Overlook at Great Notch  
150 Clove Road, 8<sup>th</sup> Floor – Suite 8  
Little Falls, NJ 07424  
Attn: General Counsel Facsimile. 973-890-8433

and

Simon Greenwood  
Genentech, Inc.  
1 DNA Way  
South San Francisco, CA 94080  
Email: [greenwood.simon@gene.com](mailto:greenwood.simon@gene.com)

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**Canaan IX L.P.**

285 Riverside Avenue, Suite 250  
Westport, CT 06880  
Facsimile : 203-584-9117  
Email : tshannon@canaan.com

**Alexandria Equities, LLC**

385 E. Colorado Blvd., Suite 299  
Pasadena, CA 91101  
Email: investments@are.com

**Pfizer Inc.\*\*\***

Attn: Elaine V. Jones  
235 E. 42nd Street  
New York, NY 10017  
Facsimile: 212-733-2333

\*\*\*A copy of all notices sent to Pfizer Inc. shall be sent to the following:

Pfizer Inc.  
Attn: Andrew Muratore  
235 E. 42nd Street  
New York, NY 10017  
Facsimile: 212-733-2333

And

Ropes & Gray LLP  
Attn: Lowell Segal  
1900 University Avenue  
6th Floor  
East Palo Alto, CA 94303

**Fidelity Select Portfolios: Biotechnology Portfolio**

Brown Brothers Harriman & Co.  
525 Washington Blvd  
Jersey City NJ 07310  
Attn: Michael Lerman 15th Floor  
Corporate Actions  
Email: michael.lerman@bbh.com  
Fax number: 617 772-2418

**Fidelity Advisor Series VII: Fidelity Advisor Biotechnology Fund**

State Street Bank & Trust  
PO Box 5756  
Boston, Massachusetts 02206  
Attn: Bangle & Co fbo Fidelity Advisor Series VII: Fidelity Advisor Biotechnology Fund  
Email: SSBCORP ACTIONS@StateStreet.com  
Fax number: 617-988-9110



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**Fidelity Growth Company Commingled Pool**

Brown Brothers Harriman & Co.  
525 Washington Blvd  
Jersey City NJ 07310  
Attn: Michael Lerman 15th Floor  
Corporate Actions  
Email: michael.lerman@bbh.com  
Fax number: 617 772-2418

**Fidelity Mt. Vernon Street Trust: Fidelity Series Growth Company Fund**

State Street Bank & Trust  
PO Box 5756  
Boston, Massachusetts 02206  
Attn: WAVELENGTH + CO Fidelity Mt. Vernon Street Trust: Fidelity Series Growth Company Fund  
Email: SSBCORP ACTIONS@StateStreet.com  
Fax number: 617-988-9110

**Fidelity Mt. Vernon Street Trust: Fidelity Growth Company Fund**

Ball & Co  
C/o Citibank N.A./Custody  
IC&D Lock Box  
P.O Box 7247-7057  
Philadelphia, P.A 19170-7057  
Account #: 206681  
Email: fidelity.tpacd@citi.com  
Fax number: 813-604-1415

**Fidelity Securities Fund: Fidelity Series Small Cap Opportunities Fund - Healthcare Sub**

Brown Brothers Harriman & Co.  
525 Washington Blvd  
Jersey City NJ 07310  
Attn: Michael Lerman 15th Floor  
Corporate Actions  
Email: michael.lerman@bbh.com  
Fax number: 617 772-2418

---

**Fidelity Capital Trust: Fidelity Stock Selector Small Cap Fund - Health Care Sub**

Brown Brothers Harriman & Co.  
525 Washington Blvd  
Jersey City NJ 07310  
Attn: Michael Lerman 15th Floor  
Corporate Actions  
Email: michael.lerman@bbh.com  
Fax number: 617 772-2418

**Fidelity Blue Chip Growth Commingled Pool**

Brown Brothers Harriman & Co.  
525 Washington Blvd  
Jersey City NJ 07310  
Attn: Michael Lerman 15th Floor  
Corporate Actions  
Email: michael.lerman@bbh.com  
Fax number: 617 772-2418

**Fidelity Securities Fund: Fidelity Series Blue Chip Growth Fund**

State Street Bank & Trust  
PO Box 5756  
Boston, Massachusetts 02206  
Attn: Wavechart & Co fbo Fidelity Securities Fund: Fidelity Series Blue Chip Growth Fund  
Email: SSBCORP ACTIONS@StateStreet.com  
Fax number: 617-988-9110

**Fidelity Securities Fund: Fidelity Blue Chip Growth Fund**

Ball & Co  
C/o Citibank N.A./Custody  
IC&D Lock Box  
P.O Box 7247-7057  
Philadelphia, P.A 19170-7057  
Account #:849453  
Email: fidelity.tpacd@citi.com  
Fax number: 813-604-1415

**Pyramis Lifecycle Blue Chip Growth Commingled Pool**

State Street Bank & Trust  
PO Box 5756  
Boston, Massachusetts 02206  
Attn: FLAPPER CO fbo Pyramis Lifecycle Blue Chip Growth Commingled Pool  
Email: SSBCORP ACTIONS@StateStreet.com  
Fax number: 617-988-9110

**Fidelity OTC Commingled Pool**

Brown Brothers Harriman & Co.  
525 Washington Blvd  
Jersey City NJ 07310  
Attn: Michael Lerman 15th Floor  
Corporate Actions  
Email: michael.lerman@bbh.com  
Fax number: 617 772-2418

---

**Fidelity Securities Fund: Fidelity OTC Portfolio**

The Northern Trust Company

Attn: Trade Securities Processing, C-1N

801 South Canal Street

Chicago, IL 60607

Fidelity Securities Fund: Fidelity OTC Portfolio

Reference Account # 26-68304

Email: [NTINQUIRY@NTRS.COM](mailto:NTINQUIRY@NTRS.COM)

Fax number: 312-557-5417

**Putnam Global Health Care Fund**

c/o Putnam Investment Management, LLC

One Post Office Square

Boston, MA 02109

Attention: General Counsel

Facsimile: (617) 760-1625

**Putnam Variable Trust – Putnam VT Global Health Care Fund**

c/o Putnam Investment Management, LLC

One Post Office Square

Boston, MA 02109

Attention: General Counsel

Facsimile: (617) 760-1625

**Venrock Healthcare Capital Partners II, L.P.**

Venrock

3340 Hillview Avenue

Palo Alto, CA 94304

**VHCP Co-Investment Holdings II, LLC**

Venrock

3340 Hillview Avenue

Palo Alto, CA 94304

**Titan-Perc LTD**

750 Washington Blvd., 10th Floor

Stamford, CT 06901

**Perceptive Life Sciences Master Fund Ltd**

499 Park Ave., 25th Floor

New York, NY 10022

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**BlackRock Health Sciences Trust**

c/o BlackRock Advisors, LLC  
Fundamental Equity – Global Opportunities Health & Sciences Team  
60 State Street, 19th/20th Floors  
Boston, MA 02109  
Attn: Erin Xie  
Email: erin.xie@blackrock.com

With a copy (which shall not constitute notice) to:

c/o BlackRock, Inc.  
Office of the General Counsel  
40 East 52nd Street  
New York, NY 10022  
Attn: David Maryles and Vincent Taurassi  
Email: legaltransactions@blackrock.com

**BlackRock Health Sciences Opportunities Portfolio, a series of BlackRock Funds**

c/o BlackRock Advisors, LLC  
Fundamental Equity – Global Opportunities Health & Sciences Team  
60 State Street, 19th/20th Floors  
Boston, MA 02109  
Attn: Erin Xie  
Email: erin.xie@blackrock.com

With a copy (which shall not constitute notice) to:

c/o BlackRock, Inc.  
Office of the General Counsel  
40 East 52nd Street  
New York, NY 10022  
Attn: David Maryles and Vincent Taurassi  
Email: legaltransactions@blackrock.com

**BlackRock Health Sciences Master Unit Trust**

c/o BlackRock Advisors, LLC  
Fundamental Equity – Global Opportunities Health & Sciences Team  
60 State Street, 19th/20th Floors  
Boston, MA 02109  
Attn: Erin Xie  
Email: erin.xie@blackrock.com

With a copy (which shall not constitute notice) to:

c/o BlackRock, Inc.  
Office of the General Counsel  
40 East 52nd Street  
New York, NY 10022  
Attn: David Maryles and Vincent Taurassi  
Email: legaltransactions@blackrock.com

**Casdin Partners Master Fund LP**  
1345 Avenue of the Americas, Suite 1140  
New York, NY 10019

**Cormorant Global Healthcare Master Fund, LP**  
Cormorant Asset Management LLC  
200 Clarendon Street 52nd Floor  
Boston MA 02116  
Attn: Bihua Chen, Managing Member of the General Partner  
Phone: (857) 702-0388

**Tekla Healthcare Investors**  
100 Federal Street, 19<sup>th</sup> Floor  
Boston, MA 02110  
Facsimile: 617-772-8577

**Tekla Life Sciences Investors**  
100 Federal Street, 19<sup>th</sup> Floor  
Boston, MA 02110  
Facsimile: 617-772-8577

**Redmile Capital Fund, LP**  
c/o Redmile Group, LLC  
One Letterman Drive, Bldg. D, Suite D3-300  
San Francisco, CA 94129  
T / 415.489.9984

**Redmile Capital Offshore Fund, Ltd.**  
c/o Redmile Group, LLC  
One Letterman Drive, Bldg. D, Suite D3-300  
San Francisco, CA 94129  
T / 415.489.9984

**Redmile Capital Offshore Fund II, Ltd.**  
c/o Redmile Group, LLC  
One Letterman Drive, Bldg. D, Suite D3-300  
San Francisco, CA 94129  
T / 415.489.9984

**Redmile Special Opportunities Fund, Ltd.**  
c/o Redmile Group, LLC  
One Letterman Drive, Bldg. D, Suite D3-300  
San Francisco, CA 94129  
T / 415.489.9984

**ATEL Ventures, Inc., as Trustee**  
600 Montgomery Street, 9<sup>th</sup> Floor  
San Francisco, CA 94111

**Steve Rea**

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**Deerfield Special Situations Fund, L.P.**

Deerfield Management Company, L.P.

780 Third Avenue, 37<sup>th</sup> Floor

New York, NY 10017

Attention: Structured Products

**Deerfield Private Design Fund III, L.P.**

Deerfield Management Company, L.P.

780 Third Avenue, 37<sup>th</sup> Floor

New York, NY 10017

Attention: Structured Products

**Hadley Harbor Master Investors (Cayman) L.P.**

c/o Wellington Management Company LLP

280 Congress Street

Boston, MA 02210

Attn: Legal and Compliance Dept.

Facsimile: 617-289-5699

Email: [seclaw@wellington.com](mailto:seclaw@wellington.com)

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

WARRANT TO PURCHASE PREFERRED STOCK

Issuer: CYTOMX THERAPEUTICS, INC., a Delaware corporation  
 Number of Shares: 1,940,319 Shares (or as otherwise determined in Section 1 below)  
 Class of Stock: Series B-1 Preferred Stock, \$0.00001 par value  
 Exercise Price: \$0.048961 per Share  
 Issue Date: May 31, 2012  
 Expiration Date: The earlier of (i) the tenth anniversary of the Issue Date and (ii) the closing of the first public offering of the Company's Common Stock

THIS WARRANT CERTIFIES THAT, for the agreed upon value of \$1.00 and for other good and valuable consideration, including the execution and delivery of that certain Master Loan and Security Agreement No. CYTOX, dated as of May 31, 2012, (the "Loan"), this Warrant is issued to ATEL VENTURES, INC., in its capacity as Trustee for its assignee affiliated funds identified in that certain Amendment and Restatement of Inter-Company Trust Agreement for Warrants dated as of January 1, 2007, as amended by Amendment No. 1 dated as of March 15, 2010, and as may be further amended and restated from time to time, and deemed effective as of July 20, 2004 ("Holder"), by CYTOMX THERAPEUTICS, INC., a Delaware corporation (the "Company").

1. ISSUANCE

Subject to the terms and conditions hereinafter set forth and in Section 3(c) of the Loan, the Holder is entitled upon surrender of this Warrant and the duly executed subscription form annexed hereto as Appendix 1, at the office of the Company, 650 Gateway Blvd., Suite 125, South San Francisco, CA 94080, or such other office as the Company shall notify the Holder of in writing, to purchase from the Company up to shares 1,940,319 of fully paid and non-assessable shares (the "Shares") of the Company's Series B-1 Preferred Stock, \$0.00001 par value per share ("Series B-1 Preferred Stock"), at a purchase price per Share of \$0.048961 (the "Exercise Price"). This Warrant may be exercised in whole or in part at any time and from time to time until 5:00 PM, Pacific time, on the Expiration Date set forth above, and shall be void thereafter. Until such time as this Warrant is exercised in full or expires, the Exercise Price and the Shares are subject to adjustment from time to time as hereinafter provided.

2. EXERCISE

(a) Method of Exercise. Holder may exercise this Warrant by delivering this Warrant, together with a duly executed Notice of Exercise in substantially the form attached as Appendix 1 hereto, to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Section 2(b), Holder shall also deliver to the Company a check for the aggregate Exercise Price for the Shares being purchased.

(b) Conversion Right. In lieu of exercising this Warrant as specified in Section 2(a), Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined as follows:

$$X = \frac{Y(A-B)}{A}$$

where:

X = the number of Shares to be issued to the Holder.

Y= the number of Shares with respect to which this Warrant is being exercised.

A= the Fair Market Value (as determined pursuant to Section 2 (c) below) of one Share.

B= the Exercise Price.

(c) Fair Market Value.

(i) If shares of Common Stock are traded on a nationally recognized securities exchange or over the counter market, the fair market value of one Share shall be the average closing price of a share of Common Stock over the ten day trading period immediately preceding the date of Holder's Notice of Exercise to the Company (or such lesser number of trading days as the stock has been publicly traded). Notwithstanding the foregoing, in the event the Warrant is exercised in connection with the Company's initial public offering of Common Stock, the fair market value per Share shall be the product of (i) the per share offering price to the public of the Company's initial public offering, and (ii) the number of shares of Common Stock into which each Share of Preferred Stock is convertible at the time of exercise.

(ii) If shares of Common Stock are not traded on a nationally recognized securities exchange or over the counter market, the Board of Directors of the Company shall determine the fair market value of a share of Common Stock in its reasonable good faith judgment. The foregoing notwithstanding, if Holder advises the Board of Directors in writing that Holder disagrees with such determination and such determination is inconsistent with the most recent appraisal for Internal Revenue Code Section 409A purposes conducted for the Company by a third party valuation firm or no such appraisal has been conducted within the six (6) months prior to the date of such determination, then the Company and Holder shall promptly agree upon a reputable investment banking firm to undertake such valuation. If the valuation of such investment banking firm is greater than that determined by the Board of Directors by twenty-five percent (25%) or more, then all reasonable, documented, out-of-pocket fees and expenses of such investment banking firm shall be paid by the Company. In all other circumstances, such fees and expenses shall be paid by Holder. The determination of any such investment banking firm shall be conclusive in any event.

(d) Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the right to purchase the Shares not so acquired.



(e) Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

(f) Assumption on Sale, Merger, or Consolidation of the Company.

(i) “Acquisition”. For the purpose of this Warrant, “Acquisition” means any sale, transfer, exclusive license, or other disposition of all or substantially all of the assets of the Company, or any acquisition, reorganization, consolidation or merger of the Company where the holders of the Company’s outstanding voting equity securities immediately prior to the transaction beneficially own less than 50.00% of the outstanding voting equity securities of the surviving or successor entity immediately following the transaction.

(ii) Treatment of Warrant at Acquisition.

(A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition in which the sole consideration is cash, either (1) Holder shall exercise its conversion or purchase right under this Warrant concurrent with or immediately prior to such Acquisition and such exercise will be deemed effective immediately prior to the consummation of such Acquisition, or (2) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition. In the event that, on the date of the Acquisition described in this Section 2(f)(ii)(A) the Fair Market Value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 2(c) above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 2(b) above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

(B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is a sale of all or substantially all of the Company’s assets (and only its assets) (an “Asset Sale”), either (1) Holder shall exercise its conversion or purchase right under this Warrant concurrent with or immediately prior to such Acquisition and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (2) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(C) Holder agrees that upon the closing of any Acquisition (other than those described in (A) and (B) of this Section 2(f)(ii)), including Acquisitions in which the sole Acquisition consideration is shares of a class or series of stock of a company that is privately or publicly traded, or any combination of cash or such shares of stock, the Company shall either:

(1) cause the successor entity to assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and its subsequent closing (in such instance, the Warrant Price and/or numbers of Shares shall be adjusted accordingly), or

(2) purchase this Warrant on the closing date of the Acquisition for an amount in cash equal to the greater of (i) the product of (A) the number of Shares issuable upon exercise of the unexercised portion of this Warrant, multiplied by (B) the excess (if any) of the Fair Market Value of a Warrant Share over the Exercise Price or (ii) three times (3x) the Exercise Price less the Exercise Price. The Fair Market Value of a Warrant share shall be determined as set forth in Section 2(c).

(g) Conversion or Redemption of Series B-1 Preferred Stock. Should all of the Company's Series B-1 Preferred Stock be, or if outstanding would be, at any time prior to the expiration of the Warrant or any portion thereof, redeemed or converted into shares of the Company's Common Stock in accordance with Section 4 or 5 of the Charter, then this Warrant shall become immediately exercisable prior to such event for that number of shares of the Common Stock that would have been received if this Warrant had been exercised in full and the Series B-1 Preferred Stock received thereupon had been simultaneously converted immediately prior to such event, and the Exercise Price shall immediately be adjusted to equal the quotient obtained by dividing (x) the aggregate Exercise Price of the maximum number of shares of Series B-1 Preferred Stock for which this Warrant was exercisable immediately prior to such conversion or redemption, by (y) the number of shares of Common Stock for which this Warrant is exercisable immediately after such conversion or redemption. For purposes of the forgoing, the "Charter" shall mean the Certificate of Incorporation as amended and /or restated and effective immediately prior to the redemption or conversion of all of the Company's Series B-1 Preferred Stock.

### 3. ADJUSTMENTS.

(a) Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the outstanding shares of Series B-1 Preferred Stock, payable in Common Stock or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the outstanding Series B-2 Preferred Stock is subdivided into a greater number of shares, the Exercise Price shall be proportionately decreased and the number of Shares shall be proportionately increased.

(b) Reclassification, Exchange or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 3 including, without limitation, adjustments to the Exercise Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 3(b) shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

(c) Adjustments for Combinations, Etc. If the outstanding shares of Series B-1 Preferred Stock are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Exercise Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

(d) No Impairment. The Company shall not, by amendment of the Charter or Bylaws, or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Section 3 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

(e) Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise or conversion of this Warrant, the Company shall eliminate such fractional Share interest by paying Holder an amount computed by multiplying such fractional interest by the Fair Market Value (determined in accordance with Section 2(c) above) of one Share.

(f) Certificate as to Adjustments. Upon each adjustment of the Exercise Price, number of Shares or class of security for which this Warrant is exercisable, the Company, at its expense, shall promptly compute such adjustment, and furnish Holder with a certificate of its chief financial officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Exercise Price, number of Shares class of security for which this Warrant is exercisable in effect upon the date thereof and the series of adjustments leading to such Exercise Price, number of Shares and class of security.

#### 4. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

(a) Representations and Warranties. The Company hereby represents and warrants to Holder as follows:

(i) All Shares which may be issued upon the due exercise of this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(ii) The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued shares such number of shares of its Preferred Stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion or exchange of such Preferred Stock into or for such other securities.

(iii) The execution and delivery by the Company of this Warrant and the performance of all obligations of the Company hereunder, including the issuance to Holder of the right to acquire the shares of Preferred Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Loan and this Warrant are not inconsistent with the Company's Charter or Bylaws, do not contravene any material law or material governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Loan and this Warrant constitute legal, valid and binding agreements of the Company, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(iv) No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, Federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for the filing of notices pursuant to Regulation D under the 1933 Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(b) Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon its Common Stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of Common Stock any additional shares of stock of any class or series or other rights; (c) to effect any reclassification or recapitalization of its Common Stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of securities of the Company shall be entitled to receive such dividend, distribution or rights) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of securities of the Company will be entitled to exchange their securities of the Company for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

(c) Information Rights. So long as the Holder holds this Warrant and/or any of the Shares, the Company shall deliver to the Holder (a) promptly after mailing, copies of all

notices or other written communications to the stockholders of the Company, (b) when made available to the holders of Preferred Stock the annual audited financial statements of the Company certified by independent public accountants of recognized standing, and (c) such other financial statements required under and in accordance with the Loan documents between Holder and the Company or if there are no such requirements (or if the subject Loan(s) no longer are outstanding), then when made available to the holders of Preferred Stock the Company's quarterly, unaudited financial statements, provided, however, the Company also agrees to deliver quarterly, unaudited financial statements to Holder upon Holder's request.

(d) Registration Under Securities Act of 1933, as Amended. The Company agrees to amend the Amended and Restated Investors' Rights Agreement dated as of September 22, 2010 (the "Investors' Rights Agreement"), to make Holder a party thereto. Failure to provide so amend the Investors' Rights Agreement within ninety (90) days of Holder's request, shall, at Holder's option, be an Event of Default under the Loan. Notwithstanding anything to the contrary in the Investors' Rights Agreement, such registration rights shall be pari passu with the rights of all other Holders, as defined therein, and the Company shall obtain the requisite prior written consent of the Holders as provided in Section 6.6 of the Investors' Rights Agreement to ensure Holder receives such pari passu registration rights. Upon becoming a party to the Investors' Rights Agreement, Holder agrees to be bound by the Market Stand-Off Agreement set forth in Section 2.11 thereof. The Company represents and warrants to Holder that the Company's execution, delivery and performance of such Investors' Rights Agreement (a) has been duly authorized by all necessary corporate action of the Company's Board of Directors and stockholders, (b) does not and will not violate the Company's Charter or Bylaws, each as amended, (c) does not and will not violate or cause a breach or default (or an event which with the passage of time or the giving of notice or both, would constitute a breach or default) under any agreement, instrument, mortgage, deed of trust or other arrangement to which the Company is a party or to or by which it or any of its assets is subject or bound, and (d) does not require the approval, consent or waiver of or by any stockholder, registration rights holder or other third party which approval, consent or waiver has not been obtained as of the date of issuance of this Warrant.

#### 5. MISCELLANEOUS.

(a) Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the Fair Market Value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 2(c) above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 2(b) above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

(b) Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A VOTING AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT VOTING AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN.

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT BY AND AMONG THE STOCKHOLDER, THE CORPORATION AND CERTAIN OTHER HOLDERS OF STOCK OF THE CORPORATION AS THE SAME MAY BE AMENDED FROM TIME TO TIME. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND/OR APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

(b) Compliance with Securities Laws on Transfer. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder or if (a) there is no material question as to the availability of current information as referenced in Rule 144(c), (b) Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, (c) the selling broker represents that it has complied with Rule 144(f), and (d) the Company is provided with a copy of Holder's notice of proposed sale.

(c) Transfer Procedure. Subject to the provisions of Section 5(c), Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) at any time to any affiliate of Holder by giving the Company notice of the portion of the Warrant being transferred setting forth the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).

(d) Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or sent by electronic facsimile transmission, express overnight courier service, or mailed by first-class registered or certified mail, postage prepaid. In all cases, unless instructed in writing otherwise, the Holder shall deliver a copy of all notices to the Company at 650 Gateway Blvd., Suite 125, South San Francisco, CA 94080, Attention: Gregory Wilson, CFO, with a copy, which shall not constitute

notice to O'Melveny & Myers LLP, 2765 Sand Hill Road, Menlo Park, CA 94025-7019, Attention: Samuel Zucker. In all cases, unless instructed in writing otherwise, the Company shall deliver a copy of all notices to Holder at 600 California Street, 6<sup>th</sup> Floor, San Francisco CA 94108, Attention: Associate General Counsel.

(e) Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(h) Remedies. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity or by action at law, including, but not limited to, an action for damages as a result of any such default, and/or an action for specific performance for any default where Holder will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Holder or any other person entitled to the benefit of this Warrant requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Warrant.

(i) Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

(j) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Preferred Stock to be executed by its duly authorized representative as of the date first above written.

**COMPANY**

CYTOMX THERAPEUTICS, INC.

By: /s/ Gregory E. Wilson

Name: Gregory E. Wilson

Title: CFO

**HOLDER**

ATEL VENTURES, INC., Trustee

By: /s/ Paritosh K. Choksi

Name: Paritosh K. Choksi

Title: Executive Vice President



APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned hereby elects to purchase Series B-1 Shares of CytomX Therapeutics, Inc. pursuant to Section 2(a) of the attached Warrant, and tenders herewith payment of the Exercise Price of such shares in full.

2. The undersigned hereby elects to convert the attached Warrant into Shares in the manner specified in Section 2(b) of the attached Warrant. This conversion is exercised with respect to \_\_\_\_\_ of the Series B-1 Preferred Shares of CytomX Therapeutics, Inc..

[Strike paragraph that does not apply.]

3. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(Name)

\_\_\_\_\_

\_\_\_\_\_  
(Address)

4. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

WARRANT TO PURCHASE PREFERRED STOCK

Issuer: CYTOMX THERAPEUTICS, INC., a Delaware corporation  
 Number of Shares: 291,048 Shares (or as otherwise determined in Section 1 below)  
 Class of Stock: Series B-1 Preferred Stock, \$0.00001 par value  
 Exercise Price: \$0.048961 per Share  
 Issue Date: January 31, 2013  
 Expiration Date: The earlier of (i) the tenth anniversary of the Issue Date and (ii) the closing of the first public offering of the Company's Common Stock

THIS WARRANT CERTIFIES THAT, for the agreed upon value of \$1.00 and for other good and valuable consideration, including the execution and delivery of that certain Master Loan and Security Agreement No. CYTOX, dated as of May 31, 2012, as amended by Amendment No. 1 dated as of January 31, 2013, (the "Loan"), this Warrant is issued to ATEL VENTURES, INC., in its capacity as Trustee for its assignee affiliated funds identified in that certain Amendment and Restatement of Inter-Company Trust Agreement for Warrants dated as of January 1, 2007, as amended by Amendment No. 1 dated as of March 15, 2010, and as may be further amended and restated from time to time, and deemed effective as of July 20, 2004 ("Holder"), by CYTOMX THERAPEUTICS, INC., a Delaware corporation (the "Company").

1. ISSUANCE.

Subject to the terms and conditions hereinafter set forth and in Section 3(c) of the Loan, the Holder is entitled upon surrender of this Warrant and the duly executed subscription form annexed hereto as Appendix 1, at the office of the Company, 650 Gateway Blvd., Suite 125, South San Francisco, CA 94080, or such other office as the Company shall notify the Holder of in writing, to purchase from the Company up to 291,048 shares of fully paid and non-assessable shares (the "Shares") of the Company's Series B-1 Preferred Stock, \$0.00001 par value per share ("Series B-1 Preferred Stock"), at a purchase price per Share of \$0.048961 (the "Exercise Price"). This Warrant may be exercised in whole or in part at any time and from time to time until 5:00 PM, Pacific time, on the Expiration Date set forth above, and shall be void thereafter. Until such time as this Warrant is exercised in full or expires, the Exercise Price and the Shares are subject to adjustment from time to time as hereinafter provided.

2. EXERCISE

(a) Method of Exercise. Holder may exercise this Warrant by delivering this Warrant, together with a duly executed Notice of Exercise in substantially the form attached as Appendix 1 hereto, to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Section 2(b), Holder shall also deliver to the Company a check for the aggregate Exercise Price for the Shares being purchased.

(b) Conversion Right. In lieu of exercising this Warrant as specified in Section 2(a), Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined as follows:

$$X = \frac{Y(A-B)}{A}$$

where:

X = the number of Shares to be issued to the Holder.

Y= the number of Shares with respect to which this Warrant is being exercised.

A= the Fair Market Value (as determined pursuant to Section 2 (c) below) of one Share.

B= the Exercise Price.

(c) Fair Market Value.

(i) If shares of Common Stock are traded on a nationally recognized securities exchange or over the counter market, the fair market value of one Share shall be the average closing price of a share of Common Stock over the ten day trading period immediately preceding the date of Holder's Notice of Exercise to the Company (or such lesser number of trading days as the stock has been publicly traded). Notwithstanding the foregoing, in the event the Warrant is exercised in connection with the Company's initial public offering of Common Stock, the fair market value per Share shall be the product of (i) the per share offering price to the public of the Company's initial public offering, and (ii) the number of shares of Common Stock into which each Share of Preferred Stock is convertible at the time of exercise.

(ii) If shares of Common Stock are not traded on a nationally recognized securities exchange or over the counter market, the Board of Directors of the Company shall determine the fair market value of a share of Common Stock in its reasonable good faith judgment. The foregoing notwithstanding, if Holder advises the Board of Directors in writing that Holder disagrees with such determination and such determination is inconsistent with the most recent appraisal for Internal Revenue Code Section 409A purposes conducted for the Company by a third party valuation firm or no such appraisal has been conducted within the six (6) months prior to the date of such determination, then the Company and Holder shall promptly agree upon a reputable investment banking firm to undertake such valuation. If the valuation of such investment banking firm is greater than that determined by the Board of Directors by twenty-five percent (25%) or more, then all reasonable, documented, out-of-pocket fees and expenses of such investment banking firm shall be paid by the Company. In all other circumstances, such fees and expenses shall be paid by Holder. The determination of any such investment banking firm shall be conclusive in any event.

(d) Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the right to purchase the Shares not so acquired.

(e) Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

(f) Assumption on Sale, Merger, or Consolidation of the Company.

(i) “Acquisition”. For the purpose of this Warrant, “Acquisition” means any sale, transfer, exclusive license, or other disposition of all or substantially all of the assets of the Company, or any acquisition, reorganization, consolidation or merger of the Company where the holders of the Company’s outstanding voting equity securities immediately prior to the transaction beneficially own less than 50.00% of the outstanding voting equity securities of the surviving or successor entity immediately following the transaction.

(ii) Treatment of Warrant at Acquisition.

(A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition in which the sole consideration is cash, either (1) Holder shall exercise its conversion or purchase right under this Warrant concurrent with or immediately prior to such Acquisition and such exercise will be deemed effective immediately prior to the consummation of such Acquisition, or (2) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition. In the event that, on the date of the Acquisition described in this Section 2(f)(ii)(A) the Fair Market Value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 2(c) above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 2(b) above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

(B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is a sale of all or substantially all of the Company’s assets (and only its assets) (an “Asset Sale”), either (1) Holder shall exercise its conversion or purchase right under this Warrant concurrent with or immediately prior to such Acquisition and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (2) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(C) Holder agrees that upon the closing of any Acquisition (other than those described in (A) and (B) of this Section 2(f)(ii)), including Acquisitions in which the sole Acquisition consideration is shares of a class or series of stock of a company that is privately or publicly traded, or any combination of cash or such shares of stock, the Company shall either:

(1) cause the successor entity to assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and its subsequent closing (in such instance, the Warrant Price and/or numbers of Shares shall be adjusted accordingly), or

(2) purchase this Warrant on the closing date of the Acquisition for an amount in cash equal to the greater of (i) the product of (A) the number of Shares issuable upon exercise of the unexercised portion of this Warrant, multiplied by (B) the excess (if any) of the Fair Market Value of a Warrant Share over the Exercise Price or (ii) three times (3x) the Exercise Price less the Exercise Price. The Fair Market Value of a Warrant share shall be determined as set forth in Section 2(c).

(g) Conversion or Redemption of Series B-1 Preferred Stock. Should all of the Company's Series B-1 Preferred Stock be, or if outstanding would be, at any time prior to the expiration of the Warrant or any portion thereof, redeemed or converted into shares of the Company's Common Stock in accordance with Section 4 or 5 of the Charter, then this Warrant shall become immediately exercisable prior to such event for that number of shares of the Common Stock that would have been received if this Warrant had been exercised in full and the Series B-1 Preferred Stock received thereupon had been simultaneously converted immediately prior to such event, and the Exercise Price shall immediately be adjusted to equal the quotient obtained by dividing (x) the aggregate Exercise Price of the maximum number of shares of Series B-1 Preferred Stock for which this Warrant was exercisable immediately prior to such conversion or redemption, by (y) the number of shares of Common Stock for which this Warrant is exercisable immediately after such conversion or redemption. For purposes of the forgoing, the "Charter" shall mean the Certificate of Incorporation as amended and /or restated and effective immediately prior to the redemption or conversion of all of the Company's Series B-1 Preferred Stock.

### 3. ADJUSTMENTS.

(a) Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the outstanding shares of Series B-1 Preferred Stock, payable in Common Stock or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the outstanding Series B-2 Preferred Stock is subdivided into a greater number of shares, the Exercise Price shall be proportionately decreased and the number of Shares shall be proportionately increased.

(b) Reclassification, Exchange or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 3 including, without limitation, adjustments to the Exercise Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 3(b) shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

(c) Adjustments for Combinations, Etc. If the outstanding shares of Series B-1 Preferred Stock are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Exercise Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

(d) No Impairment. The Company shall not, by amendment of the Charter or Bylaws, or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Section 3 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

(e) Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise or conversion of this Warrant, the Company shall eliminate such fractional Share interest by paying Holder an amount computed by multiplying such fractional interest by the Fair Market Value (determined in accordance with Section 2(c) above) of one Share.

(f) Certificate as to Adjustments. Upon each adjustment of the Exercise Price, number of Shares or class of security for which this Warrant is exercisable, the Company, at its expense, shall promptly compute such adjustment, and furnish Holder with a certificate of its chief financial officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Exercise Price, number of Shares class of security for which this Warrant is exercisable in effect upon the date thereof and the series of adjustments leading to such Exercise Price, number of Shares and class of security.

#### 4. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

(a) Representations and Warranties. The Company hereby represents and warrants to Holder as follows:

(i) All Shares which may be issued upon the due exercise of this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(ii) The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued shares such number of shares of its Preferred Stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion or exchange of such Preferred Stock into or for such other securities.

(iii) The execution and delivery by the Company of this Warrant and the performance of all obligations of the Company hereunder, including the issuance to Holder of the right to acquire the shares of Preferred Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Loan and this Warrant are not inconsistent with the Company's Charter or Bylaws, do not contravene any material law or material governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Loan and this Warrant constitute legal, valid and binding agreements of the Company, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(iv) No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, Federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for the filing of notices pursuant to Regulation D under the 1933 Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(b) Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon its Common Stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of Common Stock any additional shares of stock of any class or series or other rights; (c) to effect any reclassification or recapitalization of its Common Stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of securities of the Company shall be entitled to receive such dividend, distribution or rights) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of securities of the Company will be entitled to exchange their securities of the Company for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

(c) Information Rights. So long as the Holder holds this Warrant and/or any of the Shares, the Company shall deliver to the Holder (a) promptly after mailing, copies of all

notices or other written communications to the stockholders of the Company, (b) when made available to the holders of Preferred Stock the annual audited financial statements of the Company certified by independent public accountants of recognized standing, and (c) such other financial statements required under and in accordance with the Loan documents between Holder and the Company or if there are no such requirements (or if the subject Loan(s) no longer are outstanding), then when made available to the holders of Preferred Stock the Company's quarterly, unaudited financial statements, provided, however, the Company also agrees to deliver quarterly, unaudited financial statements to Holder upon Holder's request.

(d) Registration Under Securities Act of 1933, as Amended. The Company agrees to amend the Amended and Restated Investors' Rights Agreement dated as of September 22, 2010 (the "Investors' Rights Agreement"), to make Holder a party thereto. Failure to provide so amend the Investors' Rights Agreement within ninety (90) days of Holder's request, shall, at Holder's option, be an Event of Default under the Loan. Notwithstanding anything to the contrary in the Investors' Rights Agreement, such registration rights shall be pari passu with the rights of all other Holders, as defined therein, and the Company shall obtain the requisite prior written consent of the Holders as provided in Section 6.6 of the Investors' Rights Agreement to ensure Holder receives such pari passu registration rights. Upon becoming a party to the Investors' Rights Agreement, Holder agrees to be bound by the Market Stand-Off Agreement set forth in Section 2.11 thereof. The Company represents and warrants to Holder that the Company's execution, delivery and performance of such Investors' Rights Agreement (a) has been duly authorized by all necessary corporate action of the Company's Board of Directors and stockholders, (b) does not and will not violate the Company's Charter or Bylaws, each as amended, (c) does not and will not violate or cause a breach or default (or an event which with the passage of time or the giving of notice or both, would constitute a breach or default) under any agreement, instrument, mortgage, deed of trust or other arrangement to which the Company is a party or to or by which it or any of its assets is subject or bound, and (d) does not require the approval, consent or waiver of or by any stockholder, registration rights holder or other third party which approval, consent or waiver has not been obtained as of the date of issuance of this Warrant.

#### 5. MISCELLANEOUS.

(a) Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the Fair Market Value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 2(c) above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 2(b) above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

(b) Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.



THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A VOTING AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT VOTING AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN.

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT BY AND AMONG THE STOCKHOLDER, THE CORPORATION AND CERTAIN OTHER HOLDERS OF STOCK OF THE CORPORATION AS THE SAME MAY BE AMENDED FROM TIME TO TIME. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND/OR APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

(b) Compliance with Securities Laws on Transfer. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder or if (a) there is no material question as to the availability of current information as referenced in Rule 144(c), (b) Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, (c) the selling broker represents that it has complied with Rule 144(f), and (d) the Company is provided with a copy of Holder's notice of proposed sale.

(c) Transfer Procedure. Subject to the provisions of Section 5(c), Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) at any time to any affiliate of Holder by giving the Company notice of the portion of the Warrant being transferred setting forth the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).

(d) Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or sent by electronic facsimile transmission, express overnight courier service, or mailed by first-class registered or certified mail, postage prepaid. In all cases, unless instructed in writing otherwise, the Holder shall deliver a copy of all notices to the Company at 650 Gateway Blvd., Suite 125, South San Francisco, CA 94080, Attention: Fletcher Payne, CFO, with a copy, which shall not constitute

notice to O'Melveny & Myers LLP, 2765 Sand Hill Road, Menlo Park, CA 94025-7019, Attention: Samuel Zucker. In all cases, unless instructed in writing otherwise, the Company shall deliver a copy of all notices to Holder at 600 California Street, 6<sup>th</sup> Floor, San Francisco CA 94108, Attention: Associate General Counsel.

(e) Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(h) Remedies. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity or by action at law, including, but not limited to, an action for damages as a result of any such default, and/or an action for specific performance for any default where Holder will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Holder or any other person entitled to the benefit of this Warrant requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Warrant.

(i) Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

(j) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Preferred Stock to be executed by its duly authorized representative as of the date first above written.

**COMPANY**

CYTOMX THERAPEUTICS, INC.

By: /s/ Fletcher Payne

Name: Fletcher Payne

Title: CFO

**HOLDER**

ATEL VENTURES, INC., Trustee

By: /s/ Paritosh K. Choksi

Name: Paritosh K. Choksi

Title: Executive Vice President

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned hereby elects to purchase shares of Series B-1 Preferred Stock of CytomX Therapeutics, Inc. pursuant to Section 2(a) of the attached Warrant, and tenders herewith payment of the Exercise Price of such shares in full.

2. The undersigned hereby elects to convert the attached Warrant into Shares in the manner specified in Section 2(b) of the attached Warrant. This conversion is exercised with respect to \_\_\_\_\_ shares of the Series B-1 Preferred Stock of CytomX Therapeutics, Inc.

[Strike paragraph that does not apply.]

3. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(Name)

\_\_\_\_\_

\_\_\_\_\_  
(Address)

4. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

#### WARRANT TO PURCHASE PREFERRED STOCK

Issuer: CYTOMX THERAPEUTICS, INC., a Delaware corporation  
 Number of Shares: 2,910,480 Shares (or as otherwise determined in Section 1 below)  
 Class of Stock: Series B-1 Preferred Stock, \$0.00001 par value  
 Exercise Price: \$0.048961 per Share  
 Issue Date: December 20, 2013  
 Expiration Date: The earlier of (i) the tenth anniversary of the Issue Date and (ii) the closing of the first public offering of the Company's Common Stock

THIS WARRANT CERTIFIES THAT, for the agreed upon value of \$1.00 and for other good and valuable consideration, including the execution and delivery of that certain Master Loan and Security Agreement No. CYTOY, dated as of December 20, 2013, (the "Loan"), this Warrant is issued to ATEL VENTURES, INC., in its capacity as Trustee for its assignee affiliated funds identified in that certain Amendment and Restatement of Inter-Company Trust Agreement for Warrants dated as of January 1, 2007, as amended by Amendment No. 1 dated as of March 15, 2010 and Amendment No. 2 dated as of July 17, 2013, and as may be further amended and restated from time to time, and deemed effective as of July 20, 2004 ("Holder"), by CYTOMX THERAPEUTICS, INC., a Delaware corporation (the "Company").

#### 1. ISSUANCE

Subject to the terms and conditions hereinafter set forth and in Section 1(d) of the Loan, the Holder is entitled upon surrender of this Warrant and the duly executed subscription form annexed hereto as Appendix 1, at the office of the Company, 343 Oyster Point, Suite 100, South San Francisco, CA 94080, or such other office as the Company shall notify the Holder of in writing, to purchase from the Company up to 2,910,480 shares of fully paid and non-assessable shares (the "Shares") of the Company's Series B-1 Preferred Stock, \$0.00001 par value per share ("Series B-1 Preferred Stock"), at a purchase price per Share of \$0.048961 (the "Exercise Price"). This Warrant may be exercised in whole or in part at any time and from time to time until 5:00 PM, Pacific time, on the Expiration Date set forth above, and shall be void thereafter. Until such time as this Warrant is exercised in full or expires, the Exercise Price and the Shares are subject to adjustment from time to time as hereinafter provided.

#### 2. EXERCISE

(a) Method of Exercise. Holder may exercise this Warrant by delivering this Warrant, together with a duly executed Notice of Exercise in substantially the form attached as Appendix 1 hereto, to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Section 2(b), Holder shall also deliver to the Company a check for the aggregate Exercise Price for the Shares being purchased.

(b) Conversion Right. In lieu of exercising this Warrant as specified in Section 2(a), Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined as follows:

$$X = \frac{Y(A-B)}{A}$$

where:

X = the number of Shares to be issued to the Holder.

Y = the number of Shares with respect to which this Warrant is being exercised.

A = the Fair Market Value (as determined pursuant to Section 2 (c) below) of one Share.

B = the Exercise Price.

(c) Fair Market Value.

(i) If shares of Common Stock are traded on a nationally recognized securities exchange or over the counter market, the fair market value of one Share shall be the average closing price of a share of Common Stock over the ten day trading period immediately preceding the date of Holder's Notice of Exercise to the Company (or such lesser number of trading days as the stock has been publicly traded). Notwithstanding the foregoing, in the event the Warrant is exercised in connection with the Company's initial public offering of Common Stock, the fair market value per Share shall be the product of (i) the per share offering price to the public of the Company's initial public offering, and (ii) the number of shares of Common Stock into which each Share of Preferred Stock is convertible at the time of exercise.

(ii) If shares of Common Stock are not traded on a nationally recognized securities exchange or over the counter market, the Board of Directors of the Company shall determine the fair market value of a share of Common Stock in its reasonable good faith judgment. The foregoing notwithstanding, if Holder advises the Board of Directors in writing that Holder disagrees with such determination and such determination is inconsistent with the most recent appraisal for Internal Revenue Code Section 409A purposes conducted for the Company by a third party valuation firm or no such appraisal has been conducted within the six (6) months prior to the date of such determination, then the Company and Holder shall promptly agree upon a reputable investment banking firm to undertake such valuation. If the valuation of such investment banking firm is greater than that determined by the Board of Directors by twenty-five percent (25%) or more, then all reasonable, documented, out-of-pocket fees and expenses of such investment banking firm shall be paid by the Company. In all other circumstances, such fees and expenses shall be paid by Holder. The determination of any such investment banking firm shall be conclusive in any event.

(d) Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the right to purchase the Shares not so acquired.

(e) Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

(f) Assumption on Sale, Merger, or Consolidation of the Company.

(i) “Acquisition”. For the purpose of this Warrant, “Acquisition” means any sale, transfer, exclusive license, or other disposition of all or substantially all of the assets of the Company, or any acquisition, reorganization, consolidation or merger of the Company where the holders of the Company’s outstanding voting equity securities immediately prior to the transaction beneficially own less than 50.00% of the outstanding voting equity securities of the surviving or successor entity immediately following the transaction.

(ii) Treatment of Warrant at Acquisition.

(A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition in which the sole consideration is cash, either (1) Holder shall exercise its conversion or purchase right under this Warrant concurrent with or immediately prior to such Acquisition and such exercise will be deemed effective immediately prior to the consummation of such Acquisition, or (2) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition. In the event that, on the date of the Acquisition described in this Section 2(f)(ii)(A) the Fair Market Value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 2(c) above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 2(b) above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

(B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is a sale of all or substantially all of the Company’s assets (and only its assets) (an “Asset Sale”), either (1) Holder shall exercise its conversion or purchase right under this Warrant concurrent with or immediately prior to such Acquisition and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (2) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(C) Holder agrees that upon the closing of any Acquisition (other than those described in (A) and (B) of this Section 2(f)(ii)), including Acquisitions in which the sole Acquisition consideration is shares of a class or series of stock of a company that is privately or publicly traded, or any combination of cash or such shares of stock, the Company shall either:

(1) cause the successor entity to assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and its subsequent closing (in such instance, the Warrant Price and/or numbers of Shares shall be adjusted accordingly), or

(2) purchase this Warrant on the closing date of the Acquisition for an amount in cash equal to the greater of (i) the product of (A) the number of Shares issuable upon exercise of the unexercised portion of this Warrant, multiplied by (B) the excess (if any) of the Fair Market Value of a Warrant Share over the Exercise Price or (ii) three times (3x) the Exercise Price less the Exercise Price. The Fair Market Value of a Warrant share shall be determined as set forth in Section 2(c).

(g) Conversion or Redemption of Series B-1 Preferred Stock. Should all of the Company's Series B-1 Preferred Stock be, or if outstanding would be, at any time prior to the expiration of the Warrant or any portion thereof, redeemed or converted into shares of the Company's Common Stock in accordance with Section 4 or 5 of the Charter, then this Warrant shall become immediately exercisable prior to such event for that number of shares of the Common Stock that would have been received if this Warrant had been exercised in full and the Series B-1 Preferred Stock received thereupon had been simultaneously converted immediately prior to such event, and the Exercise Price shall immediately be adjusted to equal the quotient obtained by dividing (x) the aggregate Exercise Price of the maximum number of shares of Series B-1 Preferred Stock for which this Warrant was exercisable immediately prior to such conversion or redemption, by (y) the number of shares of Common Stock for which this Warrant is exercisable immediately after such conversion or redemption. For purposes of the forgoing, the "Charter" shall mean the Certificate of Incorporation as amended and /or restated and effective immediately prior to the redemption or conversion of all of the Company's Series B-1 Preferred Stock.

### 3. ADJUSTMENTS.

(a) Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the outstanding shares of Series B-1 Preferred Stock, payable in Common Stock or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the outstanding Series B-2 Preferred Stock is subdivided into a greater number of shares, the Exercise Price shall be proportionately decreased and the number of Shares shall be proportionately increased.



(b) Reclassification, Exchange or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 3 including, without limitation, adjustments to the Exercise Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 3(b) shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

(c) Adjustments for Combinations, Etc. If the outstanding shares of Series B-1 Preferred Stock are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Exercise Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

(d) No Impairment. The Company shall not, by amendment of the Charter or Bylaws, or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Section 3 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

(e) Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise or conversion of this Warrant, the Company shall eliminate such fractional Share interest by paying Holder an amount computed by multiplying such fractional interest by the Fair Market Value (determined in accordance with Section 2(c) above) of one Share.

(f) Certificate as to Adjustments. Upon each adjustment of the Exercise Price, number of Shares or class of security for which this Warrant is exercisable, the Company, at its expense, shall promptly compute such adjustment, and furnish Holder with a certificate of its chief financial officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Exercise Price, number of Shares class of security for which this Warrant is exercisable in effect upon the date thereof and the series of adjustments leading to such Exercise Price, number of Shares and class of security.

4. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

(a) Representations and Warranties. The Company hereby represents and warrants to Holder as follows:

(i) All Shares which may be issued upon the due exercise of this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(ii) The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued shares such number of shares of its Preferred Stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion or exchange of such Preferred Stock into or for such other securities.

(iii) The execution and delivery by the Company of this Warrant and the performance of all obligations of the Company hereunder, including the issuance to Holder of the right to acquire the shares of Preferred Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Loan and this Warrant are not inconsistent with the Company's Charter or Bylaws, do not contravene any material law or material governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Loan and this Warrant constitute legal, valid and binding agreements of the Company, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(iv) No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, Federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for the filing of notices pursuant to Regulation D under the 1933 Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(b) Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon its Common Stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of Common Stock any additional shares of stock of any class or series or other rights; (c) to effect any reclassification or recapitalization of its Common Stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of securities of the Company shall be entitled to receive such dividend, distribution or rights) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of securities of the Company will be entitled to exchange their securities of the Company for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.

(c) Information Rights. So long as the Holder holds this Warrant and/or any of the Shares, the Company shall deliver to the Holder (a) promptly after mailing, copies of all

notices or other written communications to the stockholders of the Company, (b) when made available to the holders of Preferred Stock the annual audited financial statements of the Company certified by independent public accountants of recognized standing, and (c) such other financial statements required under and in accordance with the Loan documents between Holder and the Company or if there are no such requirements (or if the subject Loan(s) no longer are outstanding), then when made available to the holders of Preferred Stock the Company's quarterly, unaudited financial statements, provided, however, the Company also agrees to deliver quarterly, unaudited financial statements to Holder upon Holder's request.

(d) Registration Under Securities Act of 1933, as Amended. The Company agrees to amend the Amended and Restated Investors' Rights Agreement dated as of September 22, 2010 (the "Investors' Rights Agreement"), to make Holder a party thereto. Failure to provide so amend the Investors' Rights Agreement within ninety (90) days of Holder's request, shall, at Holder's option, be an Event of Default under the Loan. Notwithstanding anything to the contrary in the Investors' Rights Agreement, such registration rights shall be pari passu with the rights of all other Holders, as defined therein, and the Company shall obtain the requisite prior written consent of the Holders as provided in Section 6.6 of the Investors' Rights Agreement to ensure Holder receives such pari passu registration rights. Upon becoming a party to the Investors' Rights Agreement, Holder agrees to be bound by the Market Stand-Off Agreement set forth in Section 2.11 thereof. The Company represents and warrants to Holder that the Company's execution, delivery and performance of such Investors' Rights Agreement (a) has been duly authorized by all necessary corporate action of the Company's Board of Directors and stockholders, (b) does not and will not violate the Company's Charter or Bylaws, each as amended, (c) does not and will not violate or cause a breach or default (or an event which with the passage of time or the giving of notice or both, would constitute a breach or default) under any agreement, instrument, mortgage, deed of trust or other arrangement to which the Company is a party or to or by which it or any of its assets is subject or bound, and (d) does not require the approval, consent or waiver of or by any stockholder, registration rights holder or other third party which approval, consent or waiver has not been obtained as of the date of issuance of this Warrant.

5. MISCELLANEOUS.

(a) Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the Fair Market Value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 2(c) above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 2(b) above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

(b) Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A VOTING AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT VOTING AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN.

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT BY AND AMONG THE STOCKHOLDER, THE CORPORATION AND CERTAIN OTHER HOLDERS OF STOCK OF THE CORPORATION AS THE SAME MAY BE AMENDED FROM TIME TO TIME. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND/OR APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

(b) Compliance with Securities Laws on Transfer. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder or if (a) there is no material question as to the availability of current information as referenced in Rule 144(c), (b) Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, (c) the selling broker represents that it has complied with Rule 144(f), and (d) the Company is provided with a copy of Holder's notice of proposed sale.

(c) Transfer Procedure. Subject to the provisions of Section 5(c), Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) at any time to any affiliate of Holder by giving the Company notice of the portion of the Warrant being transferred setting forth the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).

(d) Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or sent by electronic facsimile transmission, express overnight courier service, or mailed by first-class registered or certified mail, postage prepaid. In all cases, unless instructed in writing otherwise, the Holder shall deliver a copy of all notices to the Company at 343 Oyster Point, Suite 100, South San Francisco, CA 94080, Attention: Fletcher Payne, CFO, with a copy, which shall not constitute notice

notice to O'Melveny & Myers LLP, 2765 Sand Hill Road, Menlo Park, CA 94025-7019, Attention: Samuel Zucker. In all cases, unless instructed in writing otherwise, the Company shall deliver a copy of all notices to Holder at 600 Montgomery Street, 9<sup>th</sup> Floor, San Francisco CA 94111, Attention: Associate General Counsel.

(e) Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(h) Remedies. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity or by action at law, including, but not limited to, an action for damages as a result of any such default, and/or an action for specific performance for any default where Holder will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Holder or any other person entitled to the benefit of this Warrant requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Warrant.

(i) Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

(j) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Preferred Stock to be executed by its duly authorized representative as of the date first above written.

**COMPANY**

CYTOMX THERAPEUTICS, INC.

By: /s/ Fletcher Payne

Name: Fletcher Payne

Title: CFO

**HOLDER**

ATEL VENTURES, INC., Trustee

By: /s/ Paritosh K. Choksi

Name: Paritosh K. Choksi

Title: Executive Vice President

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned hereby elects to purchase Series B-1 Shares of CytomX Therapeutics, Inc. pursuant to Section 2(a) of the attached Warrant, and tenders herewith payment of the Exercise Price of such shares in full.

2. The undersigned hereby elects to convert the attached Warrant into Shares in the manner specified in Section 2(b) of the attached Warrant. This conversion is exercised with respect to \_\_\_\_\_ of the Series B-1 Preferred Shares of CytomX Therapeutics, Inc..

[Strike paragraph that does not apply.]

3. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

4. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)

**CYTOMX THERAPEUTICS, INC.  
2011 STOCK INCENTIVE PLAN**

**PREFACE**

*This Plan is divided into two separate equity programs: (1) the option and stock appreciation rights grant program set forth in Section 5 under which Eligible Persons (as defined in Section 3) may, at the discretion of the Administrator, be granted Options and/or SARs, and (2) the stock award program set forth in Section 6 under which Eligible Persons may, at the discretion of the Administrator, be awarded restricted or unrestricted shares of Common Stock. Section 2 of this Plan contains the general rules regarding the administration of this Plan. Section 3 sets forth the requirements for eligibility to receive an Award grant under this Plan. Section 4 describes the capital stock of the Corporation that may be subject to Awards granted under this Plan. Section 7 contains other provisions applicable to all Awards granted under this Plan. Section 8 provides definitions for certain capitalized terms used in this Plan and not otherwise defined herein.*

**1. PURPOSE OF THE PLAN.**

The purpose of this Plan is to promote the success of the Corporation and the interests of its stockholders by providing a means through which the Corporation may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of Award recipients with those of the Corporation's stockholders generally.

**2. ADMINISTRATION.**

**2.1 Administrator.** This Plan shall be administered by and all Awards under this Plan shall be authorized by the Administrator. The "Administrator" means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of this Plan. Any such committee shall be comprised solely of one or more directors or such number of directors as may be required under applicable law. A committee may delegate some or all of its authority to another committee so constituted. The Board or a committee comprised solely of directors may also delegate, to the extent permitted by Section 157(c) of the Delaware General Corporation Law and any other applicable law, to one or more officers of the Corporation, its powers under this Plan (a) to designate the officers and employees of the Corporation and its Affiliates who will receive grants of Awards under this Plan, and (b) to determine the number of shares subject to, and the other terms and conditions of, such Awards. The Board may delegate different levels of authority to different committees with administrative and grant authority under this Plan. Unless otherwise provided in the Bylaws of the Corporation or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.



**2.2 Plan Awards; Interpretation; Powers of Administrator.** Subject to the express provisions of this Plan, the Administrator is authorized and empowered to do all things necessary or desirable in connection with the authorization of Awards and the administration of this Plan (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)), including, without limitation, the authority to:

- (a) determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive Awards;
- (b) grant Awards to Eligible Persons, determine the price and number of securities to be offered or awarded to any of such persons, determine the other specific terms and conditions of Awards consistent with the express limits of this Plan, establish the installments (if any) in which such Awards will become exercisable or will vest (which may include, without limitation, performance and/or time-based schedules) or determine that no delayed exercisability or vesting is required, establish any applicable performance targets, and establish the events of termination or reversion of such Awards;
- (c) approve the forms of Award Agreements, which need not be identical either as to type of Award or among Participants;
- (d) construe and interpret this Plan and any Award Agreement or other agreements defining the rights and obligations of the Corporation, its Affiliates, and Participants under this Plan, make factual determinations with respect to the administration of this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan or the Awards;
- (e) cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards, subject to any required consent under Section 7.7.4;
- (f) accelerate or extend the vesting or exercisability or extend the term of any or all outstanding Awards (within the maximum ten-year term of Awards under Sections 5.4.2 and 6.5) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a termination of employment or services or other events of a personal nature);
- (g) determine Fair Market Value for purposes of this Plan and Awards;
- (h) determine the duration and purposes of leaves of absence that may be granted to Participants without constituting a termination of their employment for purposes of this Plan; and
- (i) determine whether, and the extent to which, adjustments are required pursuant to Section 7.3 hereof and authorize the termination, conversion, substitution or succession of awards upon the occurrence of an event of the type described in Section 7.3.

- 2.3 Binding Determinations.** Any action taken by, or inaction of, the Corporation, any Affiliate, the Board or the Administrator relating or pursuant to this Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor the Administrator, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any Award), and all such persons shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.
- 2.4 Reliance on Experts.** In making any determination or in taking or not taking any action under this Plan, the Administrator may obtain and may rely upon the advice of experts, including employees of and professional advisors to the Corporation. No director, officer or agent of the Corporation or any of its Affiliates shall be liable for any such action or determination taken or made or omitted in good faith.
- 2.5 Delegation.** The Administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Corporation or any of its Affiliates or to third parties.

### 3. ELIGIBILITY.

Awards may be granted under this Plan only to those persons that the Administrator determines to be Eligible Persons. An "**Eligible Person**" means any person who qualifies as one of the following at the time of grant of the respective Award:

- (a) an officer (whether or not a director) or employee of the Corporation or any of its Affiliates;
- (b) any member of the Board; or
- (c) any director of one of the Corporation's Affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Corporation or one of its Affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity's securities) to the Corporation or one of its Affiliates.

An advisor or consultant may be selected as an Eligible Person pursuant to clause (c) above only if such person's participation in this Plan would not adversely affect (1) the Corporation's eligibility to rely on the Rule 701 exemption from registration under the Securities Act for the offering of shares issuable under this Plan by the Corporation, or (2) the Corporation's compliance with any other applicable laws.

An Eligible Person may, but need not, be granted one or more Awards pursuant to Section 5 and/or one or more Awards pursuant to Section 6. An Eligible Person who has been granted an Award under this Plan may, if otherwise eligible, be granted additional Awards under this Plan if the Administrator so determines. However, a person's status as an Eligible Person is not a commitment that any Award will be granted to that person under this Plan. Furthermore, an Eligible Person who has been granted an Award under Section 5 is not necessarily entitled to an Award under Section 6, or vice versa, unless otherwise expressly determined by the Administrator.

Each Award granted under this Plan must be approved by the Administrator at or prior to the grant of the Award.

#### 4. STOCK SUBJECT TO THE PLAN.

- 4.1 Shares Available.** Subject to the provisions of Section 7.3.1, the capital stock that may be delivered under this Plan will be shares of the Corporation's authorized but unissued Common Stock and any of its shares of Common Stock held as treasury shares. The shares of Common Stock issued and delivered may be issued and delivered for any lawful consideration.
- 4.2 Share Limit.** Subject to the provisions of Section 7.3.1 and further subject to the share counting rules of Section 4.3, the maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under this Plan will not exceed 338,554,550 shares (the "**Share Limit**") in the aggregate. As required under Treasury Regulation Section 1.422-2(b)(3)(i), in no event will the number of shares of Common Stock that may be delivered pursuant to Incentive Stock Options granted under this Plan exceed the Share Limit.
- 4.3 Replenishment and Reissue of Unvested Awards.** To the extent that an Award is settled in cash or a form other than shares of Common Stock, the shares that would have been delivered had there been no such cash or other settlement shall not be counted against the shares available for issuance under this Plan. No Award may be granted under this Plan unless, on the date of grant, the sum of (a) the maximum number of shares of Common Stock issuable at any time pursuant to such Award, plus (b) the number of shares of Common Stock that have previously been issued pursuant to Awards granted under this Plan, plus (c) the maximum number of shares of Common Stock that may be issued at any time after such date of grant pursuant to Awards that are outstanding on such date, does not exceed the Share Limit. Shares of Common Stock that are subject to or underlie Options or SARs granted under this Plan that expire or for any reason are canceled or terminated without having been exercised (or shares of Common

Stock subject to or underlying the unexercised portion of such Options or SARs in the case of Options or SARs that were partially exercised), as well as shares of Common Stock that are subject to Stock Awards made under this Plan that are forfeited to the Corporation or otherwise repurchased by the Corporation prior to the vesting of such shares for a price not greater than the original purchase or issue price of such shares (as adjusted pursuant to Section 7.3.1) will again, except to the extent prohibited by law or applicable listing or regulatory requirements, be available for subsequent Award grants under this Plan. Shares that are exchanged by a Participant or withheld by the Corporation as full or partial payment in connection with any Award under this Plan, as well as any shares exchanged by a Participant or withheld by the Corporation or one of its Affiliates to satisfy the tax withholding obligations related to any Award, shall be available for subsequent Awards under this Plan. In the case of an exercise of a SAR, only the number of shares actually issued in respect of such exercise shall be charged against this Plan's Share Limit. Adjustments to the Share Limit pursuant to this Section 4.3 are subject to any applicable limitations of the Code in the case of Awards intended to be Incentive Stock Options.

**4.4** *Reservation of Shares.* The Corporation shall at all times reserve a number of shares of Common Stock sufficient to cover the Corporation's obligations and contingent obligations to deliver shares with respect to Awards then outstanding under this Plan.

## **5. OPTION AND SAR GRANT PROGRAM.**

**5.1** *Option and SAR Grants in General.* Each Option or SAR shall be evidenced by an Award Agreement in the form approved by the Administrator. The Award Agreement evidencing an Option or SAR shall contain the terms established by the Administrator for that Award, as well as any other terms, provisions, or restrictions that the Administrator may impose on the Option or SAR or any shares of Common Stock subject to the Option or SAR; in each case subject to the applicable provisions and limitations of this Section 5 and the other applicable provisions and limitations of this Plan. The Administrator may require that the recipient of an Option or SAR promptly execute and return to the Corporation his or her Award Agreement evidencing the Award. In addition, the Administrator may require that the spouse of any married recipient of an Option or SAR also promptly execute and return to the Corporation the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the Administrator may require in connection with the grant of the Award.

**5.2** *Incentive Stock Option Status.* The Administrator will designate each Option granted under this Plan as either an Incentive Stock Option or a Nonqualified Stock Option, and such designation shall be set forth in the applicable Award Agreement. Any Option granted under this Plan that is not expressly designated in the applicable Award Agreement as an Incentive Stock Option will be deemed to be designated a Nonqualified Stock Option under this Plan and not an "incentive stock option" within the meaning of Section 422 of the Code. Incentive Stock Options shall be subject to the provisions of Section 5.5 in addition to the provisions of this Plan applicable to Options generally.

**5.3 Option or SAR Price.**

**5.3.1** Option Pricing Limits. Subject to the following provisions of this Section 5.3.1, the Administrator will determine the purchase price per share of the Common Stock covered by each Option (the “exercise price” of the Option) at the time of the grant of the Option, which exercise price will be set forth in the applicable Award Agreement. In no case will the exercise price of an Option be less than the greater of:

- (a) the par value of the Common Stock;
- (b) subject to clause (c) below, 100% of the Fair Market Value of the Common Stock on the date of grant; or
- (c) in the case of an Incentive Stock Option granted to a Participant described in Section 5.5.4, 110% of the Fair Market Value of the Common Stock on the date of grant.

**5.3.2** Payment Provisions. The Corporation will not be obligated to deliver certificates for the shares of Common Stock to be purchased on exercise of an Option unless and until it receives full payment of the exercise price therefor, all related withholding obligations under Section 7.6 have been satisfied, and all other conditions to the exercise of the Option set forth herein or in the Award Agreement have been satisfied. The purchase price of any shares of Common Stock purchased on exercise of an Option must be paid in full at the time of each purchase in such lawful consideration as may be permitted or required by the Administrator, which may include, without limitation, one or a combination of the following methods:

- (a) cash, check payable to the order of the Corporation, or electronic funds transfer;
- (b) notice and third party payment in such manner as may be authorized by the Administrator;
- (c) the delivery of previously owned shares of Common Stock;
- (d) by a reduction in the number of shares of Common Stock otherwise deliverable pursuant to the Award;
- (e) subject to such procedures as the Administrator may adopt, pursuant to a “cashless exercise”; or
- (f) if authorized by the Administrator or specified in the applicable Award Agreement, by a promissory note of the Participant consistent with the requirements of Section 5.3.3.

In no event shall any shares newly-issued by the Corporation be issued for less than the minimum lawful consideration for such shares or for consideration other than consideration permitted by applicable state law. Shares of Common Stock used to satisfy the exercise price of an Option (whether previously-owned shares or shares otherwise deliverable pursuant to the terms of the Option) shall be valued at their Fair Market Value on the date of exercise. Unless otherwise expressly provided in the applicable Award Agreement, the Administrator may eliminate or limit a Participant's ability to pay the purchase or exercise price of any Award by any method other than cash payment to the Corporation.

**5.3.3** Acceptance of Notes to Finance Exercise. The Corporation may, with the Administrator's approval in each specific case, accept one or more promissory notes from any Eligible Person in connection with the exercise of any Option; provided that any such note shall be subject to the following terms and conditions:

- (a) The principal of the note shall not exceed the amount required to be paid to the Corporation upon the exercise, purchase or acquisition of one or more Awards under this Plan and the note shall be delivered directly to the Corporation in consideration of such exercise, purchase or acquisition.
- (b) The initial term of the note shall be determined by the Administrator; provided that the term of the note, including extensions, shall not exceed a period of five years.
- (c) The note shall provide for full recourse to the Participant and shall bear interest at a rate determined by the Administrator, but not less than the interest rate necessary to avoid the imputation of interest under the Code and to avoid any adverse accounting consequences in connection with the exercise, purchase or acquisition.
- (d) If the employment or services of the Participant by or to the Corporation and its Affiliates terminates, the unpaid principal balance of the note shall become due and payable on the 30th business day after such termination; provided, however, that if a sale of the shares acquired on exercise of the Option would cause such Participant to incur liability under Section 16(b) of the Exchange Act, the unpaid balance shall become due and payable on the 10th business day after the first day on which a sale of such shares could have been made without incurring such liability assuming for these purposes that there are no other transactions (or deemed transactions) in securities of the Corporation by the Participant subsequent to such termination.
- (e) If required by the Administrator or by applicable law, the note shall be secured by a pledge of any shares or rights financed thereby or other collateral, in compliance with applicable law.

The terms, repayment provisions, and collateral release provisions of the note and the pledge securing the note shall conform with all applicable rules and regulations, including those of the Federal Reserve Board and any applicable state law, as then in effect.

**5.3.4** Base Price of SARs. The Administrator will determine the base price per share of the Common Stock covered by each SAR at the time of grant of the SAR, which base price will be set forth in the applicable Award Agreement and will not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of the SAR.

**5.4** ***Vesting; Term; Exercise Procedure.***

**5.4.1** Vesting. Except as provided in Section 5.8, an Option or SAR may be exercised only to the extent that it is vested and exercisable. The Administrator will determine the vesting and/or exercisability provisions of each Option or SAR (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set forth in the applicable Award Agreement. Unless the Administrator otherwise expressly provides, once exercisable an Option or SAR will remain exercisable until the expiration or earlier termination of the Option or SAR.

**5.4.2** Term. Each Option or SAR shall expire not more than 10 years after its date of grant. Each Option or SAR will be subject to earlier termination as provided in or pursuant to Sections 5.6 and 7.3 or the terms of the applicable Award Agreement.

**5.4.3** Exercise Procedure. Any exercisable Option or SAR will be deemed to be exercised when (a) the applicable exercise procedures in the related Award Agreement have been satisfied (or, in the absence of any such procedures in the related Award Agreement, the Corporation has received written notice of such exercise from the Participant ), (b) in the case of an Option, the Corporation has received any required payment made in accordance with Section 5.3, (c) in the case of an Option or SAR, all withholding obligations arising in connection with the exercise have been satisfied in accordance with Section 7.6, and (d) in the case of an Option or SAR, the Corporation has received any written statement required pursuant to Section 7.5.1.

5.4.4 Fractional Shares/Minimum Issue. Fractional share interests will be disregarded, but may be accumulated. The Administrator, however, may determine that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests. No Option or SAR may be exercised as to fewer than 100 shares (subject to adjustment pursuant to Section 7.3.1) at one time unless the number as to which the Award is exercised is the total number at the time then subject to the vested and exercisable portion of the Award.

5.5 ***Limitations on Grant and Terms of Incentive Stock Options.***

5.5.1 \$100,000 Limit. To the extent that the aggregate Fair Market Value of stock with respect to which incentive stock options (within the meaning of Section 422 of the Code) first become exercisable by a Participant in any calendar year exceeds \$100,000, taking into account both Common Stock subject to Incentive Stock Options under this Plan and stock subject to incentive stock options under all other plans of the Corporation or any of its Affiliates, such options will be treated as nonqualified stock options. For this purpose, the Fair Market Value of the stock subject to options will be determined as of the date the options were awarded. In reducing the number of options treated as incentive stock options to meet the \$100,000 limit, the most recently granted options will be reduced (recharacterized as nonqualified stock options) first. To the extent a reduction of simultaneously granted options is necessary to meet the \$100,000 limit, the Administrator may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an incentive stock option.

5.5.2 Other Code Limits. Incentive Stock Options may only be granted to individuals that are employees of the Corporation or one of its Affiliates and satisfy the other eligibility requirements of the Code. Any Award Agreement relating to Incentive Stock Options will contain or shall be deemed to contain such other terms and conditions as from time to time are required in order that the Option be an “incentive stock option” as that term is defined in Section 422 of the Code.

5.5.3 ISO Notice of Sale Requirement. Any Participant who exercises an Incentive Stock Option shall give prompt written notice to the Corporation of any sale or other transfer of the shares of Common Stock acquired on such exercise if the sale or other transfer occurs within (a) one year after the exercise date of the Option, or (b) two years after the grant date of the Option.

5.5.4 Limits on 10% Holders. No Incentive Stock Option may be granted to any person who, at the time the Incentive Stock Option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding stock of the Corporation (or any of its Affiliates) possessing more than



10% of the total combined voting power of all classes of stock of the Corporation (or any of its Affiliates), unless the exercise price of such Incentive Stock Option is at least 110% of the Fair Market Value of the stock subject to the Incentive Stock Option and the Incentive Stock Option by its terms is not exercisable more than five years after the date the Incentive Stock Option is granted.

**5.6 *Effects of Termination of Employment on Options and SARs.***

**5.6.1** Dismissal for Cause. Unless otherwise provided in the applicable Award Agreement and subject to earlier termination pursuant to or as contemplated by Section 5.4.2 or 7.3, if a Participant's employment by or service to the Corporation or any of its Affiliates is terminated by such entity for Cause, the Participant's Option or SAR will terminate on the Participant's Severance Date, whether or not the Option or SAR is then vested and/or exercisable.

**5.6.2** Death or Disability. Unless otherwise provided in the applicable Award Agreement (consistent with applicable securities laws) and subject to earlier termination pursuant to or as contemplated by Section 5.4.2 or 7.3, if a Participant's employment by or service to the Corporation or any of its Affiliates terminates as a result of the Participant's death or Total Disability:

- (a) the Participant (or his or her Personal Representative or Beneficiary, in the case of the Participant's Total Disability or death, respectively), will have until the date that is 12 months after the Participant's Severance Date to exercise the Participant's Option or SAR (or portion thereof) to the extent that it was vested and exercisable on the Severance Date;
- (b) the Option or SAR, to the extent not vested and exercisable on the Participant's Severance Date, shall terminate on the Severance Date; and
- (c) the Option or SAR, to the extent exercisable for the 12-month period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

**5.6.3** Other Terminations of Employment. Unless otherwise provided in the applicable Award Agreement (consistent with applicable securities laws) and subject to earlier termination pursuant to or as contemplated by Section 5.4.2 or 7.3, if a Participant's employment by or service to the Corporation or any of its Affiliates terminates for any reason other than a termination by such entity for Cause or because of the Participant's death or Total Disability:

- (a) the Participant will have until the date that is 3 months after the Participant's Severance Date to exercise his or her Option or SAR (or portion thereof) to the extent that it was vested and exercisable on the Severance Date;

- (b) the Option or SAR, to the extent not vested and exercisable on the Participant's Severance Date, shall terminate on the Severance Date; and
- (c) the Option or SAR, to the extent exercisable for the 3-month period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 3-month period.

**5.7** *Option and SAR Repricing/Cancellation and Regrant/Waiver of Restrictions.* Subject to Section 4 and Section 7.7 and the specific limitations on Options and SARs contained in this Plan, the Administrator from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Person, any adjustment in the exercise or base price, the vesting schedule, the number of shares subject to, or the term of, an Option or SAR granted under this Plan by cancellation of an outstanding Option or SAR and a subsequent regranting of the Option or SAR, by amendment, by substitution of an outstanding Option or SAR, by waiver or by other legally valid means. Such amendment or other action may result in, among other changes, an exercise or base price that is higher or lower than the exercise or base price of the original or prior Option or SAR, provide for a greater or lesser number of shares of Common Stock subject to the Option or SAR, or provide for a longer or shorter vesting or exercise period.

**5.8** *Early Exercise Options and SARs.* The Administrator may, in its discretion, designate any Option or SAR as an "early exercise Option" or "early exercise SAR" which, by express provision in the applicable Award Agreement, may be exercised prior to the date such Option or SAR has vested. If the Participant elects to exercise all or a portion of any early exercise Option or SAR before it is vested, the shares of Common Stock acquired under the Option or SAR which are attributable to the unvested portion of the Option or SAR shall be Restricted Shares. The applicable Award Agreement will specify the extent (if any) to which and the time (if ever) at which the Participant will be entitled to dividends, voting and other rights in respect of such Restricted Shares prior to vesting, and the restrictions imposed on such shares and the conditions of release or lapse of such restrictions. Unless otherwise expressly provided in the applicable Award Agreement, such Restricted Shares shall be subject to the provisions of Sections 6.6 through 6.9, below.

## **6. STOCK AWARD PROGRAM.**

**6.1** *Stock Awards in General.* Each Stock Award shall be evidenced by an Award Agreement in the form approved by the Administrator. The Award Agreement

evidencing a Stock Award shall contain the terms established by the Administrator for that Stock Award, as well as any other terms, provisions, or restrictions that the Administrator may impose on the Stock Award; in each case subject to the applicable provisions and limitations of this Section 6 and the other applicable provisions and limitations of this Plan. The Administrator may require that the recipient of a Stock Award promptly execute and return to the Corporation his or her Award Agreement evidencing the Stock Award. In addition, the Administrator may require that the spouse of any married recipient of a Stock Award also promptly execute and return to the Corporation the Award Agreement evidencing the Stock Award granted to the recipient or such other spousal consent form that the Administrator may require in connection with the grant of the Stock Award.

**6.2** ***Types of Stock Awards.*** The Administrator shall designate whether a Stock Award shall be a Restricted Stock Award, and such designation shall be set forth in the applicable Award Agreement.

**6.3** ***Purchase Price.***

**6.3.1** ***Pricing Limits.*** Subject to the following provisions of this Section 6.3, the Administrator will determine the purchase price per share of the Common Stock covered by each Stock Award at the time of grant of the Award. In no case will such purchase price be less than the par value of the Common Stock.

**6.3.2** ***Payment Provisions.*** The Corporation will not be obligated to issue certificates evidencing shares of Common Stock awarded under this Section 6 unless and until it receives full payment of the purchase price therefor and all other conditions to the purchase, as determined by the Administrator, have been satisfied. The purchase price of any shares subject to a Stock Award must be paid in full at the time of the purchase in such lawful consideration as may be permitted or required by the Administrator, which may include, without limitation, one or a combination of the methods set forth in clauses (a) through (f) in Section 5.3.2 and/or past services rendered to the Corporation or any of its Affiliates.

**6.4** ***Vesting.*** The restrictions imposed on the shares of Common Stock subject to a Restricted Stock Award (which may be based on performance criteria, passage of time or other factors or any combination thereof) will be set forth in the applicable Award Agreement.

**6.5** ***Term.*** A Stock Award shall either vest or be forfeited not more than 10 years after the date of grant. Each Stock Award will be subject to earlier termination as provided in or pursuant to Sections 6.8 and 7.3. Any payment of cash or delivery of stock in payment for a Stock Award may be delayed until a future date if specifically authorized by the Administrator in writing and by the Participant.

- 6.6** *Stock Certificates; Fractional Shares.* Stock certificates evidencing Restricted Shares will bear a legend making appropriate reference to the restrictions imposed hereunder and will be held by the Corporation or by a third party designated by the Administrator until the restrictions on such shares have lapsed, the shares have vested in accordance with the provisions of the Award Agreement and Section 6.4, and any related loan has been repaid. Fractional share interests will be disregarded, but may be accumulated. The Administrator, however, may determine that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests.
- 6.7** *Dividend and Voting Rights.* Unless otherwise provided in the applicable Award Agreement, a Participant receiving Restricted Shares will be entitled to cash dividend and voting rights for all Restricted Shares issued even though they are not vested, but such rights will terminate immediately as to any Restricted Shares which cease to be eligible for vesting.
- 6.8** *Termination of Employment; Return to the Corporation.* Unless the Administrator otherwise expressly provides, Restricted Shares subject to an Award that remain subject to vesting conditions that have not been satisfied by the time specified in the applicable Award Agreement (which may include, without limitation, the Participant's Severance Date), will not vest and will be reacquired by the Corporation in such manner and on such terms as the Administrator provides, which terms shall include, to the extent not prohibited by law, return or repayment of the lower of (a) the Fair Market Value of the Restricted Shares at the time of the termination, or (b) the original purchase price of the Restricted Shares, without interest, to the Participant. The Award Agreement shall specify any other terms or conditions of the repurchase if the Award fails to vest. Any other Stock Award that has not been exercised as of a Participant's Severance Date shall terminate on that date unless otherwise expressly provided by the Administrator in the applicable Award Agreement.
- 6.9** *Waiver of Restrictions.* Subject to Sections 4 and 7.7 and the specific limitations on Stock Awards contained in this Plan, the Administrator from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Person, any adjustment in the vesting schedule, or the restrictions upon or the term of, a Stock Award granted under this Plan by amendment, by substitution of an outstanding Stock Award, by waiver or by other legally valid means.

**7. PROVISIONS APPLICABLE TO ALL AWARDS.**

**7.1** *Rights of Eligible Persons, Participants and Beneficiaries.*

- 7.1.1** Employment Status. No person shall have any claim or rights to be granted an Award (or additional Awards, as the case may be) under this Plan, subject to any express contractual rights (set forth in a document other than this Plan) to the contrary.

**7.1.2** No Employment/Service Contract. Nothing contained in this Plan (or in any other documents under this Plan or related to any Award) shall confer upon any Eligible Person or Participant any right to continue in the employ or other service of the Corporation or any of its Affiliates, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Corporation or any Affiliate to change such person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause at any time. Nothing in this Section 7.1.2, or in Section 7.3 or 7.15, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract. An Award Agreement shall not constitute a contract of employment or service.

**7.1.3** Plan Not Funded. Awards payable under this Plan will be payable in shares of Common Stock or from the general assets of the Corporation, and (except as to the share reservation provided in Section 4.4) no special or separate reserve, fund or deposit will be made to assure payment of such Awards. No Participant, Beneficiary or other person will have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly provided) of the Corporation or any of its Affiliates by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Corporation or any of its Affiliates and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive payment pursuant to any Award hereunder, such right will be no greater than the right of any unsecured general creditor of the Corporation.

**7.1.4** Charter Documents. The Certificate of Incorporation and Bylaws of the Corporation, as either of them may lawfully be amended from time to time, may provide for additional restrictions and limitations with respect to the Common Stock (including additional restrictions and limitations on the voting or transfer of Common Stock) or priorities, rights and preferences as to securities and interests prior in rights to the Common Stock. These restrictions and limitations are in addition to (and not in lieu of) those set forth in this Plan or any Award Agreement, and are incorporated herein by this reference.

**7.2** *No Transferability; Limited Exception to Transfer Restrictions.*

**7.2.1** Limit on Exercise and Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 7.2, by applicable law and by the Award Agreement, as the same may be amended:

- (a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge;

- (b) Awards will be exercised only by the Participant; and
- (c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of) the Participant.

In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement.

**7.2.2** Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 7.2.1 will not apply to:

- (a) transfers to the Corporation;
- (b) transfers by gift or domestic relations order to one or more “family members” (as that term is defined in SEC Rule 701 promulgated under the Securities Act) of the Participant;
- (c) the designation of a Beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant’s Beneficiary, or, in the absence of a validly designated Beneficiary, transfers by will or the laws of descent and distribution; or
- (d) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant’s duly authorized legal representative.

Notwithstanding anything else in this Section 7.2.2 to the contrary, but subject to compliance with all applicable laws, Incentive Stock Options and Restricted Stock Awards will be subject to any and all transfer restrictions under the Code applicable to such awards or necessary to maintain the intended tax consequences of such Awards. Notwithstanding clause (b) above but subject to compliance with all applicable laws, any contemplated transfer by gift or domestic relations order to one or more “family members” of a Participant as referenced in clause (b) above is subject to the condition precedent that the transfer be approved by the Administrator in order for it to be effective. The Administrator may, in its sole discretion, withhold its approval of any such proposed transfer.

**7.3** *Adjustments; Changes in Control.*

**7.3.1** Adjustments. Subject to Section 7.3.2 below, upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the

form of a stock dividend) or reverse stock split; any merger, combination, consolidation, or other reorganization; any split-up, spin-off, or similar extraordinary dividend distribution in respect of the Common Stock; or any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; then the Administrator shall equitably and proportionately adjust (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any outstanding Awards, (3) the grant, purchase, or exercise or base price of any outstanding Awards, and/or (4) the securities, cash or other property deliverable upon exercise or vesting of any outstanding Awards, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding Awards.

Unless otherwise expressly provided in the applicable Award Agreement, upon (or, as may be necessary to effect the adjustment, immediately prior to) any event or transaction described in the preceding paragraph or a sale of all or substantially all of the business or assets of the Corporation as an entirety, the Administrator shall equitably and proportionately adjust the performance standards applicable to any then-outstanding performance-based Awards to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding performance-based Awards.

It is intended that, if possible, any adjustments contemplated by the preceding two paragraphs be made in a manner that satisfies applicable U.S. legal, tax (including, without limitation and as applicable in the circumstances, Section 424 of the Code and Section 409A of the Code) and accounting (so as to not trigger any charge to earnings with respect to such adjustment) requirements.

Without limiting the generality of Section 2.3, any good faith determination by the Administrator as to whether an adjustment is required in the circumstances pursuant to this Section 7.3.1, and the extent and nature of any such adjustment, shall be conclusive and binding on all persons.

Unless otherwise expressly provided by the Administrator, in no event shall a conversion of one or more outstanding shares of the Corporation's preferred stock (if any) or any new issuance of securities by the Corporation for consideration be deemed, in and of itself, to require an adjustment pursuant to this Section 7.3.1.

**7.3.2** Consequences of a Change in Control Event. Upon the occurrence of a Change in Control Event, the Administrator may make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding Awards (or the cash, securities or other property deliverable to the holder(s) of any or all outstanding Awards) based upon, to the extent relevant in the circumstances, the distribution or consideration payable to holders of the Common Stock upon or in respect of such event.

The Administrator may, in its sole discretion, provide in the applicable Award Agreement or by an amendment thereto for the accelerated vesting of one or more Awards to the extent such Awards are outstanding upon a Change in Control Event or such other events or circumstances as the Administrator may provide.

The Administrator may adopt such valuation methodologies for outstanding Awards as it deems reasonable in the event of a cash, securities or other property settlement. In the case of Options and SARs, but without limitation on other methodologies, the Administrator may base such settlement solely upon the excess (if any) of the amount payable upon or in respect of such event over the exercise or base price of the Option or SAR, as applicable, to the extent of the then vested and exercisable shares subject to the Option or SAR.

In any of the events referred to in this Section 7.3.2, the Administrator may take such action contemplated by this Section 7.3.2 prior to such event (as opposed to on the occurrence of such event) to the extent that the Administrator deems the action necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares. Without limiting the generality of the foregoing, the Administrator may deem an acceleration to occur immediately prior to the applicable event and/or reinstate the original terms of the Award if an event giving rise to an acceleration does not occur.

**7.3.3** Early Termination of Awards. Upon the occurrence of a Change in Control Event, each then-outstanding Award (whether or not vested and/or exercisable) shall terminate, unless otherwise elected by the Administrator pursuant to any provision that has been expressly made by the Administrator, through a plan of reorganization or otherwise, for the survival, substitution, assumption, exchange or other continuation or settlement of such Award and provided that, in the case of Options and SARs that will not survive or be substituted for, assumed, exchanged, or otherwise continued or settled in the Change in Control Event, the holder of such Award shall be given reasonable advance notice of the impending termination and a reasonable opportunity to exercise his or her outstanding and vested Options and SARs in accordance with their terms before the termination of the Awards (except that in no case shall more than ten



days' notice of the impending termination be required). For purposes of this Section 7.3, an Award shall be deemed to have been "assumed" if (without limiting other circumstances in which an Award is assumed) the Award continues after the Change in Control Event, and/or is assumed and continued by a parent following a Change in Control Event, and confers the right to purchase or receive, as applicable and subject to vesting and the other terms and conditions of the Award, for each share of Common Stock subject to the Award immediately prior to the Change in Control Event, the consideration (whether cash, shares, or other securities or property) received in the Change in Control Event by the stockholders of the Corporation for each share of Common Stock sold or exchanged in such transaction (or the consideration received by a majority of the stockholders participating in such transaction if the stockholders were offered a choice of consideration); provided, however, that if the consideration offered for a share of Common Stock in the transaction is not solely the ordinary common stock of a successor corporation or a parent, the Board may provide for the consideration to be received upon exercise or payment of the Award, for each share subject to the Award, to be solely ordinary common stock of the successor corporation or a parent equal in Fair Market Value to the per share consideration received by the stockholders participating in the Change in Control Event.

**7.3.4** Other Acceleration Rules. The Administrator may override the provisions of this Section 7.3 as to any Award by express provision in the applicable Award Agreement and may accord any Participant a right to refuse any acceleration, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Administrator may approve. The portion of any Incentive Stock Option accelerated in connection with a Change in Control Event (or such other circumstances as may trigger accelerated vesting of the Incentive Stock Option) shall remain exercisable as an Incentive Stock Option only to the extent the applicable \$100,000 limitation on Incentive Stock Options is not exceeded. To the extent exceeded, the accelerated portion of the Option shall be exercisable as a Nonqualified Stock Option.

**7.4** ***Termination of Employment or Services.***

**7.4.1** Events Not Deemed a Termination of Employment. Unless the Administrator otherwise expressly provides with respect to a particular Award, if a Participant's employment by or service to the Corporation or an Affiliate terminates but immediately thereafter the Participant continues in the employ of or service to another Affiliate or the Corporation, as applicable, the Participant shall be deemed to have not had a termination of employment or service for purposes of this Plan and the Participant's Awards. Unless the express policy of the Corporation or the Administrator otherwise provides, a Participant's employment relationship with the Corporation or any of its Affiliates shall not be considered

terminated solely due to any sick leave, military leave, or any other leave of absence authorized by the Corporation or any Affiliate or the Administrator; provided that, unless reemployment upon the expiration of such leave is guaranteed by contract or law, such leave is for a period of not more than three months. In the case of any Participant on an approved leave of absence, continued vesting of the Award while on leave from the employ of or service with the Corporation or any of its Affiliates will be suspended until the Participant returns to service, unless the Administrator otherwise provides or applicable law otherwise requires. In no event shall an Award be exercised after the expiration of the term of the Award set forth in the Award Agreement.

- 7.4.2** Effect of Change of Affiliate Status. For purposes of this Plan and any Award, if an entity ceases to be an Affiliate, a termination of employment or service will be deemed to have occurred with respect to each Eligible Person in respect of such Affiliate who does not continue as an Eligible Person in respect of another Affiliate that continues as such after giving effect to the transaction or other event giving rise to the change in status unless the Affiliate is sold, spun-off or otherwise divested (or its successor or a direct or indirect parent of such Affiliate or successor) assumes the Eligible Person's award(s) in connection with such transaction.
- 7.4.3** Administrator Discretion. Notwithstanding the provisions of Section 5.6 or 6.8, in the event of, or in anticipation of, a termination of employment or service with the Corporation or any of its Affiliates for any reason, the Administrator may accelerate the vesting and exercisability of all or a portion of the Participant's Award, and/or, subject to the provisions of Sections 5.4.2 and 7.3, extend the exercisability period of the Participant's Option or SAR upon such terms as the Administrator determines and expressly sets forth in or by amendment to the Award Agreement.
- 7.4.4** Termination of Consulting or Affiliate Services. If the Participant is an Eligible Person solely by reason of clause (c) of Section 3, the Administrator shall be the sole judge of whether the Participant continues to render services to the Corporation or any of its Affiliates, unless a written contract or the Award Agreement otherwise provides. If, in these circumstances, the Corporation or any Affiliate notifies the Participant in writing that a termination of the Participant's services to the Corporation or any Affiliate has occurred for purposes of this Plan, then (unless the contract or the Award Agreement otherwise expressly provides), the Participant's termination of services with the Corporation or Affiliate for purposes of this Plan shall be the date specified by the Corporation or Affiliate in such notice.

7.5 **Compliance with Laws.**

7.5.1 General. This Plan, the granting and vesting of Awards under this Plan, and the offer, issuance and delivery of shares of Common Stock, the acceptance of promissory notes and/or the payment of money under this Plan or under Awards are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws, and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Corporation, provide such assurances and representations to the Corporation as the Administrator may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

7.5.2 Compliance with Securities Laws. No Participant shall sell, pledge or otherwise transfer shares of Common Stock acquired pursuant to an Award or any interest in such shares except in accordance with the express terms of this Plan and the applicable Award Agreement. Any attempted transfer in violation of this Section 7.5 shall be void and of no effect. Without in any way limiting the provisions set forth above, no Participant shall make any disposition of all or any portion of shares of Common Stock acquired or to be acquired pursuant to an Award, except in compliance with all applicable federal and state securities laws and unless and until:

- (a) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement;
- (b) such disposition is made in accordance with Rule 144 under the Securities Act; or
- (c) such Participant notifies the Corporation of the proposed disposition and furnishes the Corporation with a statement of the circumstances surrounding the proposed disposition, and, if requested by the Corporation, furnishes to the Corporation an opinion of counsel acceptable to the Corporation's counsel, that such disposition will not require registration under the Securities Act and will be in compliance with all applicable state securities laws.

Notwithstanding anything else herein to the contrary, neither the Corporation or any Affiliate has any obligation to register the Common Stock or file any registration statement under either federal or state securities laws, nor does the Corporation or any Affiliate make any representation concerning the likelihood of a public offering of the Common Stock or any other securities of the Corporation or any Affiliate.

- 7.5.3** Share Legends. All certificates evidencing shares of Common Stock issued or delivered under this Plan shall bear the following legends and/or any other appropriate or required legends under applicable laws:
- “OWNERSHIP OF THIS CERTIFICATE, THE SHARES EVIDENCED BY THIS CERTIFICATE AND ANY INTEREST THEREIN ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFER UNDER APPLICABLE LAW AND UNDER AGREEMENTS WITH THE CORPORATION, INCLUDING RESTRICTIONS ON SALE, ASSIGNMENT, TRANSFER, PLEDGE OR OTHER DISPOSITION.”
- “THE SHARES ARE SUBJECT TO THE CORPORATION’S RIGHT OF FIRST REFUSAL AND CALL RIGHTS TO REPURCHASE THE SHARES UNDER THE CORPORATION’S STOCK INCENTIVE PLAN AND AGREEMENTS WITH THE CORPORATION THEREUNDER, COPIES OF WHICH ARE AVAILABLE FOR REVIEW AT THE OFFICE OF THE SECRETARY OF THE CORPORATION.”
- “THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT OF THE CORPORATION FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (“ACT”), AS SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE CORPORATION. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.”
- “THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE ACT, NOR HAVE THEY BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. NO TRANSFER OF SUCH SECURITIES WILL BE PERMITTED UNLESS A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE ACT, OR IN THE OPINION OF COUNSEL TO THE CORPORATION, REGISTRATION UNDER THE ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT AND WITH APPLICABLE STATE SECURITIES LAWS.”
- 7.5.4** Confidential Information. Any financial or other information relating to the Corporation obtained by Participants in connection with or as a result of this Plan or their Awards shall be treated as confidential.

**7.6 Tax Withholding.** Upon any exercise, vesting, or payment of any Award or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Corporation or any of its Affiliates shall have the right at its option to:

- (a) require the Participant (or the Participant's Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of at least the minimum amount of any taxes which the Corporation or Affiliate may be required to withhold with respect to such Award event or payment;
- (b) deduct from any amount otherwise payable (in respect of an Award or otherwise) in cash to the Participant (or the Participant's Personal Representative or Beneficiary, as the case may be) the minimum amount of any taxes which the Corporation or Affiliate may be required to withhold with respect to such Award event or payment; or
- (c) reduce the number of shares of Common Stock to be delivered by (or otherwise reacquire shares held by the Participant) the appropriate number of shares of Common Stock, valued at their then Fair Market Value, to satisfy the minimum withholding obligation.

In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Administrator may in its sole discretion (subject to Section 7.5) grant (either at the time of the Award or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, to have the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their Fair Market Value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the minimum applicable withholding obligation on exercise, vesting or payment. In no event shall the shares withheld exceed the minimum whole number of shares required for tax withholding under applicable law. The Corporation may, with the Administrator's approval, accept one or more promissory notes from any Eligible Person in connection with taxes required to be withheld upon the exercise, vesting or payment of any Award under this Plan; provided that any such note shall be subject to terms and conditions established by the Administrator and the requirements of applicable law. Any such note need not otherwise comply with the provisions of Section 5.3.3.

**7.7 Plan and Award Amendments, Termination and Suspension.**

**7.7.1 Board Authorization.** The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No Awards may be granted during any period that the Board suspends this Plan.

- 7.7.2 **Stockholder Approval.** To the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the Code to preserve the intended tax consequences of this Plan, or deemed necessary or advisable by the Board, any amendment to this Plan shall be subject to stockholder approval.
- 7.7.3 **Amendments to Awards.** Without limiting any other express authority of the Administrator under (but subject to) the express limits of this Plan, the Administrator by agreement or resolution may waive conditions of or limitations on Awards to Participants that the Administrator in the prior exercise of its discretion has imposed, without the consent of a Participant, and (subject to the requirements of Sections 2.2 and 7.7.4) may make other changes to the terms and conditions of Awards.
- 7.7.4 **Limitations on Amendments to Plan and Awards.** No amendment, suspension or termination of this Plan or amendment of any outstanding Award Agreement shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Corporation under any Award granted under this Plan prior to the effective date of such change. Changes, settlements and other actions contemplated by Section 7.3 shall not be deemed to constitute changes or amendments for purposes of this Section 7.7.
- 7.8 **Privileges of Stock Ownership.** Except as otherwise expressly authorized by the Administrator, a Participant will not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the Participant. Except as expressly required by Section 7.3.1, no adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.
- 7.9 **Stock-Based Awards in Substitution for Awards Granted by Other Corporation.** Awards may be granted to Eligible Persons in substitution for or in connection with an assumption of employee stock options, stock appreciation rights, restricted stock or other stock-based awards granted by other entities to persons who are or who will become Eligible Persons in respect of the Corporation or one of its Affiliates, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Corporation or one of its Affiliates, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity. The Awards so granted need not comply with other specific terms of this Plan, provided the Awards reflect only adjustments giving effect to the assumption or substitution consistent with the conversion applicable to the Common Stock in the transaction and any change in the issuer of the security. Any shares that are delivered and any Awards that are granted by, or become obligations of, the Corporation, as a result of the assumption by the Corporation of, or in substitution for, outstanding awards previously granted by an acquired company (or previously granted by a

predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Corporation or one of its Affiliates in connection with a business or asset acquisition or similar transaction) shall not be counted against the Share Limit or other limits on the number of shares available for issuance under this Plan.

- 7.10** *Effective Date of the Plan.* This Plan is effective upon the Effective Date, subject to approval by the stockholders of the Corporation within twelve months after the date the Board approves this Plan.
- 7.11** *Term of the Plan.* Unless earlier terminated by the Board, this Plan will terminate at the close of business on the day before the 10<sup>th</sup> anniversary of the Effective Date. After the termination of this Plan either upon such stated expiration date or its earlier termination by the Board, no additional Awards may be granted under this Plan, but previously granted Awards (and the authority of the Administrator with respect thereto, including the authority to amend such Awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of this Plan.
- 7.12** *Governing Law/Severability.*
- 7.12.1** *Choice of Law.* This Plan, the Awards, all documents evidencing Awards and all other related documents will be governed by, and construed in accordance with, the laws of the state of Delaware.
- 7.12.2** *Severability.* If it is determined that any provision of this Plan or an Award Agreement is invalid and unenforceable, the remaining provisions of this Plan and/or the Award Agreement, as applicable, will continue in effect provided that the essential economic terms of this Plan and the Award can still be enforced.
- 7.13** *Captions.* Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings will not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.
- 7.14** *Non-Exclusivity of Plan.* Nothing in this Plan will limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.
- 7.15** *No Restriction on Corporate Powers.* The existence of this Plan, the Award Agreements, and the Awards granted hereunder, shall not limit, affect or restrict in any way the right or power of the Board or the stockholders of the Corporation to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the Corporation's or any Affiliate's capital structure or its business; (b) any merger, amalgamation, consolidation or change in the ownership of the Corporation or any Affiliate; (c) any issue of bonds, debentures, capital, preferred

or prior preference stocks ahead of or affecting the Corporation's capital stock or the rights thereof; (d) any dissolution or liquidation of the Corporation or any Affiliate; (e) any sale or transfer of all or any part of the Corporation or any Affiliate's assets or business; or (f) any other corporate act or proceeding by the Corporation or any Affiliate. No Participant, Beneficiary or any other person shall have any claim under any Award or Award Agreement against any member of the Board or the Administrator, or the Corporation or any employees, officers or agents of the Corporation or any Affiliate, as a result of any such action.

**7.16 Other Company Compensation or Benefit Programs.** Payments and other benefits received by a Participant under an Award made pursuant to this Plan shall not be deemed a part of a Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any Affiliate, except where the Administrator or the Board expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans or arrangements of the Corporation or any Affiliate.

**7.17 Clawback Policy.** The Awards granted under this Plan are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of Awards or any shares of Common Stock or other cash or property received with respect to the Awards (including any value received from a disposition of the shares acquired upon payment of the Awards).

## 8. DEFINITIONS.

**"Administrator"** has the meaning given to such term in Section 2.1.

**"Affiliate"** means (a) any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation if, at the time of the determination, each of the corporations other than the Corporation owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or (b) any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if, at the time of the determination, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**"Award"** means an award of any Option, SAR or Stock Award, or any combination thereof, whether alternative or cumulative, authorized by and granted under this Plan.

**"Award Agreement"** means any writing, approved by the Administrator, setting forth the terms of an Award that has been duly authorized and approved.



“**Award Date**” means the date upon which the Administrator took the action granting an Award or such later date as the Administrator designates as the Award Date at the time of the grant of the Award.

“**Beneficiary**” means the person, persons, trust or trusts designated by a Participant, or, in the absence of a designation, entitled by will or the laws of descent and distribution, to receive the benefits specified in the Award Agreement and under this Plan if the Participant dies, and means the Participant’s executor or administrator if no other Beneficiary is designated and able to act under the circumstances.

“**Board**” means the Board of Directors of the Corporation.

“**Cause**” with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement, or another applicable contract with the Participant that defines such term for purposes of determining the effect that a “for cause” termination has on the Participant’s Awards) a termination of employment or service based upon a finding by the Corporation or any of its Affiliates, acting in good faith and based on its reasonable belief at the time, that the Participant:

- (a) has been negligent in the discharge of his or her duties to the Corporation or any Affiliate, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;
- (b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;
- (c) has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Corporation or any of its Affiliates; or has been convicted of, or pled guilty or nolo contendere to, a felony or misdemeanor (other than minor traffic violations or similar offenses);
- (d) has materially breached any of the provisions of any agreement with the Corporation or any of its Affiliates;
- (e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Corporation or any of its Affiliates; or
- (f) has improperly induced a vendor or customer to break or terminate any contract with the Corporation or any of its Affiliates or induced a principal for whom the Corporation or any Affiliate acts as agent to terminate such agency relationship.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Administrator) on the date on which the Corporation or any Affiliate first delivers written notice to the Participant of a finding of termination for Cause.

“**Change in Control Event**” means any of the following:

- (a) Approval by stockholders of the Corporation (or, if no stockholder approval is required, by the Board alone) of the complete dissolution or liquidation of the Corporation;
- (b) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a “**Person**”)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (1) the then-outstanding shares of common stock of the Corporation (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then-outstanding voting securities (on an as-converted basis) of the Corporation entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that, for purposes of this paragraph (b), the following acquisitions shall not constitute a Change in Control Event; (A) any acquisition of capital stock directly from the Corporation, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Affiliate or a successor, (D) any acquisition by a Person described in and satisfying the conditions of Rule 13d-1(b) promulgated under the Exchange Act, or (E) any acquisition by a Person who is the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the Outstanding Company Common Stock and/or the Outstanding Company Voting Securities (on an as-converted to basis) on the Effective Date (or an affiliate, heir, descendant, or related party of or to such Person);
- (c) The consummation of a “Deemed Liquidation Event” as such term is defined in the Corporation’s Certificate of Incorporation, as amended from time to time;

provided, however, that a transaction shall not constitute a Change in Control Event if it is in connection with the underwritten public offering of the Corporation’s securities.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

“**Common Stock**” means the shares of the Corporation’s common stock, par value \$0.00001 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 7.3.1 of this Plan.

“**Corporation**” means CytomX Therapeutics, Inc., a Delaware corporation, and its successors.

“**Effective Date**” means the date the Board approved this Plan.

“**Eligible Person**” has the meaning given to such term in Section 3 of this Plan.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time.

**“Fair Market Value,”** for purposes of this Plan and unless otherwise determined or provided by the Administrator in the circumstances, means as follows:

- (a) If the Common Stock is listed or admitted to trade on the New York Stock Exchange or other national securities exchange (the **“Exchange”**), the Fair Market Value shall equal the closing price of a share of Common Stock as reported on the composite tape for securities on the Exchange for the date in question, or, if no sales of Common Stock were made on the Exchange on that date, the closing price of a share of Common Stock as reported on said composite tape for the next preceding day on which sales of Common Stock were made on the Exchange. The Administrator may, however, provide with respect to one or more Awards that the Fair Market Value shall equal the closing price of a share of Common Stock as reported on the composite tape for securities listed on the Exchange on the last trading day preceding the date in question or the average of the high and low trading prices of a share of Common Stock as reported on the composite tape for securities listed on the Exchange for the date in question or the most recent trading day.
- (b) If the Common Stock is not listed or admitted to trade on a national securities exchange, the Fair Market Value shall be the value as reasonably determined by the Administrator for purposes of the Award in the circumstances.

The Administrator also may adopt a different methodology for determining Fair Market Value with respect to one or more Awards if a different methodology is necessary or advisable to secure any intended favorable tax, legal or other treatment for the particular Award(s) (for example, and without limitation, the Administrator may provide that Fair Market Value for purposes of one or more Awards will be based on an average of closing prices (or the average of high and low daily trading prices) for a specified period preceding the relevant date).

Any determination as to Fair Market Value made pursuant to this Plan shall be made without regard to any restriction other than a restriction which, by its terms, will never lapse, and shall be conclusive and binding on all persons with respect to Awards granted under this Plan.

**“Incentive Stock Option”** means an Option that is designated and intended as an “incentive stock option” within the meaning of Section 422 of the Code, the award of which contains such provisions (including but not limited to the receipt of stockholder approval of this Plan, if the award is made prior to such approval) and is made under such circumstances and to such persons as may be necessary to comply with that section.

**“Nonqualified Stock Option”** means an Option that is not an “incentive stock option” within the meaning of Section 422 of the Code and includes any Option designated or intended as a Nonqualified Stock Option and any Option designated or intended as an Incentive Stock Option that fails to meet the applicable legal requirements thereof.

“**Option**” means an option to purchase Common Stock granted under Section 5 of this Plan. The Administrator will designate any Option granted to an employee of the Corporation or an Affiliate as a Nonqualified Stock Option or an Incentive Stock Option.

“**Participant**” means an Eligible Person who has been granted and holds an Award under this Plan.

“**Personal Representative**” means the person or persons who, upon the disability or incompetence of a Participant, has acquired on behalf of the Participant, by legal proceeding or otherwise, the power to exercise the rights or receive benefits under this Plan by virtue of having become the legal representative of the Participant.

“**Plan**” means this CytomX Therapeutics, Inc. 2011 Stock Incentive Plan, as it may hereafter be amended from time to time.

“**Public Offering Date**” means the date the Common Stock is first registered under the Exchange Act and listed or quoted on a recognized national securities exchange.

“**Restricted Shares**” or “**Restricted Stock**” means shares of Common Stock awarded to a Participant under this Plan, subject to payment of such consideration and such conditions on vesting (which may include, among others, the passage of time, specified performance objectives or other factors) and such transfer and other restrictions as are established in or pursuant to this Plan and the related Award Agreement, to the extent such remain unvested and restricted under the terms of the applicable Award Agreement.

“**Restricted Stock Award**” means an award of Restricted Stock.

“**SAR**” means a share appreciation right, representing the right, subject to the terms and conditions of the Plan and the applicable Award Agreement, to receive a payment, in cash and/or Common Stock (as specified in the applicable Award Agreement), equal to the excess of the Fair Market Value of a share of Common Stock on the date the SAR is exercised over the “**base price**” of the SAR, which base price shall be set forth in the applicable Award Agreement.

“**Securities Act**” means the Securities Act of 1933, as amended from time to time.

“**Severance Date**” with respect to a particular Participant means, unless otherwise provided in the applicable Award Agreement:

- (a) if the Participant is an Eligible Person under clause (a) of Section 3 and the Participant’s employment by the Corporation or any of its Affiliates terminates (regardless of the reason), the last day that the Participant is actually employed by the Corporation or such Affiliate (unless, immediately following such termination of employment, the Participant is a member of the Board or, by express written agreement with the Corporation or any of its Affiliates, continues to provide other services to the Corporation or any Affiliate as an Eligible Person under clause (c) of Section 3, in which case the Participant’s Severance Date shall not be the date of such termination of employment but shall be determined in accordance with clause (b) or (c) below, as applicable, in connection with the termination of the Participant’s other services);

- (b) if the Participant is not an Eligible Person under clause (a) of Section 3 but is an Eligible Person under clause (b) thereof, and the Participant ceases to be a member of the Board (regardless of the reason), the last day that the Participant is actually a member of the Board (unless, immediately following such termination, the Participant is an employee of the Corporation or any of its Affiliates or, by express written agreement with the Corporation or any of its Affiliates, continues to provide other services to the Corporation or any Affiliate as an Eligible Person under clause (c) of Section 3, in which case the Participant's Severance Date shall not be the date of such termination but shall be determined in accordance with clause (a) above or (c) below, as applicable, in connection with the termination of the Participant's employment or other services);
- (c) if the Participant is not an Eligible Person under clause (a) or clause (b) of Section 3 but is an Eligible Person under clause (c) thereof, and the Participant ceases to provide services to the Corporation or any of its Affiliates as determined in accordance with Section 7.4.4 (regardless of the reason), the last day that the Participant actually provides services to the Corporation or such Affiliate as an Eligible Person under clause (c) of Section 3 (unless, immediately following such termination, the Participant is an employee of the Corporation or any of its Affiliates or is a member of the Board, in which case the Participant's Severance Date shall not be the date of such termination of services but shall be determined in accordance with clause (a) or (b) above, as applicable, in connection with the termination of the Participant's employment or membership on the Board).

**"Stock Award"** means an award of shares of Common Stock under Section 6 of this Plan. A Stock Award may be a Restricted Stock Award or an award of unrestricted shares of Common Stock.

**"Total Disability"** means a "total and permanent disability" within the meaning of Section 22(e)(3) of the Code and, with respect to Awards other than Incentive Stock Options, such other disabilities, infirmities, afflictions, or conditions as the Administrator may include.

CYTOMX THERAPEUTICS, INC.  
2011 STOCK INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT

**THIS RESTRICTED STOCK AWARD AGREEMENT** (this “**Agreement**”) is dated as of the \_\_\_ day of \_\_\_\_\_, by and between CytomX Therapeutics, Inc., a Delaware corporation (the “**Corporation**”), and \_\_\_\_\_ (the “**Participant**”).

W I T N E S S E T H

**WHEREAS**, pursuant to the CytomX Therapeutics, Inc. 2011 Stock Incentive Plan (the “**Plan**”), the Corporation hereby grants to the Participant, effective as of the date first set forth above (the “**Award Date**”), a restricted stock award (the “**Award**”), upon the terms and conditions set forth herein and in the Plan; and

**WHEREAS**, the Participant desires to purchase the shares of restricted stock subject to the Award on and subject to the terms and conditions set forth herein and in the Plan.

**NOW THEREFORE**, in consideration of the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

**1. Defined Terms.** Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings given to such terms in the Plan.

**2. Grant.** Subject to the terms of this Agreement, the Corporation hereby grants to the Participant an Award with respect to an aggregate of [\_\_\_\_\_] restricted shares of Common Stock of the Corporation (subject to adjustment as provided in Section 7.3.1 of the Plan) (the “**Restricted Shares**”) [at a purchase price of [\$\_\_\_\_\_] per share (the “**Purchase Price**”). The Participant agrees to promptly pay to the Corporation, in accordance with Section 6.3.2 of the Plan, the amount of the aggregate Purchase Price for the Restricted Shares]. *[Include bracketed language if the participant will be required to pay for the shares. If there is no purchase price, the Board resolutions approving the grant should address minimal consideration for par value in light of applicable requirements under the law of the state of incorporation.]*

**3. Vesting.** [The Award shall vest, and restrictions imposed on the Restricted Shares pursuant to Section 6(a) below shall lapse, with respect to 25% of the total number of Restricted Shares (subject to adjustment under Section 7.3.1 of the Plan) on each of the first, second, third and fourth anniversaries of the Award Date; provided that the Participant is employed by or providing services to the Corporation or one of its Affiliates on such date and has otherwise not previously incurred a Severance Date (as determined under the Plan).] *[Confirm vesting schedule]*

**4. Continuance of Employment/Service Required; No Employment/Service Commitment.** The vesting schedule in Section 3 requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or service as provided in Section 6 below or under the Plan.

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Affiliates, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Affiliate, interferes in any way with the right of the Corporation or any Affiliate at any time to terminate such employment or service, or affects the right of the Corporation or any Affiliate to increase or decrease the Participant's other compensation or benefits.

**5. Dividend and Voting Rights.** After the Award Date, the Participant shall be entitled to cash dividends and voting rights with respect to the Restricted Shares subject to the Award even though such shares are not vested, provided that such rights shall terminate immediately as to any Restricted Shares that are forfeited pursuant to Section 6(a) or that are repurchased pursuant to Section 9 of this Agreement.

**6. Restrictions on Transfer.**

(a) **Restrictions Prior to Vesting; Effect of Termination of Employment Prior to Vesting.** Prior to the time that they have become vested pursuant to Section 3, the Restricted Shares, any interest therein, amount payable in respect thereof, and the Restricted Property (as defined in Section 11) may not be sold or transferred, except as provided in Section 7.2 of the Plan. If the Participant ceases to be employed by or ceases to provide services to the Corporation or an Affiliate, the Participant's Restricted Shares (and related Restricted Property) shall be forfeited to the Corporation to the extent such shares have not become vested pursuant to Section 3 hereof as of the Participant's Severance Date (regardless of the reason for such termination of employment or service, whether with or without cause, voluntarily or involuntarily, or due to death or disability). Upon the occurrence of any forfeiture of Restricted Shares hereunder, such unvested, forfeited shares and related Restricted Property shall be automatically transferred to the Corporation as of the Severance Date, without any other action by the Participant (or the Participant's Beneficiary or Personal Representative in the event of the Participant's death or disability, as applicable). The Corporation may exercise its powers under Section 7(d) hereof and take any other action necessary or advisable to evidence such transfer. The Participant (or the Participant's Beneficiary or Personal Representative in the event of the Participant's death or disability, as applicable) shall deliver any additional documents of transfer that the Corporation may request to confirm the transfer of such unvested, forfeited shares and related Restricted Property to the Corporation. [No consideration shall be paid by the Corporation with respect to such transfer.] ***[or, if the participant was required to pay for the shares, use the following provisions:]*** [Within a reasonable period of time following the Corporation's receipt of such unvested, forfeited shares, any related Restricted Property and any other documents required pursuant to the preceding sentence, the Corporation shall pay to the Participant (in the form of a check or by cancellation of money purchase indebtedness) an amount equal to the lesser of (i) the original Purchase Price paid by the Participant for the unvested, forfeited shares, or (ii) the Fair Market Value of the unvested, forfeited shares determined as of the Severance Date. No interest shall be paid with respect to and no other adjustments (other than adjustments in accordance with Section 7.3.1 of the Plan to reflect stock splits and similar changes in capitalization) shall be made to the repurchase amount determined pursuant to the preceding sentence.]

(b) Restrictions After Vesting. Upon and after the time that they have become vested pursuant to Section 3, the Restricted Shares shall not continue to be subject to the restrictions set forth in Section 6(a), but such shares shall continue to be subject to the other limitations and restrictions set forth herein and in the Plan (including, without limitation, the provisions of Section 7.5 of the Plan and Sections 8 and 9 of this Agreement).

(c) Other Transfers Void. Any sale or transfer, or purported sale or transfer, of any Restricted Shares acquired pursuant to this Agreement or any interest therein other than to the Corporation shall be null and void unless the terms, conditions and provisions of this Agreement and the Plan are strictly observed and followed. Furthermore, the proposed transferee in any otherwise permitted transfer of the Restricted Shares acquired pursuant to this Agreement shall, as a condition precedent to any such transfer, agree in writing with the Corporation to be bound by the restrictions on such shares set forth in this Agreement and in the Plan (including, without limitation, the provisions of Sections 8 and 9 which shall continue in effect with respect to the shares). Furthermore, no Restricted Shares acquired pursuant to this Agreement shall be transferred after the Corporation has given notice that it (or another permitted purchaser) will purchase such shares pursuant to Section 9 as long as the Corporation is not in default of its obligation to pay for the shares subject to the repurchase.

(d) Charter Documents. The Certificate of Incorporation and Bylaws of the Corporation, as either of them may be amended from time to time, may provide for additional restrictions and limitations with respect to the Common Stock (including additional restrictions and limitations on the transfer of shares). To the extent that these restrictions and limitations are greater than those set forth in this Agreement, such restrictions and limitations shall apply to the Restricted Shares (both before and after such shares shall have become vested) and are incorporated herein by this reference. Such restrictions and limitations are not, however, in lieu of, nor shall they in any way reduce or eliminate, any limitation or restriction on the Restricted Shares imposed under the Plan or this Agreement.

#### **7. Delivery of Shares**

(a) Form. The Corporation shall, in its discretion, issue the Restricted Shares either: (1) in certificate form as provided in clause (b) below; or (2) if the Common Stock is then publicly-traded, in book entry form, registered in the name of the Participant with notations regarding the applicable restrictions on transfer imposed under this Agreement.

(b) Certificates to be Held by Corporation; Legend. Any certificates representing the Restricted Shares that may be delivered to the Participant by the Corporation prior to vesting of the Restricted Shares pursuant to Section 3 shall be redelivered to the Corporation to be held by the Corporation or its designee until the shares represented thereby vest pursuant to Section 3 or are repurchased pursuant to this Agreement. Any such certificates will bear a legend making appropriate reference to the restrictions imposed hereunder.



(c) **Delivery of Certificates Upon Vesting.** Promptly after the vesting of any Restricted Shares pursuant to Section 3, the Corporation shall, as applicable, either remove the notations on any such vested Restricted Shares issued in book entry form or deliver to the Participant a certificate or certificates evidencing the number of such vested Restricted Shares (or, in either case, such lesser number of shares as may be permitted pursuant to the tax withholding provisions referred to in Section 12). The Participant (or the beneficiary or personal representative of the Participant in the event of the Participant's death or incapacity, as the case may be) shall deliver to the Corporation any representations or other documents or assurances as the Corporation may deem necessary or reasonably desirable to ensure compliance with all applicable legal and regulatory requirements. The shares so delivered shall no longer be restricted pursuant to Section 6(a) but shall continue to be subject to the restrictions referred to in Section 6(b).

(d) **Stock Power; Power of Attorney.** Concurrent with the execution and delivery of this Agreement, the Participant shall deliver to the Corporation an executed stock power in the form attached hereto as Exhibit A, in blank, with respect to the Restricted Shares and any related Restricted Property. The Participant, by acceptance of the Award, shall be deemed to appoint, and does so appoint by execution of this Agreement, the Corporation and each of its authorized representatives as the Participant's attorney(s)-in-fact to (1) effect any transfer to the Corporation (or other purchaser, as the case may be) of the Restricted Shares acquired pursuant to this Agreement (including any related Restricted Property) that are repurchased by the Corporation (or other permitted purchaser), and (2) execute such documents as the Corporation or such representatives deem necessary or advisable in connection with any such transfer.

(e) **Share Legend Generally.** The certificate(s) representing the Restricted Shares (both before and after such shares shall have become vested pursuant to Section 3) shall bear the legend set forth in Section 7.5.3 of the Plan and/or any other appropriate or required legends under applicable laws. Such legends shall remain on the certificate(s) representing the Restricted Shares until the later of (1) the Public Offering Date (or such later date that counsel to the Corporation may reasonably determine is advisable to help ensure the Corporation's compliance with all applicable legal and regulatory requirements) or (2) the date that such shares become vested pursuant to Section 3. For purposes of this Agreement, the term "**Public Offering Date**" means the first day that the Common Stock is registered under the Exchange Act and listed or quoted on a recognized national securities exchange.

**8. Lock-Up Agreement.** Neither the Participant (nor any permitted transferee) may, directly or indirectly, offer, sell or transfer or dispose of any of the Restricted Shares after such shares have vested pursuant to Section 3 (the "**Shares**") or any interest therein (or agree to do any thereof) (collectively, a "**Transfer**") during the period commencing as of 14 days prior to and ending 180 days, or such lesser period of time as the relevant underwriters may permit (or such other period as may be requested by the Corporation or an underwriter to accommodate regulatory restrictions on (a) the publication or other distribution of research reports and (b) analyst recommendations and opinions, including, but not limited to, the restrictions contained in FINRA Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto), after the effective date of a registration statement covering any public offering of the Corporation's securities of which the Participant has notice. (The term "**Participant**" for purposes of this Agreement includes, where the context so requires, any permitted direct or

indirect transferee of the Participant.) The Participant shall agree and consent to the entry of stop transfer instructions with the Corporation's transfer agent against the Transfer of the Corporation's securities beneficially owned by the Participant and shall confirm the limitations hereunder by agreement with and for the benefit of the relevant underwriters by a lock-up agreement or other agreement in customary form. Notwithstanding anything else herein to the contrary, this Section 8 shall not be construed so as to prohibit the Participant from participating in a registration or a public offering of the Common Stock with respect to any Shares which he or she may hold at that time, provided, however, that such participation shall be at the sole discretion of the Board.

#### **9. Right of First Refusal.**

(a) General. The Corporation shall have a right of first refusal, as set forth in this Section 9, to purchase the Shares before such shares (or any interest in them) can be validly transferred to any other person or entity.

(b) Notice of Intent to Sell. Before there can be a valid sale or transfer of any of the Shares (or any interest in them) by any holder thereof, the holder shall first give notice in writing to the Corporation, mailed or delivered in accordance with the provisions of Section 13, of his or her intention to sell or transfer such shares (the "**Option Notice**"). The Option Notice shall specify the identity of the proposed transferee, the number of Shares to be sold or transferred to the transferee, the price per Share and the terms upon which such holder intends to make such sale or transfer. If the payment terms for the Shares described in the Option Notice differ from delivery of cash or a check at closing, the Corporation shall have the option, as set forth herein, of purchasing the Shares for cash (or a cash equivalent) at closing in an amount which the Corporation determines is a fair value equivalent of that payment. The determination of a fair value equivalent shall be made in the Corporation's best judgment and such determination shall be mailed or delivered to the selling or transferring stockholder (the "**Corporation's Notice**") within ten (10) days of its receipt of the Option Notice. Should the selling or transferring stockholder disagree with the Corporation's determination of a fair value equivalent, he or she shall have the right (the "**Retraction Right**") to retract the proposed sale or transfer to a third party and the offer of Shares to the Corporation pursuant to the Option Notice (such retraction to be made in writing and mailed or delivered in accordance with the provisions of Section 13). If the stockholder again proposes to sell or transfer the Shares, the stockholder shall again offer such shares to the Corporation pursuant to the terms of this Section 9 prior to any sale or transfer.

(c) Option to Purchase. Subject to the selling stockholder's Retraction Right, during the 60-day period commencing upon receipt of the Option Notice by the Corporation (the "**Option Period**"), the Corporation shall have an option to purchase any or all of the Shares specified in the Option Notice at the price offered therein (the "**Right of First Refusal**").

(d) Purchase of Shares. Not more than thirty (30) days after receipt of the Option Notice, the Corporation shall give written notice to the stockholder desiring to sell or transfer Shares of the number of such Shares to be purchased (or, if no Shares are to be purchased, stating such fact) by the Corporation pursuant to the terms of this Section 9 (the "**Purchase Notice**"). Purchases pursuant to this Section 9 shall be consummated within thirty (30) days after delivery of the Purchase Notice to the selling stockholder, but in no event later than the expiration of the

Option Period. The purchase price shall be paid at the closing in cash, by check, by cancellation of money purchase indebtedness, or, if the payment terms set forth in the Option Notice differ from payment in cash or by check at closing, in accordance with the payment terms set forth in the Option Notice (or payment of the amount set forth in the Corporation's Notice in cash, by cancellation of money purchase indebtedness, or by check). The purchase price shall be paid against surrender by the selling stockholder of a stock certificate evidencing the number of Shares specified in the Option Notice, with duly endorsed stock powers.

(e) Ability to Sell Unpurchased Shares. Unless all of the Shares referred to in the Option Notice are to be purchased as indicated in the Purchase Notice, the stockholder desiring to sell or transfer may dispose of any shares referred to in the Option Notice that are not to be purchased by the Corporation to the person or persons specified in the Option Notice during a period of twenty (20) days commencing upon his or her receipt of the Purchase Notice; provided, however, that he or she shall not sell or transfer such Shares (1) at a lower price or on terms more favorable to the purchaser or transferee than those specified in the Option Notice, or (2) to a person other than the person or persons specified in the Option Notice; and provided further that such transfer is consistent with the other provisions and limitations of the Plan and this Agreement. If the transfer is not consummated within such twenty (20) day period, the stockholder shall again offer such Shares to the Corporation pursuant to the terms of this Section 9 prior to any sale or transfer to the same or any other person.

(f) Assignment. Notwithstanding anything to the contrary, the Corporation may assign any or all of its rights under this Section 9 to one or more stockholders of the Corporation.

(g) Termination of Right of First Refusal. The Corporation's Right of First Refusal shall terminate to the extent that it is not exercised prior to the Public Offering Date.

#### **10. Other Repurchase Provisions.**

(a) Return of Shares. The Corporation may exercise its powers under Section 7(d) hereof and take any other action necessary or advisable to evidence any transfer of shares to or other repurchase of shares by the Corporation (or other purchaser) pursuant to this Agreement. The Participant (or the Participant's Beneficiary or Personal Representative, as the case may be) shall deliver any additional documents of transfer that the Corporation may request to confirm the transfer or repurchase, as the case may be, of such shares.

(b) No Stockholder Rights Following Exercise of Repurchase Right. If the Participant (or any permitted transferee) holds shares as to which the Right of First Refusal has been exercised (in connection with the termination of the Participant's employment or otherwise), or holds shares that have been forfeited pursuant to this Agreement, the Participant shall be entitled to the payment in accordance with the applicable provisions of this Agreement, but (unless otherwise required by law) shall no longer be entitled to participation in the Corporation or other rights as a stockholder with respect to the shares subject to the repurchase. To the maximum extent permitted by law, the Participant's rights following any such repurchase shall, with respect to the repurchase and the Shares covered thereby, be solely the rights that he or she has as a general creditor of the Corporation to receive payment of the amount specified in the applicable provisions of this Agreement.

**11. Adjustments upon Specified Events.** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.3.1 of the Plan, the Administrator shall make adjustments in accordance with such section in the number and kind of securities that may become vested under the Award. If any adjustment is made to the Restricted Shares pursuant to Section 7.3.1 of the Plan, the restrictions applicable to the Restricted Shares will continue in effect with respect to any consideration or other securities (the "**Restricted Property**" and, for the purposes of this Agreement, "Restricted Shares" shall include "Restricted Property," unless the context otherwise requires) received in respect of such Restricted Shares. Such Restricted Property shall vest at such times and in such proportion as the Restricted Shares to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof if such Restricted Shares had remained outstanding. To the extent that the Restricted Property includes any cash (other than regular cash dividends provided for in Section 5 hereof), such cash shall be invested, pursuant to policies established by the Administrator, in interest bearing, FDIC-insured (subject to applicable insurance limits) deposits of a depository institution selected by the Administrator, the earnings on which shall be added to and become a part of the Restricted Property.

**12. Tax Withholding.** The Corporation shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Corporation or any of its subsidiaries may reasonably be obligated to withhold with respect to the grant, vesting, making of an election under Section 83(b) of the Code or other event with respect to the Restricted Shares. The Corporation's obligation to deliver the Restricted Shares or any certificates evidencing the Restricted Shares, or otherwise remove the restrictive notations or legends on such shares or certificates that refer to the transfer restrictions set forth in Section 6(a), is subject to the condition precedent that the Participant either pay or provide for the amount of any such withholding obligations in such manner as may be authorized by the Administrator under, or as may otherwise be permitted under, Section 7.6 of the Plan.

**13. Notices.** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address reflected or last reflected on the Corporation's payroll records. Any notice shall be delivered in person or shall be enclosed in a properly sealed envelope, addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer an Eligible Person, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 13.

**14. Plan.** The Award and all rights of the Participant under this Agreement are subject to the terms and conditions of the Plan, incorporated herein by this reference. The Participant agrees to be bound by the terms of the Plan and this Agreement. The Participant acknowledges having read and understood the Plan, the Stock Award Questions & Answers for the Plan, and this Agreement. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the date hereof.

**15. Entire Agreement.** This Agreement (including the exhibit hereto) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Agreement may be amended pursuant to Section 7.7 of the Plan. Any such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not materially and adversely affect the Participant's rights with respect to the Award, provided that no such waiver shall operate or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

**16. Effect of this Agreement.** This Agreement shall be assumed by, be binding upon and inure to the benefit of any successor or successors to the Corporation.

**17. Governing Law; Arbitration; Severability; Miscellaneous.**

(a) **Delaware Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

(b) **Construction.** The terms of the Award grant have resulted from the negotiations of the parties and each of the parties has had an opportunity to obtain and consult with its own counsel. The language of all parts of the Plan and this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either of the parties.

(c) **Limited Rights.** The Participant shall have no rights as a stockholder of the Corporation with respect to the Restricted Shares until the Participant has purchased such shares and the shares have been issued by the Corporation in the name of the Participant. The Participant's rights with respect to the Restricted Shares after the date of such issuance are subject to the terms and conditions set forth herein.

(d) **Arbitration.** Any controversy arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, or any other controversy arising out of or related to the Award, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in San Francisco County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., San Francisco, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure §§ 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all

remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute.

(e) **Severability.** If the arbitrator selected in accordance with Section 17(d) or a court of competent jurisdiction determines that any portion of this Agreement or the Plan is in violation of any statute or public policy, then only the portions of this Agreement or the Plan, as applicable, which violate such statute or public policy shall be stricken, and all portions of this Agreement and the Plan which do not violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that any court order striking any portion of this Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

(f) **Counterparts.** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(g) **Section Headings.** The section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

(h) **Further Assurances.** Each of the parties hereto shall use its reasonable and diligent best efforts to proceed promptly with the transactions contemplated herein, to fulfill the conditions precedent for such party's benefit or to cause the same to be fulfilled and to execute such further documents and other papers and perform such further acts as may be reasonably required or desirable to carry out the provisions hereof and the transactions contemplated herein.

**18. Securities Law Representations.** The Participant acknowledges that the Restricted Shares are not being registered under the Securities Act, based, in part, in reliance upon an exemption from registration under Securities and Exchange Commission Rule 701 promulgated under the Securities Act, and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. The Participant, by executing this Agreement, hereby makes the following representations to the Corporation and acknowledges that the Corporation's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- The Participant is acquiring the Restricted Shares solely for the Participant's own account, for investment purposes only, and not with a view to or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.
- The Participant has had an opportunity to ask questions and receive answers from the Corporation regarding the terms and conditions of the Award and the restrictions imposed on the Restricted Shares. The Participant has been furnished with, and/or has access to, such information as he or she considers necessary or appropriate for deciding whether to purchase the Restricted Shares. However, in evaluating the merits and risks of an investment in the Restricted Shares, the Participant has and will rely upon the advice of his/her own legal counsel, tax advisors, and/or investment advisors.
- The Participant is aware that the Restricted Shares may be of no practical value and that any investment in common shares of a closely held corporation such as the Corporation is non-marketable, non-transferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.
- The Participant understands that the Restricted Shares will be characterized as "restricted securities" under the federal securities laws, and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect. The Participant acknowledges receiving a copy of Rule 144 promulgated under the Securities Act, as presently in effect, and represents that he is familiar with such rule, and understands the resale limitations imposed thereby and by the Securities Act and the applicable state securities law.
- The Participant has read and understands the restrictions and limitations set forth in the Plan and this Agreement which will be imposed on the Restricted Shares (including those restrictions and limitations which will continue after the shares have vested), including, but not limited to, the provisions of Section 6, 8 and 9 of this Agreement.
- At no time was an oral representation made to the Participant relating to the Award or the purchase of Restricted Shares and the Participant was not presented with or solicited by any promotional meeting or material relating to the Award or the Restricted Shares.
- The Participant understands and acknowledges that (a) any certificate evidencing the Restricted Shares (or evidencing any other securities issued with respect thereto pursuant to any stock split, stock dividend, merger or other form of reorganization or recapitalization) when issued shall bear, in addition to any other legends which may be required by applicable state securities laws, the legend set forth in Section 7.5.3 of the Plan, and (b) the Corporation has no obligation to register the Restricted Shares or file any registration statement under federal or state securities laws.

**19. Satisfaction of All Rights to Equity.** The Award is in complete satisfaction of any and all rights that the Participant may have (under an employment, consulting, or other written or oral agreement with the Corporation or any of its Affiliates, or otherwise) to receive (1) stock options or stock awards with respect to the securities of the Corporation or any of its Affiliates, and/or (2) any other equity or derivative security in or with respect to the Corporation or any of its Affiliates. This Agreement supersedes the terms of all prior understandings and agreements, written or oral, of the parties with respect to such matters. The Participant shall have no further rights or benefits under any prior agreement conveying any right with respect to any security or derivative security in or with respect to the Corporation or any of its Affiliates. The foregoing notwithstanding, this Section 19 shall not adversely affect the Participant's rights under any prior stock option or stock award agreement under the Plan (provided such agreement is expressly labeled as a stock option or stock award agreement under the Plan and is similar in form to this Agreement) which has been signed by an authorized officer of the Corporation.

**20. Clawback Policy.** The Restricted Shares are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Restricted Shares or other cash or property received with respect to the Restricted Shares (including any value received from a disposition of the Restricted Shares).

**21. No Advice Regarding Grant.** The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to the Restricted Shares (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Award, the advantages and disadvantages of making an election under Section 83(b) of the Code with respect to the Award, and the process and requirements for such an election). Neither the Corporation nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Agreement) or recommendation with respect to the Award or the making an election under Section 83(b) of the Code with respect to the Award. In the event the Participant desires to make an election under Section 83(b) of the Code with respect to the Award, it is the Participant's sole responsibility to do so timely. Except for the withholding rights set forth in Section 12 above, the Participant is solely responsible for any and all tax liability that may arise with respect to the Award.

*[The remainder of this page has intentionally been left blank.]*



**IN WITNESS WHEREOF**, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Participant has hereunto set his or her hand as of the date and year first above written.

**CytomX Therapeutics, Inc.,**  
a Delaware corporation

By: \_\_\_\_\_  
\_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_  
\_\_\_\_\_

**“PARTICIPANT”**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Print Name*

\_\_\_\_\_  
*Address*

\_\_\_\_\_  
*City, State, Zip Code*

**CONSENT OF SPOUSE**

In consideration of the execution of the foregoing Restricted Stock Award Agreement by CytomX Therapeutics, Inc., I, \_\_\_\_\_, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Restricted Stock Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
*Signature of Spouse*

\_\_\_\_\_  
*Print Name*

**STOCK POWER**

FOR VALUE RECEIVED and pursuant to that certain Restricted Stock Award Agreement between CytomX Therapeutics, Inc., a Delaware corporation (the "Corporation"), and the individual named below (the "Individual") dated as of \_\_\_\_\_, the Individual, hereby sells, assigns and transfers to the Corporation, an aggregate \_\_\_\_\_ shares of Common Stock of the Corporation, standing in the Individual's name on the books of the Corporation and represented by stock certificate number(s) \_\_\_\_\_ to which this instrument is attached, and hereby irrevocably constitutes and appoints \_\_\_\_\_ as his or her attorney in fact and agent to transfer such shares on the books of the Corporation, with full power of substitution in the premises.

Dated \_\_\_\_\_, \_\_\_\_

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Print Name*

*(Instruction: Please do not fill in any blanks other than the signature line. The purpose of the assignment is to enable the Corporation to exercise its sale/purchase option set forth in the Restricted Stock Award Agreement without requiring additional signatures on the part of the Individual.)*

**CYTOMX THERAPEUTICS, INC.  
2011 STOCK INCENTIVE PLAN  
STOCK OPTION AGREEMENT**

**THIS STOCK OPTION AGREEMENT** (this “**Option Agreement**”) dated \_\_\_\_\_ by and between CytomX Therapeutics, Inc., a Delaware corporation (the “**Corporation**”), and «Name» (the “**Participant**”) evidences the stock option (the “**Option**”) granted by the Corporation to the Participant as to the number of shares of the Corporation’s Common Stock, par value \$0.00001 per share, first set forth below.

<b>Number of Shares of Common Stock:</b> <sup>1</sup>	«Shares»	<b>Award Date:</b> «Award_Date»
<b>Exercise Price per Share:</b> <sup>1</sup>	«Price»	<b>Expiration Date:</b> <sup>1,2</sup> «Exp_Date»
<b>Vesting Commencement Date:</b>	«VCD»	
<b>Type of Option</b> ( <i>check one</i> ):	Nonqualified Stock Option	«NQSO»
	Incentive Stock Option	«ISO»

**Vesting**<sup>1,2</sup> [The Option shall become vested as to 25% of the total number of shares of Common Stock subject to the Option on the first anniversary of the Vesting Commencement Date. The remaining 75% of the total number of shares of Common Stock subject to the Option shall vest in 36 substantially equal monthly installments, with the first installment vesting on the last day of the month following the month in which the first anniversary of the Vesting Commencement Date occurs and an additional installment vesting on the last day of each of the 35 months thereafter.]

The Option is granted under the CytomX Therapeutics, Inc. 2011 Stock Incentive Plan (the “**Plan**”) and subject to the Terms and Conditions of Stock Option (the “**Terms**”) attached to this Option Agreement (incorporated herein by this reference) and to the Plan. The Option has been granted to the Participant in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Participant. Capitalized terms are defined in the Plan if not defined herein. The parties agree to the terms of the Option set forth herein. The Participant acknowledges receipt of a copy of the Terms, the Plan and the Stock Option Questions & Answers for the Plan, specifically acknowledges and agrees to Section 12 of the Terms, and agrees to maintain in confidence all information provided to him/her in connection with the Option.

“**PARTICIPANT**”

**CYTOMX THERAPEUTICS, INC.,**  
a Delaware corporation

_____ <i>Signature</i>	
_____ «Name»	By: _____ _____
_____ <i>Print Name</i>	Its: _____ _____
_____ <i>Address</i>	
_____ <i>City, State, Zip Code</i>	

<sup>1</sup> Subject to adjustment under Section 7.3.1 of the Plan.

<sup>2</sup> Subject to early termination under Section 5.6 or 7.3 of the Plan.

**CONSENT OF SPOUSE**

In consideration of the Corporation's execution of this Option Agreement, the undersigned spouse of the Participant agrees to be bound by all of the terms and provisions hereof and of the Plan.

\_\_\_\_\_  
*Signature of Spouse*

\_\_\_\_\_  
*Date*

## TERMS AND CONDITIONS OF STOCK OPTION

**1. Vesting; Limits on Exercise.**

The Option shall vest and become exercisable in percentage installments of the aggregate number of shares subject to the Option as set forth on the cover page of this Option Agreement. The Option may be exercised only to the extent the Option is vested and exercisable.

- Cumulative Exercisability. To the extent that the Option is vested and exercisable, the Participant has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option.
- No Fractional Shares. Fractional share interests shall be disregarded, but may be cumulated.
- Minimum Exercise. No fewer than 100 shares of Common Stock (subject to adjustment under Section 7.3.1 of the Plan) may be purchased at any one time, unless the number purchased is the total number at the time exercisable under the Option.
- ISO Value Limit. If the Option is designated as an Incentive Stock Option (an “ISO”), as indicated on the cover page of this Option Agreement, and if the aggregate fair market value of the shares with respect to which ISOs (whether granted under the Option or otherwise) first become exercisable by the Participant in any calendar year exceeds \$100,000, as measured on the applicable Award Dates, the limitations of Section 5.5.1 of the Plan shall apply and to such extent the Option will be rendered a Nonqualified Stock Option.

**2. Continuance of Employment/Service Required; No Employment/Service Commitment.**

The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 4 below or under the Plan.

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Corporation or any of its Affiliates, affects the Participant’s status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Affiliate, interferes in any way with the right of the Corporation or any Affiliate at any time to terminate such employment or service, or affects the right of the Corporation or any Affiliate to increase or decrease the Participant’s other compensation.

### 3. **Method of Exercise of Option.**

The Option shall be exercisable by the delivery to the Secretary of the Corporation (or such other person as the Administrator may require pursuant to such administrative exercise procedures as the Administrator may implement from time to time) of:

- an executed Exercise Agreement (stating the number of shares of Common Stock to be purchased pursuant to the Option) in substantially the form attached hereto as Exhibit A or such other form as the Administrator may require from time to time (the “**Exercise Agreement**”);
- payment in full for the Exercise Price of the shares to be purchased, in cash or by electronic funds transfer to the Corporation, or by certified or cashier’s check payable to the order of the Corporation subject to such specific procedures or directions as the Administrator may establish;
- any written statements or agreements required pursuant to Section 7.5.1 of the Plan; and
- satisfaction of the tax withholding provisions of Section 7.6 of the Plan.

The Administrator also may, but is not required to, authorize a non-cash payment alternative specified below at or prior to the time of exercise. In which case, the Exercise Price and/or applicable withholding taxes, to the extent so authorized, may be paid in full or in part by delivery to the Corporation of:

- shares of Common Stock already owned by the Participant, valued at their Fair Market Value on the exercise date; and/or
- if the Common Stock is then registered under the Exchange Act and listed or quoted on a recognized national securities exchange, irrevocable instructions to a broker to, upon exercise of the Option, promptly sell a sufficient number of shares of Common Stock acquired upon exercise of the Option and deliver to the Corporation the amount necessary to pay the Exercise Price (and, if applicable, the amount of any related tax withholding obligations); and/or
- a note meeting the requirements of Section 5.3.3 of the Plan (or, in the case of tax loans, Section 7.6 of the Plan).

An Option will qualify as an ISO only if it meets all of the applicable requirements of the Code. If the Option is designated as an ISO, the Option may be rendered a Nonqualified Stock Option if the Administrator permits the use of one or more of the non-cash payment alternatives referenced above.

**4. Early Termination of Option.**

The Option, to the extent not previously exercised, and all other rights in respect thereof, whether vested and exercisable or not, shall terminate and become null and void prior to the Expiration Date in the event of:

- the termination of the Participant's employment or services as provided in Section 5.6 of the Plan, or
- the termination of the Option pursuant to Section 7.3 of the Plan.

Notwithstanding any post-termination exercise period provided for herein or in the Plan, an Option will qualify as an ISO only if it is exercised within the applicable exercise periods for ISOs under, and meets all of the other requirements of, the Code. If the Option is designated as an ISO and is not exercised within the applicable exercise periods for ISOs or does not meet such other requirements, the Option will be rendered a Nonqualified Stock Option.

**5. Non-Transferability and Other Restrictions.**

The Option and any other rights of the Participant under this Option Agreement or the Plan are nontransferable and exercisable only by the Participant, except as set forth in Section 7.2 of the Plan. Any shares of Common Stock issued on exercise of the Option are subject to substantial restrictions on transfer, and are subject to rights of first refusal and other rights in favor of the Corporation as set forth herein and in the Exercise Agreement.

**6. Securities Law Compliance.**

The Participant acknowledges that the Option and the shares of Common Stock are not being registered under the Securities Act, based, in part, in reliance upon an exemption from registration under Securities and Exchange Commission Rule 701 promulgated under the Securities Act, and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. The Participant, by executing this Option Agreement, hereby makes the following representations to the Corporation and acknowledges that the Corporation's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- The Participant is acquiring the Option and, if and when he/she exercises the Option, will acquire the shares of Common Stock solely for the Participant's own account, for investment purposes only, and not with a view to or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.
- The Participant has had an opportunity to ask questions and receive answers from the Corporation regarding the terms and conditions of the Option and the restrictions imposed on any shares of Common Stock purchased upon exercise of the Option. The Participant has been furnished with, and/or has access to, such information as he or she considers necessary or appropriate for deciding whether to exercise the Option and purchase shares of Common Stock. However, in evaluating the merits and risks of an investment in the Common Stock, the Participant has and will rely upon the advice of his/her own legal counsel, tax advisors, and/or investment advisors.



- The Participant is aware that the Option may be of no practical value, that any value it may have depends on its vesting and exercisability as well as an increase in the Fair Market Value of the underlying shares of Common Stock to an amount in excess of the Exercise Price, and that any investment in common shares of a closely held corporation such as the Corporation is non-marketable, non-transferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.
- The Participant understands that any shares of Common Stock acquired on exercise of the Option will be characterized as “restricted securities” under the federal securities laws, and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect, with which the Participant is familiar.
- The Participant has read and understands the restrictions and limitations set forth in the Plan, this Option Agreement (including these Terms), and the Exercise Agreement, which are imposed on the Option and any shares of Common Stock which may be acquired upon exercise of the Option.
- At no time was an oral representation made to the Participant relating to the Option or the purchase of shares of Common Stock and the Participant was not presented with or solicited by any promotional meeting or material relating to the Option or the Common Stock.

#### 7. **Lock-Up Agreement.**

Neither the Participant (nor any permitted transferee) may, directly or indirectly, offer, sell or transfer or dispose of any of the shares of Common Stock acquired upon exercise of the Option (the “**Shares**”) or any interest therein (or agree to do any thereof) (collectively, a “**Transfer**”) during the period commencing as of 14 days prior to and ending 180 days, or such lesser period of time as the relevant underwriters may permit (or such other period as may be requested by the Corporation or an underwriter to accommodate regulatory restrictions on (a) the publication or other distribution of research reports and (b) analyst recommendations and opinions, including, but not limited to, the restrictions contained in FINRA Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto), after the effective date of a registration statement covering any public offering of the Corporation’s securities of which the Participant has notice. (The term “Participant” includes, where the context so requires, any permitted direct or indirect transferee of the Participant.) The Participant shall agree and consent to the entry of stop transfer instructions with the Corporation’s transfer agent against the Transfer of the Corporation’s securities beneficially owned by the Participant and shall confirm the limitations hereunder and under the Exercise Agreement by agreement with and for the benefit of the relevant underwriters by a lock-up agreement or other agreement in customary form. Notwithstanding anything else herein to the contrary, this Section 7 shall not be construed so as to prohibit the Participant from participating in a registration or a public offering of the Common Stock with respect to any shares which he or she may hold at that time, provided, however, that such participation shall be at the sole discretion of the Board.

**8. Right of First Refusal.**

The Corporation shall have a right of first refusal, as set forth below, to purchase the Shares acquired upon exercise of the Option before the Shares (or any interest in them) can be validly transferred to any other person or entity.

**8.1 Notice of Intent to Sell.** Before there can be a valid sale or transfer of any Shares (or any interest in them) by any holder thereof, the holder shall first give notice in writing to the Corporation, mailed or delivered in accordance with the provisions of Section 9, of his or her intention to sell or transfer such Shares (the “**Option Notice**”).

The Option Notice shall specify the identity of the proposed transferee, the number of Shares to be sold or transferred to the transferee, the price per Share and the terms upon which such holder intends to make such sale or transfer. If the payment terms for the Shares described in the Option Notice differ from delivery of cash or a check at closing, the Corporation shall have the option, as set forth herein, of purchasing the Shares for cash (or a cash equivalent) at closing in an amount which the Corporation determines is a fair value equivalent of that payment. The determination of a fair value equivalent shall be made in the Corporation’s best judgment and such determination shall be mailed or delivered to the selling or transferring stockholder (the “**Corporation’s Notice**”) within ten (10) days of its receipt of the Option Notice. Should the selling or transferring stockholder disagree with the Corporation’s determination of a fair value equivalent, he or she shall have the right (the “**Retraction Right**”) to retract the proposed sale or transfer to a third party and the offer of Shares to the Corporation pursuant to the Option Notice (such retraction to be made in writing and mailed or delivered in accordance with the provisions of Section 9). If the stockholder again proposes to sell or transfer the Shares, the stockholder shall again offer such Shares to the Corporation pursuant to the terms of this Section 8 prior to any sale or transfer.

**8.2 Option to Purchase.** Subject to the selling stockholder’s Retraction Right, during the 60-day period commencing upon receipt of the Option Notice by the Corporation (the “**Option Period**”), the Corporation shall have an option to purchase any or all of the Shares specified in the Option Notice at the price offered therein (the “**Right of First Refusal**”).

**8.3 Purchase of Shares.** Not more than thirty (30) days after receipt of the Option Notice, the Corporation shall give written notice to the stockholder desiring to sell or transfer Shares of the number of such Shares to be purchased (or, if no Shares are to be purchased, stating such fact) by the Corporation pursuant to the terms of this Section 8 (the “**Purchase Notice**”). Purchases pursuant to this Section 8 shall be consummated within thirty (30) days after delivery of the Purchase Notice to the selling stockholder, but in no event later than the expiration of the Option Period. The purchase price shall be paid at the closing in cash, by check, by cancellation of money purchase indebtedness, or, if the payment terms set forth in the Option Notice differ from payment in cash or by check at closing, in accordance with the payment terms set forth in the Option Notice (or payment of the amount set forth in the Corporation’s Notice in cash, by cancellation of money purchase indebtedness, or by check). The purchase price shall be paid against surrender by the selling stockholder of a stock certificate evidencing the number of Shares specified in the Option Notice, with duly endorsed stock powers.

**8.4 Ability to Sell Unpurchased Shares.** Unless all of the Shares referred to in the Option Notice are to be purchased as indicated in the Purchase Notice, the stockholder desiring to sell or transfer may dispose of any Shares referred to in the Option Notice that are not to be purchased by the Corporation to the person or persons specified in the Option Notice during a period of twenty (20) days commencing upon his or her receipt of the Purchase Notice; provided, however, that he or she shall not sell or transfer such Shares (a) at a lower price or on terms more favorable to the purchaser or transferee than those specified in the Option Notice, or (b) to a person other than the person or persons specified in the Option Notice; and provided further that such transfer is consistent with the other provisions and limitations of the Plan, this Option Agreement (including these Terms), and the Exercise Agreement. If the transfer is not consummated within such twenty (20) day period, the stockholder shall again offer such Shares to the Corporation pursuant to the terms of this Section 8 prior to any sale or transfer to the same or any other person.

**8.5 Assignment.** Notwithstanding anything to the contrary, the Corporation may assign any or all of its rights under this Section 8 to one or more stockholders of the Corporation.

**8.6 Termination of Right of First Refusal.** The Corporation's Right of First Refusal shall terminate to the extent that it is not exercised prior to the Public Offering Date.

**8.7 No Stockholder Rights Following Repurchase.**

If the Participant (or any permitted transferee) holds Shares as to which the Right of First Refusal has been exercised (in connection with the termination of the Participant's employment or otherwise), the Participant shall be entitled to payment in accordance with the provisions of this Section 8 but (unless otherwise required by law) shall no longer be entitled to participation in the Corporation or other rights as a stockholder with respect to the shares subject to the repurchase. To the maximum extent permitted by law, the Participant's rights following the exercise of the Right of First Refusal shall, with respect to the repurchase and the Shares covered thereby, be solely the rights that he or she has as a general creditor of the Corporation to receive payment of the amount specified in this Section 8.

**9. Notices.**

Any notice to be given under the terms of this Option Agreement or the Exercise Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address reflected or last reflected on the Corporation's payroll records. Any notice shall be delivered in person or shall be enclosed in a properly sealed envelope, addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer an Eligible Person, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 9.

**10. Plan.**

The Option and all rights of the Participant under this Option Agreement are subject to the terms and conditions of the Plan, incorporated herein by this reference. The Participant agrees to be bound by the terms of the Plan and this Option Agreement (including these Terms). The Participant acknowledges having read and understood the Plan, the Stock Option Questions & Answers for the Plan, and this Option Agreement. Unless otherwise expressly provided in other sections of this Option Agreement, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the date hereof.

**11. Entire Agreement.**

This Option Agreement (including these Terms and together with the form of Exercise Agreement attached hereto) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan, this Option Agreement and the Exercise Agreement may be amended pursuant to Section 7.7 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof or of the Exercise Agreement in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

**12. Satisfaction of All Rights to Equity.**

The Option is in complete satisfaction of any and all rights that the Participant may have (under an employment, consulting, or other written or oral agreement with the Corporation or any of its Affiliates, or otherwise) to receive (1) stock options or stock awards with respect to the securities of the Corporation or any of its Affiliates, and/or (2) any other equity or derivative security in or with respect to the Corporation or any of its Affiliates. This Option Agreement supersedes the terms of all prior understandings and agreements, written or oral, of the parties with respect to such matters. The Participant shall have no further rights or benefits under any prior agreement conveying any right with respect to any security or derivative security in or with respect to the Corporation or any of its Affiliates. The foregoing notwithstanding, this Section 12 shall not adversely affect the Participant's rights under any prior stock option or stock award agreement under the Plan (provided such agreement is expressly labeled as a stock option or stock award agreement under the Plan and is similar in form to this Option Agreement) which has been signed by an authorized officer of the Corporation.

### **13. Governing Law; Limited Rights; Severability.**

**13.1. Delaware Law; Construction.** This Option Agreement and the Exercise Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder. The terms of the Option grant have resulted from the negotiations of the parties and each of the parties has had an opportunity to obtain and consult with its own counsel. The language of all parts of the Plan, this Option Agreement (including these Terms) and the Exercise Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either of the parties.

**13.2. Limited Rights.** The Participant has no rights as a stockholder of the Corporation with respect to the Option as set forth in Section 7.8 of the Plan. The Option does not place any limit on the corporate authority of the Corporation as set forth in Section 7.15 of the Plan.

**13.3. Arbitration.** Any controversy arising out of or relating to this Option Agreement (including these Terms), the Plan, and/or the Exercise Agreement, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the Option, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in San Francisco County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., San Francisco, California, or its successor (“JAMS”), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure §§ 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Option Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator’s award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator’s fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney’s fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute.

**13.4. Severability.** If the arbitrator selected in accordance with Section 13.3 or a court of competent jurisdiction determines that any portion of this Option Agreement, the Plan, or the Exercise Agreement is in violation of any statute or public policy, then only the portions of this Option Agreement, the Plan, or the Exercise Agreement, as applicable, which violate such statute or public policy shall be stricken, and all portions of this Option Agreement, the Plan, and the Exercise Agreement which do not violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties’ intent that any court order striking any portion of this Option Agreement, the Plan, and/or the Exercise Agreement should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

**13.5. Stockholder Approval.** Notwithstanding anything else contained herein to the contrary, the Option and all rights of the Participant under this Option Agreement are subject to approval of the Plan by the Corporation's stockholders (such approval to be obtained in accordance with the terms of the Plan, the Corporation's Bylaws, and applicable law) within 12 months after the Effective Date of the Plan.

**14. Clawback Policy.**

The Option is subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require forfeiture of the Option and repayment or forfeiture of any shares of Common Stock or other cash or property received with respect to the Option (including any value received from a disposition of the shares acquired upon exercise of the Option).

**15. No Advice Regarding Grant.**

The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to the Option (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Option and any shares that may be acquired upon exercise of the Option). Neither the Corporation nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Option Agreement) or recommendation with respect to the Option. Except for the withholding rights contemplated by Section 3 above and Section 7.6 of the Plan, the Participant is solely responsible for any and all tax liability that may arise with respect to the Option and any shares that may be acquired upon exercise of the Option.

*(Remainder of Page Intentionally Left Blank)*

**CYTOMX THERAPEUTICS, INC.  
2011 STOCK INCENTIVE PLAN  
OPTION EXERCISE AGREEMENT**

The undersigned (the "**Purchaser**") hereby irrevocably elects to exercise his/her right, evidenced by that certain Stock Option Agreement dated as of \_\_\_\_\_ (the "**Option Agreement**") under the CytomX Therapeutics, Inc. 2011 Stock Incentive Plan (the "**Plan**"), as follows:

- the Purchaser hereby irrevocably elects to purchase \_\_\_\_\_ shares of Common Stock, par value \$0.00001 per share (the "**Shares**"), of CytomX Therapeutics, Inc., a Delaware corporation (the "**Corporation**"), and
- such purchase shall be at the price of \$\_\_\_\_\_ per share, for an aggregate amount of \$\_\_\_\_\_ (subject to applicable withholding taxes pursuant to Section 7.6 of the Plan).

Capitalized terms are defined in the Plan if not defined herein.

**1. Delivery of Share Certificate.** The Purchaser requests that a certificate representing the Shares be registered to Purchaser and delivered to: \_\_\_\_\_.

**2. Investment Representations.** The Purchaser acknowledges that the sale of the Shares by the Purchaser is restricted by Securities and Exchange Commission Rules 701(g) and 144. The Purchaser hereby affirms as made as of the date hereof the representations in Section 6 of the "Terms and Conditions of Stock Option" (which are attached to and a part of the Option Agreement, the "**Terms**") and such representations are incorporated herein by this reference. The Purchaser represents that he/she has no need for liquidity in this investment, has the ability to bear the economic risk of this investment, and can afford a complete loss of the purchase price for the Shares.

The Purchaser also understands and acknowledges (a) that the certificates representing the Shares will be legended as provided for in Section 7.5.3 of the Plan, and (b) that the Corporation has no obligation to register the Shares or file any registration statement under federal or state securities laws.

**3. Limitation on Disposition and Other Restrictions.** The Shares are subject to and the Purchaser hereby agrees to the following terms and conditions of the sale of the Shares to the Purchaser:

- any transfer of the Shares must comply with the restrictions on transfer set forth in Section 7.2 of the Plan and all applicable laws as set forth in Section 7.5 of the Plan;

- the Shares are subject to, and following any otherwise permitted transfer of the Shares, the Shares shall remain subject to and the transferee shall be bound by, the lock-up provisions set forth in Section 7 of the Terms, the Corporation's right of first refusal set forth in Section 8 of the Terms, the share legend requirements of Section 7.5.3 of the Plan, the foregoing provisions of this Section 3, and the arbitration provisions of Section 13.3 of the Terms; and
- as a condition to any otherwise permitted transfer of the Shares, the Corporation may require the transferee to execute a written agreement, in a form acceptable to the Administrator, that the transferee acknowledges and agrees to the foregoing terms and restrictions imposed on the Shares.

**4. Plan and Option Agreement.** The Purchaser acknowledges that all of his/her rights are subject to, and the Purchaser agrees to be bound by, all of the terms and conditions of the Plan and the Option Agreement (including the Terms), both of which are incorporated herein by this reference. If a conflict or inconsistency between the terms and conditions of this Exercise Agreement and of the Plan or the Option Agreement shall arise, the terms and conditions of the Plan and/or the Option Agreement shall govern. The Purchaser acknowledges receipt of a copy of all documents referenced herein (including the Terms and the Stock Option Questions & Answers for the Plan) and acknowledges reading and understanding these documents and having an opportunity to ask any questions that he/she may have had about them. Any controversy or claim arising out of or relating to this Exercise Agreement shall be submitted to arbitration in accordance with Section 13.3 of the Terms, and Delaware law shall apply as provided in Section 13.1 of the Terms.

**5. Entire Agreement.** This Exercise Agreement, the Option Agreement (including the Terms), and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan, the Option Agreement and this Exercise Agreement may be amended pursuant to Section 7.7 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof or of the Option Agreement in writing to the extent such waiver does not adversely affect the interests of the Purchaser hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

**6. Notice of Sale of ISO Shares.** If the Shares are being acquired upon exercise of an Option intended to qualify as an Incentive Stock Option, the Purchaser agrees that, upon any sale or other transfer of the Shares within either one year of the date that they are acquired by the Purchaser or two years after the Award Date set forth in the Option Agreement, the Purchaser shall provide the notice required under Section 5.5.3 of the Plan.



**“PURCHASER”**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
«Name»

\_\_\_\_\_  
*Print Name*

\_\_\_\_\_  
*Date*

**ACCEPTED BY:**  
**CYTOMX THERAPEUTICS, INC.,**  
a Delaware corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_  
\_\_\_\_\_

*(To be completed by the corporation after the price (including applicable withholding taxes), value (if applicable) and receipt of funds is verified.)*

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**2010 STOCK INCENTIVE PLAN**

**CYTOMX THERAPEUTICS, INC.**  
a Delaware corporation

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September 21, 2010

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## 2010 STOCK INCENTIVE PLAN

**THIS 2010 STOCK INCENTIVE PLAN** (the "Plan") is made and adopted by **CYTOMX THERAPEUTICS, INC.**, a Delaware corporation (the "Company"), effective as of September 21, 2010, for the purposes of enabling the Company to grant stock options and issue shares of restricted stock to its employees and others providing services to the Company.

**1. DEFINITIONS.** For purposes of this Plan, the term:

**1.1 "BOARD"** means the Board of Directors of the Company.

**1.2 "CODE"** means the Internal Revenue Code of 1986, as amended from time to time.

**1.3 "COMMITTEE"** means such Committee of the Board of Directors as the Board may constitute and appoint from time to time to administer the Plan, pursuant to Section 3.3, below.

**1.4 "COMMON STOCK"** means shares of the common capital stock of the Company.

**1.5 "COMPANY"** means **CYTOMX THERAPEUTICS, INC.**, a Delaware corporation.

**1.6 "DISABILITY" OR "DISABLED"** means that Optionee is suffering from a mental or physical condition which, in the opinion of a licensed medical doctor reasonably acceptable to the Company, renders Optionee incapable for a period for a period of at least six (6) consecutive months from performing his regular duties as an employee of the Company. Optionee covenants and agrees to submit to a reasonable physical examination by such licensed medical doctor for the purpose of evaluating whether Optionee is Disabled.

**1.7 "EXERCISE PRICE"** means the amount due pursuant to Section 6.1(c), below, for the purchase of shares of Common Stock upon the exercise of Options granted hereunder.

**1.8 "FAIR MARKET VALUE"** means, as of any date, the value of the Common Stock determined as follows:

**(a)** If the Common Stock is listed on an established national stock exchange or the National Market System of the National Association of Securities Dealers, Inc., Automated Quotation ("NASDAQ") System, then the Fair Market Value of a share of Common Stock on each day shall be the closing price thereof, as quoted on such exchange or system (or the exchange with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board or Committee deems reliable;

**(b)** If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the

mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board or Committee deems reliable; and

(c) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Board or Committee.

**1.9 “HOLDER”** means each individual to whom an Incentive Option or a Nonqualified Option is granted, or to whom shares of Restricted Stock are issued, under this Plan.

**1.10 “INCENTIVE OPTIONS”** means “incentive stock options,” as defined in Section 422 of the Code.

**1.11 “NONQUALIFIED OPTIONS”** means all Options granted under this Plan to acquire stock of the Company, its Parent, or any of its Subsidiaries, other than Incentive Options.

**1.12 “OPTION”** shall mean each Incentive Option and Nonqualified Option permitted to be granted under this Plan.

**1.13 “OPTION SHARES”** shall mean the number of shares for which an Option is granted under this Plan.

**1.14 “PARENT”** means a corporation that owns directly or indirectly fifty percent (50%) or more of the total combined voting power of all classes of stock of the Company.

**1.15 “PLAN”** means this Stock Incentive Plan of the Company, as amended from time to time.

**1.16 “RESTRICTED STOCK”** means shares of Common Stock which (a) either (i) are issued upon exercise of an Option prior to Holder’s becoming fully vested therein, or (ii) otherwise are issued by the Company pursuant to Section 7, below, in lieu of granting an Option for the purchase of such shares; and (b) are subject to such vesting schedule and transfer restrictions as the Board or the Committee deems appropriate.

**1.17 “RESTRICTED STOCKHOLDER”** means the employee of, consultant to, or director of the Company or other person to whom shares of Restricted Stock are issued pursuant to this Plan.

**1.18 “RESTRICTED STOCK REPURCHASE AGREEMENT”** means an agreement executed by a Restricted Stockholder and the Company as contemplated by Section 7, below, which imposes on the shares of Restricted Stock held by the Restricted Stockholder such restrictions as the Board or Committee deem appropriate.

**1.19 “SUBSIDIARY”** means each corporation in which stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock of such corporation or corporations is owned directly or indirectly by the Company.

**2. PURPOSE.** This Plan is intended to provide incentives to enable officers and employees of the Company, its Parent, and its Subsidiaries, and for certain other individuals providing services to or acting as directors of the Company, its Parent, or its Subsidiaries, to acquire or increase a proprietary interest in the Company, its Parent, or its Subsidiaries, and their success. The Company intends that this purpose shall be effected by the granting of Incentive Options and Nonqualified Options, and the issuance of shares of Restricted Stock, under the Plan.

### **3. OPTIONS TO BE GRANTED AND ADMINISTRATION**

**3.1 OPTIONS TO BE GRANTED.** Options granted under the Plan may be either Incentive Options or Nonqualified Options.

**3.2 ADMINISTRATION BY THE BOARD.** This Plan shall be administered by the Board of Directors of the Company.

(a) The Board shall have full and final authority to operate, manage and administer the Plan on behalf of the Company. This authority includes, but is not limited to: (i) the power to grant Options conditionally or unconditionally; (ii) the power to prescribe the form or forms of the instruments evidencing Options granted under this Plan; (iii) the power to interpret the Plan; (iv) the power to provide regulations for the operation of the incentive features of the Plan, and otherwise to prescribe regulations for interpretation, management and administration of the Plan; (v) the power to delegate responsibility for Plan operation, management and administration on such terms, consistent with the Plan, as the Board may establish; (vi) the power to delegate to other persons the responsibility for performing ministerial acts in furtherance of the Plan's purpose; and (vii) the power to engage the services of persons or organizations in furtherance of the Plan's purpose, including but not limited to banks, insurance companies, brokerage firms and consultants.

(b) In addition, as to each Option, the Board shall have full and final authority in its discretion to determine: (i) the number of shares subject to each Option; (ii) the time or times at which Options shall be granted; (iii) the Option price for the shares subject to each Option, which price shall be subject to the applicable requirements, if any, of Section 6.1(c) hereof; and (iv) the time or times when each Option shall become exercisable, the conditions under which exercise may be accelerated, and the duration of the exercise period.

**3.3 APPOINTMENT AND PROCEEDINGS OF COMMITTEE.** The Board may appoint a Stock Option Committee which shall consist of at least two members of the Board. The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, and may fill vacancies, however caused, in the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum, and all actions of the Committee shall require the affirmative vote of a majority of its members. Any action may be taken by a written instrument signed by all of the members, and any action so taken shall be as fully effective as if it had been taken by a vote of a majority of the members at a meeting duly called and held.

**3.4 POWERS OF COMMITTEE.** Subject to the provisions of this Plan and the approval of the Board, the Committee shall have the power to grant Options and issue Restricted Stock hereunder, including determining the number of shares to be covered by each Option, the time or times of Option grants, and the terms and conditions of each Option. In addition, the Committee shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to exercise the administrative and ministerial powers of the Board with regard to aspects of the Plan other than the granting of Options. The interpretation and construction by the Committee of any provisions of the Plan or of any Option granted hereunder and the exercise of any power delegated to it hereunder shall be final, unless otherwise determined by the Board. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted hereunder.

#### **4. STOCK**

**4.1 SHARES SUBJECT TO PLAN.** The Company hereby reserves and sets aside for the granting of Options under the Plan Eighty-eight Million Eight Hundred Forty-six Thousand Nine Hundred Seventy-three (88,846,973) shares of Common Stock. Such number of shares is subject to adjustment as provided in Section 9, below.

**4.2 DEEMED TIMING OF GRANTS.** Each Option granted hereunder shall be deemed to be granted as of the end of the day on which granted.

**4.3 LAPSED OR UNEXERCISED OPTIONS.** Whenever any outstanding Option under the Plan expires, is canceled or is otherwise terminated (other than by exercise), the shares of Common Stock allocable to the unexercised portion of such Option automatically shall be deemed to be restored to the Plan and again shall be available for the granting of other Options and issuance of shares of Restricted Stock under the Plan.

**4.4 UNVESTED SHARES OF RESTRICTED STOCK REPURCHASED BY COMPANY.** Whenever any unvested shares of Restricted Stock are repurchased by the Company pursuant to Section 7, below, such repurchased shares automatically shall be deemed to be restored to the Plan and again shall be available for the granting of other Options or issuance of shares of Restricted Stock under the Plan.

#### **5. ELIGIBILITY**

**5.1 ELIGIBLE OPTIONEES.** Incentive Options may be granted only to employees of the Company or its Parent or Subsidiaries, including members of the Board who are also employees of the Company or a Parent or Subsidiary; *provided that*, for any period in which the Company is taxed as an "S" corporation for income tax purposes, an individual shall be eligible for the grant of an Option hereunder only if (and for so long as) such individual is eligible under Section 1361 of the Code to be a shareholder in an "S" corporation without occasioning a revocation of the Company's "S" corporation election. If the holder of an Option granted hereunder is so eligible to be a shareholder in an "S" corporation at the time the Option is granted but thereafter loses such eligibility, then such Option may not be exercised unless and until such eligibility is restored. Nonqualified Options may be granted to officers or other

employees of the Company or its Parent or Subsidiaries, to members of the Board or the board of directors of a Parent or any Subsidiary whether or not employees of the Company or such Parent or Subsidiary, and to other individuals providing services to the Company or its Parent or Subsidiaries.

**5.2 LIMITATIONS ON 10% STOCKHOLDERS.** No Option shall be granted to an individual who, at the time the Option is granted, owns (including ownership attributed pursuant to Section 424(d) of the Code) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a Parent or Subsidiary of the Company (a "greater-than-10% stockholder"), unless such Option provides that (i) the purchase price per share shall not be less than 110% of the Fair Market Value of the Common Stock at the time such Incentive Option is granted, and (ii) if such Option is an Incentive Option, then such Option shall not be exercisable to any extent after the expiration of five (5) years from the date on which it is granted.

**5.3 LIMITATION ON EXERCISABLE OPTIONS.** The aggregate Fair Market Value (determined at the time the Incentive Option is granted) of the Common Stock with respect to which Incentive Options are exercisable for the first time by any person during any calendar year under the Plan and under any other Option plan of the Company (or a parent or subsidiary as defined in Section 424 of the Code) shall not exceed \$100,000. Any Option granted in excess of the foregoing limitation shall be specifically designated as being a Nonqualified Option. The first sentence of this Section 5.3 shall be applied by reference to the Fair Market Value of Common Stock as of the time the Option is granted.

## **6. TERMS OF OPTION AGREEMENTS**

**6.1 MANDATORY TERMS.** Each Option agreement shall contain such provisions as the Board or the Committee from time to time determines to be appropriate. Option agreements need not be identical, but each Option agreement by appropriate language shall include the substance of all of the following provisions:

**(a) EXPIRATION.** Notwithstanding any other provision of the Plan or of any Option agreement, each Option shall expire on the date specified in the Option agreement, which date shall not be later than the tenth anniversary of the date on which the Option was granted (fifth anniversary in the case of an Incentive Option granted to a greater-than-10% stockholder).

**(b) EXERCISE; VESTING.** Each Option shall be exercisable in full or in installments (which need not be equal) and at such times as designated by the Board or the Committee. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Option expires. Unless the Board or Committee determines otherwise with respect to any Option granted or any shares of Restricted Stock issued hereunder, the Holder of each Option shall become vested in such Option and each Restricted Stockholder shall become vested in shares of Restricted Stock as follows: (i) twenty-five percent (25%) of the shares after twelve (12) consecutive months of employment with the Company, and (ii) thereafter, one-thirty-sixth (1/36<sup>th</sup>) of the remainder of the shares for each complete subsequent month of continuous

employment with the Company, provided that any other vesting scheduled approved by the Board or Committee for grants to any person other than an officer or director of or consultant to the Company must provide for a vesting rate of at least twenty percent (20%) per year over a period of not more than five (5) years.

**(c) PURCHASE PRICE.** The purchase price per share of the Common Stock under each Incentive Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date the Option is granted (110% of the Fair Market Value in the case of a greater-than-10% stockholder). The price at which shares may be purchased pursuant to Nonqualified Options shall be specified by the Board or the Committee at the time the Option is granted, and may be less than, equal to or greater than the Fair Market Value of the shares of Common Stock on the date such Nonqualified Option is granted, but shall not be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date the Option is granted.

**(d) TRANSFERABILITY OF OPTIONS.** Options granted under the Plan and the rights and privileges conferred thereby may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of any Option under the Plan (or any right or privilege conferred hereby), contrary to the provisions of the Plan, or upon any attempted levy or any attachment or similar process upon the rights and privileges conferred hereby, such Option shall thereupon terminate and become null and void.

**(e) TERMINATION OF EMPLOYMENT OR DEATH OR DISABILITY OF OPTIONEE.** Except as otherwise expressly provided in the terms and conditions of the Option granted to an Optionee, Options granted hereunder shall terminate on the earliest to occur of (i) the date of expiration thereof; (ii) if the Holder is employed by the Company and such employment is terminated by the Company for "Cause", as hereinafter defined, on the date of such termination; or (iii) if the Holder is employed by the Company and such employment is terminated for any reason other than death, Disability or for Cause as aforesaid, on the earlier of the date of expiration thereof or ninety (90) days following the date of such termination.

**(i)** Until the date on which the Option so expires or terminates, the Holder may exercise that portion of his Option which is exercisable at the time of termination of such relationship. An employment relationship between the Company and the Holder shall be deemed to exist during any period during which the Holder is employed by the Company or by a Parent or any Subsidiary. Whether authorized leave of absence or absence on military government service shall constitute termination of the employment relationship between the Company and the Holder shall be determined by the Board or the Committee at the time thereof. For purposes of this Section 6.1(0), the term "Cause" shall mean (a) any material breach by the Holder of any agreement to which the Holder and the Company are both parties; (b) any act (other than retirement) or omission to act by the Holder which may have a material and adverse effect on the Company's business or on the Optionee's ability to perform services for the Company, including, without limitation, the commission of any crime (other than minor traffic



violations), (c) any material misconduct or material neglect of duties by the Holder in connection with the business or affairs of the Company or any Subsidiary or affiliate of the Company, or (d) any other act or omission constituting "Cause" for termination of Holder's employment or engagement by the Company under any employment or other service agreement between such Holder and the Company.

(ii) In the event of the death or Disability of any Holder while in an employment or other relationship with the Company and before the date of expiration of such Option, such Option shall terminate on the earlier of such date of expiration or six (6) months following the date of such death or Disability. After the death of the Optionee, his executor, Board or Committee or any person or persons to whom his Option may be transferred by will or by laws of descent and distribution, shall have the right, at any time prior to such termination, to exercise the Option to the extent the Holder was entitled to exercise such Option as of the date of his death.

(f) **RIGHTS OF OPTIONEES.** No Holder shall be deemed for any purpose to be the owner of any shares of Common Stock subject to any Option unless and until (i) the Option shall have been exercised with respect to such shares pursuant to the terms thereof; and (ii) the Company shall have issued and delivered a certificate representing such shares. Thereupon, the Holder shall have full voting, dividend and other ownership rights with respect to such shares of Common Stock, subject to any agreements entered into by the Holder in connection with the Optionees exercise of the Option and acquisition of the stock.

**6.2 CERTAIN OPTIONAL TERMS.** The Board or the Committee may in its discretion provide, upon the grant of any Option hereunder, that the stock shall be subject to the terms of a repurchase or shareholders' agreement including any and all commercially reasonable terms, such as, without limitation, that the Company shall have the right from time to time to repurchase all or any number of shares purchased upon exercise of such Option.

(a) **REPURCHASE PRICE.** The repurchase price per share payable by the Company shall be determined as follows.

(i) *Price Generally.* Such repurchase price for the shares shall be either:

(A) Not less than the Fair Market Value of the shares to be repurchased upon the date of termination of employment or other service engagement, and the right to repurchase (i) must be exercised for cash or cancellation of purchase money indebtedness for the stock within ninety (90) days of termination of employment or other service engagement (or, in the case of securities issued upon exercise of Options after the date of termination, within ninety (90) days after the date of exercise), and (ii) must lapse on the first date on which the Company's shares of Common Stock become listed on an established national stock exchange or NASDAQ.

(B) The original purchase price for such shares, provided that the right to repurchase at the original purchase price lapses at the rate of at least twenty percent (20%) per year over a period of not more than five (5) years from the date the Option is granted

(without regarding to the date on which the Option is exercised or becomes exercisable) and the right to repurchase must be exercised for cash or cancellation of indebtedness for the securities within ninety (90) days of termination of employment or other service engagement (or in the case of securities issued upon exercise of options after the date of termination of employment or other service engagement, within ninety (90) days after the date of the exercise).

**(ii) Officers, Directors, Managers, and Consultants.** Notwithstanding the provisions of Section 6.2(a)(i), above, the securities held by an officer, director, manager, or consultant of the Company may be subject to additional or greater restrictions.

**(iii) Right of First Refusal.** The Board or the Committee may also provide that the Company shall have a right of first refusal with respect to the transfer or proposed transfer of any shares purchased upon exercise of an Option granted hereunder. In the event the Board or the Committee shall grant Options subject to the Company's repurchase rights or rights of first refusal, the certificate or certificates representing the shares purchased pursuant to the exercise of such Option shall carry a legend satisfactory to counsel for the Company referring to such rights.

**(b) FORM OF OPTION AGREEMENT.** Notwithstanding the foregoing, the form of Stock Option Agreement attached to this Plan at EXHIBIT A is hereby approved for use with stockholders with respect to shares issued under this Plan. Such form may be used under this Plan by the Board, the Committee, and the officers of the Company, in their discretion, without any further approval from the stockholders, the Board or the Committee.

## **7. AWARD OF RESTRICTED STOCK**

**7.1 AWARD OF RESTRICTED STOCK.** The Board or Committee from time to time, in its absolute discretion, may (a) award Restricted Stock (in lieu of Options) to employees of, consultants to, and directors of the Company, and such other persons as the Board or Committee may select, and (b) permit Holders of Options to exercise such Options prior to full vesting therein and hold the Common Stock issued upon exercise of the Option as Restricted Stock. In either such event, the owner of such Restricted Stock shall hold such stock subject to such vesting schedule as the Board or Committee may impose or such vesting schedule to which the Option was subject, as determined in the discretion of the Board or Committee. The purchase price of such shares of Restricted Stock shall not be less than eighty-five percent (85%) of the Fair Market Value of the shares of Restricted Stock (or 100% of such Fair Market Value, if the recipient of such shares of Restricted Stock is a "greater-than-10% stockholder," as such term is defined in Section 5.2, above) as of the time the award of such shares of Restricted Stock is approved by the Board. Any unvested shares of Restricted Stock that are repurchased by the Company pursuant to this Section 7 shall be deemed to be restored to the Plan in a manner consistent with Section 4.3, above.

**7.2 RESTRICTED STOCK REPURCHASE AGREEMENT.** Restricted Stock shall be issued only pursuant to a Restricted Stock Repurchase Agreement, which shall be executed by the Restricted Stockholder and the Company and which shall contain such terms and conditions as the Board or Committee shall determine consistent with this Plan, including such restrictions on transfer as are imposed by the Stock Option Agreement.

**7.3 RIGHTS AS STOCKHOLDERS.** Upon delivery of the shares of Restricted Stock to the Restricted Stockholder or to the escrow holder pursuant to Section 7.8, below, the Restricted Stockholder shall have, unless otherwise provided by the Board or Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in the Restricted Stock Repurchase Agreement, including the right to receive all dividends and other distributions (other than stock dividends, which shall be paid to the escrow holder for the benefit of the Restricted Stockholder) paid or made with respect to the Restricted Stock.

**7.4 RESTRICTION ON TRANSFER: VESTING.** Notwithstanding anything in this Plan or any Restricted Stock Repurchase Agreement to the contrary, no Restricted Stockholders may sell or otherwise transfer, whether or not for value, any of the Restricted Stock prior to the date on which the Restricted Stockholder is vested therein.

**7.5 ADDITIONAL RESTRICTIONS.** All shares of Restricted Stock issued under this Plan (including any shares of Common Stock and other securities issued with respect to the shares of Restricted Stock as a result of stock dividends, stock splits or similar changes in the capital structure of the Company) shall be subject to such restrictions as the Board or Committee shall provide, which restrictions may include, without limitation, restrictions concerning voting rights, transferability of the Restricted Stock and restrictions based on duration of employment with the Company, Company performance and individual performance; provided that the Board or Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of such restrictions. Restricted Stock may not be sold or encumbered until all applicable restrictions have terminated or expire. The restrictions, if any, imposed by the Board or Committee or the Board under this Section 7 need not be identical for all shares of Restricted Stock and the imposition of any restrictions with respect to any Restricted Stock shall not require the imposition of the same or any other restrictions with respect to any other Restricted Stock.

**7.6 REPURCHASE OF UNVESTED RESTRICTED STOCK.** Each Restricted Stock Repurchase Agreement shall provide that the Company shall have the right to repurchase from the Restricted Stockholder the unvested Restricted Stock upon a termination of employment, termination of directorship or termination of a consulting arrangement, as applicable, at a price per share equal to the purchase price paid by the Restricted Stockholder for such Restricted Stock, provided that the right to repurchase at the original purchase price lapses at the rate of at least twenty percent (20%) per year over a period of not more than five (5) years from the date the shares of Restricted Stock are issued, and the right to repurchase must be exercised for cash or cancellation of purchase-money indebtedness for the securities within ninety (90) days of termination of employment.

**7.7 RIGHT OF FIRST REFUSAL.** In the discretion of the Board or Committee, the Restricted Stock Repurchase Agreement may provide that the Company shall have a right of first refusal with respect to the Restricted Stock and a right to repurchase the vested Restricted Stock upon a termination of the Restricted Stockholder's employment with the Company, the termination of the Restricted Stockholder's consulting arrangement with the Company, the termination of the Restricted Stockholder's service on the Company's Board, or such other events as the Board or Committee may deem appropriate.

**7.8 ESCROW.** The Secretary of the Company or such other escrow holder as the Board or Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed on the Restricted Stock expire or have been removed.

**7.9 LEGEND.** The Board or Committee shall cause a legend or legends to be placed on certificates representing shares of Restricted Stock that are subject to restrictions under Restricted Stock Repurchase Agreements, which legend or legends shall make appropriate reference to the applicable restrictions.

## **8. METHOD OF EXERCISE; PAYMENT OF PURCHASE PRICE**

**8.1 MEANS OF EXERCISE.** Any Option granted under the Plan may be exercised by the Holder by delivering to the Company on any business day a written notice specifying the number of shares of Common Stock the Holder then desires to purchase and specifying the address to which the certificates for such shares are to be mailed (the “**Notice**”). The Notice shall be accompanied by payment for such shares, any required payment of withholding taxes, and such documents, including without limitation an investment letter and a repurchase or shareholder’s agreement duly executed by the Holder relating, among other things, to restrictions on transfer rights of first refusal and Company buy-back rights (if applicable), as may reasonably be required or requested by the Company.

**8.2 PAYMENT OF EXERCISE PRICE.** The consideration for such shares shall be paid, with the approval of the Board or Committee, either:

(a) In cash, certified or bank check or postal money order payable to the order of the Company for an amount equal to the sum of (x) the Exercise Price of such shares, plus (y) the amount, if any, required to fund withholding taxes due with respect to such exercise, as contemplated by Section 12.3, below. If as of the date of Holder’s exercise of the Option the Company then is sponsoring a cashless exercise program through one or more approved brokers, then upon notification by Holder the Company will tender to a Company-approved broker any cash to be delivered under the foregoing clause “(x)” may be provided with the proceeds of any Option Shares which Holder elects to cause to be sold in connection with the exercise of the Option, the date on which the Company receives the proceeds from the sale of those shares shall be deemed to be the date on which the Option is exercised, and any applicable income, withholding and other taxes shall be calculated based upon the selling price of the Option Shares sold by the Company-approved broker pursuant to such cashless exercise.

(b) With one or more share certificates for a number of shares of outstanding Company Common Stock having a Fair Market Value on the date of tender equal to the sum of (vv) the Exercise Price of such shares, plus (x) the amount, if any, required to fund withholding taxes due with respect to such exercise, as contemplated by Section 12.3, below; *provided that* the Company shall not be obligated to accept the transfer of any shares of Common Stock in payment of the exercise price unless such transfer satisfies all of the provisions of Rule 16b-3 then applicable to the Company.

(c) If authorized by the applicable Option agreement, by a “net exercise” under which Holder relinquishes the right to acquire a number of shares of Common Stock issuable upon exercise of the Option (but not in excess of the vested portion thereof) having a net Fair Market Value (i.e., net of the Exercise Price therefore) equal to the amount of the aggregate Exercise Price of the shares for which the Option is being exercised.

**8.3 DELIVERY OF CERTIFICATE.** Promptly after receipt of such written notification and payment, the Company shall deliver to the Holder or other appropriate person certificates for the number of shares with respect to which such Option has been so exercised, issued in the Optionee’s name; provided, however, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to the Holder or other appropriate person, at the address specified pursuant to Section 8.1 or another appropriate address designated by the Holder.

## **9. ADJUSTMENT UPON CHANGES IN CAPITALIZATION**

**9.1 NO EFFECT OF OPTIONS UPON CERTAIN CORPORATE TRANSACTIONS.** The existence of outstanding Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company’s capital structure or its business, or any merger or consolidation of the Company, or any issue of Common Stock, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

**9.2 STOCK DIVIDENDS, RECAPITALIZATIONS, ETC.** If the Company effects a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Common Stock outstanding, without receiving compensation therefor in money, services or property, then: (a) the number, class and per share price of shares of stock subject to outstanding Options hereunder shall be appropriately adjusted in such a manner as to entitle a Holder to receive upon exercise of an Option, for the same aggregate cash consideration, the same total number and class of shares that the owner of an equal number of outstanding shares of Common Stock would own as a result of the event requiring the adjustment; and (b) the number and class of shares with respect to which Options may be granted under the Plan shall be adjusted by substituting for the total number of shares of Common Stock then reserved for issuance under the Plan that number and class of shares of stock that the owner of an equal number of outstanding shares of Common Stock would own as a result of the event requiring the adjustment.

**9.3 DETERMINATION OF ADJUSTMENTS.** Adjustments under this Section 9 shall be determined by the Board or the Committee and such determinations shall be conclusive. The Board or the Committee shall have the discretion and power in any such event to determine and to make effective provision for acceleration of the time or times at which any Option or portion thereof shall become exercisable. No fractional shares of Common Stock shall be issued under the Plan on account of any adjustment specified above.

**9.4 NO ADJUSTMENT IN CERTAIN CASES.** Except as hereinbefore expressly provided, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding Options.

**10. EFFECT OF CERTAIN TRANSACTIONS.** If, while unexercised Options or unvested shares of Restricted Stock remain outstanding under the Plan, the Company is a party to a reorganization or merger with one or more other corporations, whether or not the Company is the surviving or resulting corporation, or if the Company consolidates with or into one or more other corporations, or if the Company is liquidated, or if there is a sale or other disposition of substantially all of the Company's capital stock or assets to a third party or parties (each hereinafter referred to as a "Transaction"), then:

**10.1 OPTION OUTSTANDING.** Subject to the provisions of Section 10.2, below, as of the effective date of such Transaction, all Options (and the vested portion of each Option) shall terminate unless assumed by the acquiring or surviving corporation or exercised prior to the closing of the Transaction.

**10.2 PERMISSIVE ACCELERATION.** The Board may (a) accelerate the time for exercise of any or all portion of any unvested, unexercised and unexpired Options, effective as of a date prior to the effective date of such Transaction; *provided that* (i) notice of acceleration shall be given to each Holder of an Option to which such acceleration is to apply; (ii) each Holder of an Option shall have the right to exercise such Option in part or in full prior to the effective date of such Transaction; and (iii) to the extent not so exercised, all of such Options shall be canceled prior to or as of such effective date (unless assumed by the acquiring or surviving Corporation), and/or (b) provide for a cash payment to the holders of vested Options in exchange for the cancellation thereof, equal to the excess of the fair market value (as reasonably determined by the Board) of the shares subject to such Options (to the extent then vested) over the exercise price thereof.

**11. NON-EXCLUSIVITY OF THE PLAN; NON-UNIFORM DETERMINATIONS.** Neither the adoption of the Plan by the Board nor the approval of the Plan by the stockholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation the granting of stock Options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases. The Board's or Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive or are eligible to receive Options under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Board or the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Option agreements, as to (i) the persons to receive Options under the Plan, (ii) the terms and provisions of Options, (iii) the exercise by the Board or the Committee of its discretion in respect of the exercise of Options pursuant to the terms of the Plan, and (iv) the treatment of leaves of absence pursuant to Section 6.1(e), above.

## 12. FINANCIAL STATEMENTS, GOVERNMENT AND OTHER REGULATIONS AND WITHHOLDING

**12.1 FINANCIAL STATEMENTS.** To the extent required by 10 Cal. Admin Code § 260.140.46, as amended and in effect from time to time, the Company shall provide copies of its financial statements at least annually to persons then holding Options granted and persons holding shares of Restricted Stock issued under this Plan.

**12.2 GOVERNMENT AND OTHER REGULATIONS.** The obligation of the Company to sell and deliver shares of Common Stock with respect to Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by government agencies as may be deemed necessary or appropriate by the Board or the Committee. All shares sold under the Plan shall bear appropriate legends. The Company may, but shall in no event be obligated to, register or qualify any shares covered by Options under applicable federal and state securities laws; and in the event that any shares are so registered or qualified the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an Option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority.

**12.3 WITHHOLDING.** Whenever under the Plan shares are to be delivered upon exercise of an Option, the Company shall be entitled to require as a condition of delivery that the Holder remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. If the Company permits exercise of an Option hereunder and thereafter discovers that withholding taxes are due from the Option holder in an amount in excess of the amount theretofore deposited with the Company by such Holder, then the Company shall be entitled to withhold all stock certificates for the shares underlying such Option until such Option holder deposits such amount with the Company.

**13. "LOCKUP" AGREEMENT.** All shares issuable under options Option granted under this Plan shall be subject to the restriction that:

**13.1 LOCK-UP RESTRICTION.** The holder of such shares shall not, without the prior written consent of the Company's managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's initial public offering (the "IPO") and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days, which period may be extended upon the request of the managing underwriter, to the extent required by any NASD rules, for an additional period of up to fifteen (15) days if the Company issues or proposes to issue an earnings or other public release within fifteen (15) days of the expiration of the 180-day lockup period), (a) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise.

**13.2 AGREEMENT MEMORIALIZING RESTRICTION.** Upon request of the Company, the holder of such shares shall execute such agreements as may be requested by the underwriters in connection with such registration that are consistent with Section 13.1, above, or that are reasonably necessary to give further effect thereto.

#### **14. MISCELLANEOUS**

**14.1 GOVERNING LAW.** The Plan shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be fully performed in the State of Delaware.

**14.2 TERMINATION AND AMENDMENT OF PLAN.** The Board may terminate the Plan at any time, and may amend the Plan at any time and from time to time, subject to the limitation that, except as provided in Sections 9 and 10 hereof, no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law and regulations, at an annual or special meeting held within twelve months before or after the date of adoption of such amendment, in any instance in which such amendment would (a) increase the number of shares of Common Stock as to which Options may be granted under the Plan; or (b) change in substance the provisions of Section 5 hereof relating to eligibility to participate in the Plan. Except as provided in Sections 9 and 10 hereof, rights and obligations under any Option granted before termination or amendment of the Plan shall not be altered or impaired by such termination or amendment except with the consent of the Optionee.

**14.3 NO ASSURANCES OF EMPLOYMENT.** Neither the adoption of this Plan, the granting of any Option hereunder, nor the execution of an Option agreement with any Holder is intended or shall be construed as either (a) conferring on any individual any right to remain employed by the Company for any specified term, or (b) limiting in any way the right, power and authority of the Company to terminate the employment or other service engagement of such person at any time either with or without cause.

**14.4 EFFECTIVE DATE.** The effective date of the Plan is September 21, 2010. No Option may be granted under the Plan after the tenth (10<sup>th</sup>) anniversary of such effective date.



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**EXHIBIT A**

**FORM OF STOCK OPTION AGREEMENT**

**CYTOMX THERAPEUTICS, INC.**  
**STOCK OPTION AGREEMENT**  
(2010 Stock Incentive Plan)

**THIS STOCK OPTION AGREEMENT** (the "Agreement") confirms that **CYTOMX THERAPEUTICS, INC.**, a Delaware corporation (the "Company"), has granted to the employee identified below ("Holder") a stock option (the "Option") to purchase the number of shares of the Common Stock of the Company set forth below. The Option is granted on the terms and conditions set forth below and in the 2010 Stock Incentive Plan sponsored by the Company, as amended from time to time (as so amended, the "Plan"), the terms of which are incorporated herein.

**1. NAME OF HOLDER:** \_\_\_\_\_

**2. DATE OF GRANT:** \_\_\_\_\_ (the "Date of Grant").

**3. NUMBER OF SHARES:** \_\_\_\_\_ (\_\_\_\_\_) shares of Company Common Stock (the "Option Shares").

**4. EXERCISE PRICE.** \_\_\_\_\_ Dollars (\$\_\_\_\_\_) per share.

**5. TYPE OF OPTION.** For income tax purposes, the Option shall be treated as the following type of option:

- Incentive Option  
 Nonqualified Stock Option

**6. TERM OF OPTION.** The term of the Option will begin as of the Date of Grant set forth above and, unless sooner terminated in accordance with the terms of the Plan, will expire ten (10) years from Date of Grant.

**7. EXPIRATION.** The Option is subject to termination prior to the expiration of the term of the Option set forth above in the event of the termination of Holder's employment with the Company or any of its subsidiaries or the occurrence of certain other events specified in the Plan.

**8. EXERCISE.** The Option may be exercised only to the extent that the Holder has become vested in the Option pursuant to Section 9, below.

**9. VESTING.**

**9.1 VESTING COMMENCEMENT DATE:** \_\_\_\_\_

**9.2 VESTING SCHEDULE.** Subject to Holder's continuous employment with the Company or its subsidiaries, Holder shall become vested in this Option (and this Option shall become exercisable by Holder) as follows: Holder shall vest in (a) twenty-five percent (25.0%) of the Option Shares after twelve (12) months of continuous employment with the Company or one of its subsidiaries from and after the Vesting Commencement Date, and (b) an additional one forty-eighth (1/48<sup>th</sup>) of the Option Shares after each subsequent month of continuous employment.

**10. RESTRICTION ON TRANSFER OF OPTION.** Except as otherwise expressly permitted in the Plan, Holder may not transfer all or any portion of Holder's interest in the Option other than by will or the laws of descent and distribution.

**11. ADDITIONAL AGREEMENTS UPON ISSUANCE OF OPTION SHARES.**

**11.1 RIGHT OF FIRST REFUSAL AGREEMENT.** Upon exercise of the Options and issuance of the Option Shares, such Option Shares shall be subject to, and Holder shall execute and be bound by, a right of first refusal agreement in such form as the Board of the Company shall prescribe granting the Company an option to purchase any Option Shares thereafter proposed to be transferred by the Holder.

**11.2 LOCK-UP/MARKET STAND-OFF AGREEMENT.** Upon exercise of the Options and issuance of the Option Shares, such Option Shares shall be subject to, and Holder shall execute and be bound by, a lock-up/market standoff agreement in such form as the Board of the Company shall prescribe pursuant to which Holder shall covenant and agree that, during such period as is determined by the Company's underwriters, Holder shall not, to the extent requested by the Company, sell or otherwise transfer or dispose of any Option Shares. The lock-up/market stand-off agreement shall provide the Company with the right to enforce such covenants, including but not limited to the imposition of stop transfer instructions.

**12. ACKNOWLEDGEMENT BY HOLDER.** Holder acknowledges that Holder has received and reviewed a copy of the Plan, and the Option is subject to the terms and conditions of the Plan.

**13. TERMS OF AGREEMENT.** Wherever the form of this Agreement provides for the insertion of additional information (such as the designation of the type of Option in Section 5 above, or the vesting schedule for the Option in Section 9 above), (a) such additional information may be inserted in hand-written form, (b) such information shall be deemed to be part of this Agreement for all purposes, and (c) Holder, by reason of executing this Agreement, shall be deemed to have accepted such additional information.

*[signature page follows]*

IN WITNESS WHEREOF, the undersigned have executed this Agreement, effective as of the Date of Grant specified above.

**“COMPANY:”**

**“HOLDER:”**

**CYTOMX THERAPEUTICS, INC.**, a Delaware corporation

By \_\_\_\_\_  
Name & title:

\_\_\_\_\_  
Signature of Holder

**Address and Facsimile No. of Company:**

\_\_\_\_\_  
Printed Name of Holder

CytomX Therapeutics, Inc.  
460 Ward Drive, Suite E-1  
Santa Barbara, California 93111  
Facsimile No.: (\_\_\_\_) \_\_\_\_\_

**Address and Facsimile No. of Company:**  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CYTOMX THERAPEUTICS, INC.**  
**NOTICE OF EXERCISE OF STOCK OPTION**  
(2010 Stock Incentive Plan)

TO: CytomX Therapeutics, Inc.  
Attention: Chief Financial Officer  
343 Oyster Point Boulevard, Suite 100  
South San Francisco, California 94080-1913

RE: Exercise of Stock Option

I hereby elect to exercise the following-described stock option (the "Option") granted to me under the **CYTOMX THERAPEUTICS, INC.**, 2010 Stock Incentive Plan (*Please complete the following*) for the number of shares of Common Stock indicated below:

Date of Grant of Option  
Being Exercised:\* \_\_\_\_\_

No. Shares of Common Stock  
for which Option Being Exercised: \_\_\_\_\_

Type of Option\*  
 Incentive Option  
 Nonqualified Stock Option

Full Name in which Shares are to be Issued:  
\_\_\_\_\_

Exercise Price Per Share:\* \$ \_\_\_\_\_

\* Check the terms of your Option

1. *Exercise Price.* I am forwarding with this Notice a check in the amount of \$ \_\_\_\_\_ payable to "**CYTOMX THERAPEUTICS, INC.**" representing the aggregate exercise price for the number of shares of Common Stock that I have elected to exercise my Option.

2. *Withholding Taxes.* If my Option is a "Nonqualified Stock Option" and if the Company has advised me that I must deposit with the Company funds to cover withholding taxes due upon exercise of my Option, then I also have attached the additional sum of \$ \_\_\_\_\_ [*enter "N/A" if your Option is an Incentive Stock Option or if you are not an employee of the Company*] to cover the cost of those withholding taxes.

Please use the following as my address on the stock books and records of the Company:

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State and Zip Code

\_\_\_\_\_  
Area Code and Telephone Number

\_\_\_\_\_  
Printed Name of Holder

\_\_\_\_\_  
Signature of Holder

\_\_\_\_\_  
Date

**ACKNOWLEDGEMENT BY COMPANY**

CYTOMX THERAPEUTICS, INC., a Delaware corporation

By \_\_\_\_\_  
Name & title:

\_\_\_\_\_  
Date

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the “**Agreement**”) is made and entered into as of [ ], between **CytomX Therapeutics, Inc.**, a Delaware corporation (the “**Company**”), and [ ] (“**Indemnitee**”).

WITNESSETH THAT:

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the “**Board**”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Bylaws and Certificate of Incorporation of the Company require indemnification of directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (“**DGCL**”). The Bylaws, Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and Certificate of Incorporation of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder;

WHEREAS, Indemnitee does not regard the protection available under the Company’s Bylaws, Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified; and

WHEREAS, Indemnitee may have certain rights to indemnification and/or insurance provided by other entities and/or organizations, which Indemnitee and such other entities or organizations intend to be secondary to the primary obligation of the Company to indemnify Indemnitee as provided herein, with the Company’s acknowledgement and agreement to the foregoing being a material condition to Indemnitee’s willingness to serve as an officer of on the Board, as applicable.

NOW, THEREFORE, in consideration of Indemnitee's agreement to serve as an officer or a director, as applicable, after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee, or on Indemnitee's behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful.

(b) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; provided, however, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware shall determine that such indemnification may be made.

(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on Indemnitee's behalf if, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.

### 3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring

Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness, or is made (or asked) to respond to discovery requests in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.



**6. Procedures and Presumptions for Determination of Entitlement to Indemnification.** It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the Delaware General Corporation Law and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following four methods, which shall be at the election of the board: (1) by a majority vote of the disinterested directors, even though less than a quorum, by a committee of disinterested directors designated by a majority vote of the disinterested directors, even though less than a quorum, (2) if there are no disinterested directors or if the disinterested directors so direct, by independent legal counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the Indemnitee, or (3) if so directed by the Board of Directors, by the stockholders of the Company. For purposes hereof, disinterested directors are those members of the Board of Directors of the Company who are not parties to the action, suit or proceeding in respect of which indemnification is sought by Indemnitee.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board of Directors. Indemnitee may, within 10 days after such written notice of selection shall have been given, deliver to the Company, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "**Independent Counsel**" as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise (as hereinafter defined) in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(g) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board of Directors or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board of Directors or stockholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

## 7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of Indemnitee's rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on Indemnitee's behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by Indemnitee in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

## 8. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the certificate of incorporation of the Company, the Bylaws, any agreement, a vote of stockholders, a resolution of directors or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his

Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of expenses and/or insurance provided by other entities and/or organizations in connection with one or more venture capital, corporate venture, private equity, or institutional funds that has invested in the Company if Indemnitee is or was affiliated with such funds, (collectively, the **“NON-COMPANY Indemnitors”**). The Company hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Non-Company Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement and the Certificate of Incorporation or Bylaws of the Company (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Non-Company Indemnitors, and, (iii) that it irrevocably waives, relinquishes and releases the Non-Company Indemnitors from any and all claims against the Non-Company Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Non-Company Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Non-Company Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Non-Company Indemnitors are express third party beneficiaries of the terms of this Section 8(c).

(d) Except as provided in paragraph (c) above, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee (other than against the Non-Company Indemnitors), who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(e) Except as provided in paragraph (c) above, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(f) Except as provided in paragraph (c) above, the Company’s obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

9. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision, provided that the foregoing shall not affect the rights of Indemnitee or the Non-Company Indemnitors set forth in Section 8(c) above; or

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or

(c) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

10. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not Indemnitee is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

11. Security. To the extent requested by Indemnitee and approved by the Board of Directors of the Company, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

13. Definitions. For purposes of this Agreement:

(a) "**Corporate Status**" describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at the express written request of the Company.

(b) "**Disinterested Director**" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(c) “**Enterprise**” shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(d) “**Expenses**” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(e) “**Independent Counsel**” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) “**Proceeding**” includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that Indemnitee is or was an officer or director of the Company, by reason of any action taken by Indemnitee or of any inaction on Indemnitee’s part while acting as an officer or director of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other Enterprise; in each case whether or not Indemnitee is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce Indemnitee’s rights under this Agreement.

14. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice By Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

17. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee signature hereto.

(b) To the Company at:

343 Oyster Point Blvd., Suite 100  
South San Francisco, CA 94080-1913

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "**Delaware Court**"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, DE 19904 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

*[Signatures appear on the following page.]*

IN WITNESS WHEREOF, the parties have caused this Indemnification Agreement to be signed as of the day and year first above written.

**COMPANY:**

**CYTOMX THERAPEUTICS, INC.**, a Delaware corporation

By: \_\_\_\_\_

Address:

[Signature Page to Indemnification Agreement]



IN WITNESS WHEREOF, the parties have caused this Indemnification Agreement to be signed as of the day and year first above written.

**INDEMNITEE:**

By: \_\_\_\_\_

NAME:

Address:

[Signature Page to Indemnification Agreement]

## LEASE AGREEMENT

THIS LEASE AGREEMENT (this “**Lease**”) is made this 29 day of March, 2013, between **ARE-TECHNOLOGY CENTER SSE, LLC**, a Delaware limited liability company (“**Landlord**”), and **CYTOMX THERAPEUTICS, INC.**, a Delaware corporation (“**Tenant**”).

**Building:** 343 Oyster Point Boulevard, South San Francisco, California

**Premises:** The first floor of the Building, containing approximately 24,900 rentable square feet, as determined by Landlord, as shown on **Exhibit A**.

**Project:** The real property on which the Building in which the Premises are located, together with all improvements thereon and appurtenances thereto as described on **Exhibit B**.

**Base Rent:**

Months 1 – 12:	\$2.35 per rentable square foot of the Premises
Months 13 – 24:	\$2.55 per rentable square foot of the Premises
Months 25 – 36:	\$2.75 per rentable square foot of the Premises
Months 37 – 48:	\$2.85 per rentable square foot of the Premises
Months 49 – 60:	\$2.95 per rentable square foot of the Premises
Months 61 – 66:	\$3.05 per rentable square foot of the Premises

**Rentable Area of Premises:** 24,900 sq. ft.

**Rentable Area of Building:** 53,980 sq. ft.

**Building’s Share of Project:** 50%

**Rentable Area of Project:** 107,960 sq. ft.

**Tenant’s Share of Operating Expenses for the Building:** 46.1%

**Tenant’s Share of Operating Expenses for the Project:** 23.1%

**Security Deposit:** \$57,927.50

**Target Commencement Date:** July 16, 2013; provided, however that the Target Commencement Date shall be extended 1 day for each day after February 27, 2013, that this Lease has not been mutually executed and delivered by the parties.

**Base Term:** Beginning on the Commencement Date and ending 66 months from the first day of the first full month of the Term (as defined in Section 2) hereof.

**Permitted Use:** Research and development laboratory, related office and other related uses consistent with the character of the Project and otherwise in compliance with the provisions of Section 7 hereof.

**Address for Rent Payment:**  
P.O. Box 975383  
Dallas, TX 75397-5383

**Landlord’s Notice Address:**  
385 E. Colorado Boulevard, Suite 299  
Pasadena, CA 91101  
Attention: Corporate Secretary

**Tenant’s Notice Address:**  
343 Oyster Point Boulevard, First Floor  
South San Francisco, California 94080  
Attention: Lease Administrator

The following Exhibits and Addenda are attached hereto and incorporated herein by this reference:

**EXHIBIT A** - PREMISES DESCRIPTION  
 **EXHIBIT C** - WORK LETTER  
 **EXHIBIT E** - RULES AND REGULATIONS

**EXHIBIT B** - DESCRIPTION OF PROJECT  
 **EXHIBIT D** - COMMENCEMENT DATE  
 **EXHIBIT F** - TENANT'S PERSONAL PROPERTY

1. **Lease of Premises.** Upon and subject to all of the terms and conditions hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. The portions of the Project which are for the non-exclusive use of tenants of the Project are collectively referred to herein as the "**Common Areas**." Landlord reserves the right to modify Common Areas, provided that such modifications do not materially adversely affect Tenant's use of the Premises for the Permitted Use.

2. **Delivery; Acceptance of Premises; Commencement Date.** Landlord shall use reasonable efforts to deliver the Premises to Tenant on or before the Target Commencement Date, with Landlord's Work Substantially Completed ("**Delivery**" or "**Deliver**"). If Landlord fails to timely Deliver the Premises, Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, and this Lease shall not be void or voidable except as provided herein. If Landlord does not Deliver the Premises within 90 days of the Target Commencement Date for any reason other than Force Majeure delays and Tenant Delays, this Lease may be terminated by Landlord or Tenant by written notice to the other, and if so terminated by either: (a) the Security Deposit, or any balance thereof (i.e., after deducting therefrom all amounts to which Landlord is entitled under the provisions of this Lease), shall be returned to Tenant, and (b) neither Landlord nor Tenant shall have any further rights, duties or obligations under this Lease, except with respect to provisions which expressly survive termination of this Lease. As used herein, the terms "**Landlord's Work**," "**Tenant Delays**" and "**Substantially Completed**" shall have the meanings set forth for such terms in the Work Letter. If neither Landlord nor Tenant elects to void this Lease within 5 business days of the lapse of such 90 day period, such right to void this Lease shall be waived and this Lease shall remain in full force and effect.

The "**Commencement Date**" shall be the earliest of: (i) the date Landlord Delivers the Premises to Tenant; (ii) the date Landlord could have Delivered the Premises but for Tenant Delays; and (iii) the date Tenant conducts any business in the Premises or any part thereof. Upon request of Landlord, Tenant shall execute and deliver a written acknowledgment of the Commencement Date, and the expiration date of the Term when such are established in the form of the "Acknowledgement of Commencement Date" attached to this Lease as **Exhibit D**; provided, however, Tenant's failure to execute and deliver such acknowledgment shall not affect Landlord's rights hereunder. The "**Term**" of this Lease shall be the Base Term, as defined above on the first page of this Lease and the Extension Term which Tenant may elect pursuant to Section 39 hereof.

Except as set forth in this Lease or the Work Letter: (i) Tenant shall accept the Premises in their condition as of the Commencement Date, subject to all applicable Legal Requirements (as defined in Section 7 hereof); (ii) Landlord shall have no obligation for any defects in the Premises; and (iii) Tenant's taking possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken.

Tenant agrees and acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of all or any portion of the Premises or the Project, and/or the suitability of the Premises or the Project for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises or the Project are suitable for the Permitted Use. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof and supersedes any and all prior representations, inducements, promises, agreements, understandings and negotiations which are not contained herein. Landlord in executing this Lease does so in reliance upon Tenant's representations, warranties, acknowledgments and agreements contained herein.

### 3. Rent.

(a) **Base Rent.** The first month's Base Rent and the Security Deposit shall be due and payable on delivery of an executed copy of this Lease to Landlord. Tenant shall pay to Landlord in advance, without demand, abatement, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month during the Term hereof, in lawful money of the United States of America, at the office of Landlord for payment of Rent set forth above, or to such other person or at such other place as Landlord may from time to time designate in writing. Payments of Base Rent for any fractional calendar month shall be prorated. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any Rent (as defined in Section 5) due hereunder except for any abatement as may be expressly provided in this Lease.

Notwithstanding anything to the contrary contained in this Lease, Tenant shall be required to pay Base Rent with respect to only 17,500 rentable square feet of the Premises commencing on the Commencement Date through the expiration of the 9<sup>th</sup> month of the Base Term. Tenant shall commence paying Base Rent with respect to the entire Premises on the first day of the 10<sup>th</sup> month of the Base Term.

(b) **Additional Rent.** In addition to Base Rent, Tenant agrees to pay to Landlord as additional rent ("**Additional Rent**"): (i) commencing on the Commencement Date, Tenant's Share of "Operating Expenses" (as defined in Section 5) with respect to the entire Premises, (ii) commencing on the Commencement Date, any TI Rent payable pursuant to Section 5 of the Work Letter, and (iii) any and all other amounts Tenant assumes or agrees to pay under the provisions of this Lease, including, without limitation, any and all other sums that may become due by reason of any default of Tenant or failure to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant, after any applicable notice and cure period.

**4. Base Rent Adjustments.** Base Rent shall be increased during the Base Term as provided for in the schedule set forth on page 1 of this Lease. Base Rent adjustments for any fractional calendar month shall be prorated.

**5. Operating Expense Payments.** Landlord shall deliver to Tenant a written estimate of Operating Expenses for each calendar year during the Term (the "**Annual Estimate**"), which may be revised by Landlord from time to time during such calendar year. Commencing on the Commencement Date with respect to the entire Premises and continuing thereafter on the first day of each month during the Term, Tenant shall pay Landlord an amount equal to 1/12th of Tenant's Share of the Annual Estimate. Payments for any fractional calendar month shall be prorated.

The term "**Operating Expenses**" means all costs and expenses of any kind or description whatsoever incurred or accrued each calendar year by Landlord with respect to the Building (including the Building's Share of all costs and expenses of any kind or description incurred or accrued by Landlord with respect to the Project which are not specific to the Building or any other building located in the Project) (including, without duplication, Taxes (as defined in Section 9), reasonable reserves consistent with good business practice for future repairs and replacements, capital repairs and improvements amortized over the useful life of such capital items (as reasonably determined by Landlord taking into account relevant factors including, without limitation, the 24x7 operation of the Building and its use for laboratory/office purposes), and the costs of Landlord's third party property manager or, if there is no third party property manager, administration rent in the amount of 2.5% of Base Rent), excluding only:

(a) the original construction costs of the Project and renovation prior to the date of the Lease and costs of correcting defects in such original construction or renovation;

(b) capital expenditures for expansion of the Project;

(c) interest, principal payments of Mortgage (as defined in Section 27) debts of Landlord, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured;

(d) depreciation of the Project (except for capital improvements, the cost of which are includable in Operating Expenses, subject to amortization as described above);

(e) advertising, legal and space planning expenses and leasing commissions and other costs and expenses incurred in procuring and leasing space to tenants for the Project, including any leasing office maintained in the Project, free rent and construction allowances for tenants;

(f) legal and other expenses incurred in the negotiation or enforcement of leases;

(g) completing, fixturing, improving, renovating, painting, redecorating or other work, which Landlord pays for or performs for other tenants within their premises, and costs of correcting defects in such work;

(h) costs to be reimbursed by other tenants of the Project or Taxes to be paid directly by Tenant or other tenants of the Project, whether or not actually paid;

(i) salaries, wages, benefits and other compensation paid to officers and employees of Landlord who are not assigned in whole or in part to the operation, management, maintenance or repair of the Project;

(j) general organizational, administrative and overhead costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity, including general corporate, legal and accounting expenses;

(k) costs (including attorneys' fees and costs of settlement, judgments and payments in lieu thereof) incurred in connection with disputes with tenants, other occupants, or prospective tenants, and costs and expenses, including legal fees, incurred in connection with negotiations or disputes with employees, consultants, management agents, leasing agents, purchasers or mortgagees of the Building;

(l) costs incurred by Landlord due to the violation by Landlord, its employees, agents or contractors or any tenant of the terms and conditions of any lease of space in the Project or any Legal Requirement (as defined in Section 7);

(m) penalties, fines or interest incurred as a result of Landlord's inability or failure to make payment of Taxes and/or to file any tax or informational returns when due, or from Landlord's failure to make any payment of Taxes required to be made by Landlord hereunder before delinquency;

(n) overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(o) costs of Landlord's charitable or political contributions, or of fine art maintained at the Project;

(p) costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Project and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Project, whether or not such other tenant or occupant is specifically charged therefor by Landlord;

(q) costs incurred in the sale or refinancing of the Project;

(r) costs incurred as a result of Landlord's failure to maintain the insurance required to be maintained by Landlord pursuant to Section 17;

(s) net income taxes of Landlord or the owner of any interest in the Project, franchise, capital stock, gift, estate or inheritance taxes or any federal, state or local documentary taxes imposed against the Project or any portion thereof or interest therein; and

(t) any expenses otherwise includable within Operating Expenses to the extent actually reimbursed by persons other than tenants of the Project under leases for space in the Project.

Within 90 days after the end of each calendar year (or such longer period as may be reasonably required), Landlord shall furnish to Tenant a statement (an "**Annual Statement**") showing in reasonable detail: (a) the total and Tenant's Share of actual Operating Expenses for the previous calendar year, and (b) the total of Tenant's payments in respect of Operating Expenses for such year. If Tenant's Share of actual Operating Expenses for such year exceeds Tenant's payments of Operating Expenses for such year, the excess shall be due and payable by Tenant as Rent within 30 days after delivery of such Annual Statement to Tenant. If Tenant's payments of Operating Expenses for such year exceed Tenant's Share of actual Operating Expenses for such year Landlord shall pay the excess to Tenant within 30 days after delivery of such Annual Statement, except that after the expiration, or earlier termination of the Term or if Tenant is delinquent in its obligation to pay Rent, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord.

The Annual Statement shall be final and binding upon Tenant unless Tenant, within 30 days after Tenant's receipt thereof, shall contest any item therein by giving written notice to Landlord, specifying each item contested and the reason therefor. Operating Expenses for the calendar years in which Tenant's obligation to share therein begins and ends shall be prorated. Notwithstanding anything set forth herein to the contrary, if the Building is not at least 95% occupied on average during any year of the Term, Tenant's Share of Operating Expenses for such year shall be computed as though the Building had been 95% occupied on average during such year.

"**Tenant's Share**" shall be the percentage set forth on the first page of this Lease as Tenant's Share as reasonably adjusted by Landlord for changes in the physical size of the Premises or the Project occurring thereafter. Landlord may equitably increase Tenant's Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project that includes the Premises or that varies with occupancy or use. Base Rent, Tenant's Share of Operating Expenses, any TI Rent payable pursuant to the Work Letter and all other amounts payable by Tenant to Landlord hereunder are collectively referred to herein as "**Rent.**"

**6. Security Deposit.** The Security Deposit shall be held by Landlord without obligation for interest thereon as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of a Default (as defined in Section 20), Landlord may use all or part of the Security Deposit to pay delinquent payments due under this Lease, future rent damages under California Civil Code Section 1951.2, and the cost of any damage, injury, expense or liability caused by such Default, without prejudice to any other remedy provided herein or provided by law. Landlord's right to use the Security Deposit under this Section 6 includes the right to use the Security Deposit to pay future rent damages following the termination of this Lease pursuant to Section 21(c) below. Upon any use of all or any portion of the Security Deposit, Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to its original amount. Upon bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of Rent and other charges due Landlord for periods prior to the filing of such proceedings. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee; no interest shall accrue thereon. The Security Deposit shall be the property of Landlord, but shall be paid to Tenant when Tenant's obligations under this Lease have been completely fulfilled. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming

Landlord's obligations under this Section 6. Tenant hereby waives the provisions of any law, now or hereafter in force, including, without limitation, California Civil Code Section 1950.7, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. The Security Deposit, or any balance thereof (i.e., after deducting therefrom all amounts to which Landlord is entitled under the provisions of this Lease), shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within 90 days after the expiration or earlier termination of this Lease.

If Landlord transfers its interest in the Project or this Lease, Landlord shall either (a) transfer any Security Deposit then held by Landlord to a person or entity assuming Landlord's obligations under this Section 6, or (b) return to Tenant any Security Deposit then held by Landlord and remaining after the deductions permitted herein. Upon such transfer to such transferee or the return of the Security Deposit to Tenant, Landlord shall have no further obligation with respect to the Security Deposit, and Tenant's right to the return of the Security Deposit shall apply solely against Landlord's transferee. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee, and no interest shall accrue thereon.

**7. Use.** The Premises shall be used solely for the Permitted Use set forth in the basic lease provisions on page 1 of this Lease, and in compliance with all laws, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises, and to the use and occupancy thereof, including, without limitation, the Americans With Disabilities Act, 42 U.S.C. § 12101, et seq. (together with the regulations promulgated pursuant thereto, "ADA") (collectively, "**Legal Requirements**" and each, a "**Legal Requirement**"). Tenant shall, upon 5 days' written notice from Landlord, discontinue any use of the Premises which is declared by any Governmental Authority (as defined in Section 9) having jurisdiction to be a violation of a Legal Requirement. Tenant will not use or permit the Premises to be used for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler or other credits. Tenant shall not permit any part of the Premises to be used as a "place of public accommodation", as defined in the ADA or any similar legal requirement. Tenant shall reimburse Landlord promptly upon demand for any additional premium charged for any such insurance policy by reason of Tenant's failure to comply with the provisions of this Section or otherwise caused by Tenant's use and/or occupancy of the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit or permit waste, overload the floor or structure of the Premises, subject the Premises to use that would damage the Premises or obstruct or interfere with the rights of Landlord or other tenants or occupants of the Project, including conducting or giving notice of any auction, liquidation, or going out of business sale on the Premises, or using or allowing the Premises to be used for any unlawful purpose. Tenant shall cause any equipment or machinery to be installed in the Premises so as to reasonably prevent sounds or vibrations from the Premises from extending into Common Areas, or other space in the Project. Tenant shall not place any machinery or equipment weighing 500 pounds or more in or upon the Premises or transport or move such items through the Common Areas of the Project or in the Project elevators without the prior written consent of Landlord. Except as may be provided under the Work Letter, Tenant shall not, without the prior written consent of Landlord, use the Premises in any manner which will require ventilation, air exchange, heating, gas, steam, electricity or water beyond the existing capacity of the Project as proportionately allocated to the Premises based upon Tenant's Share as usually furnished for the Permitted Use.

Tenant, at its sole expense, shall make any alterations or modifications to the interior or the exterior of the Premises or the Project that are required by Legal Requirements (including, without limitation, compliance of the Premises with the ADA) related to Tenant's use or occupancy of the Premises. Notwithstanding any other provision herein to the contrary, Tenant shall be responsible for any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including, without

limitation, reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "**Claims**") arising out of or in connection with Legal Requirements related to Tenant's use or occupancy of the Premises or Tenant's Alterations, and Tenant shall indemnify, defend, hold and save Landlord harmless from and against any and all Claims arising out of or in connection with any failure of the Premises to comply with any Legal Requirement related to Tenant's use or occupancy of the Premises or Tenant's Alterations.

**8. Holding Over.** If, with Landlord's express written consent, Tenant retains possession of the Premises after the termination of the Term, (i) unless otherwise agreed in such written consent, such possession shall be subject to immediate termination by Landlord at any time, (ii) all of the other terms and provisions of this Lease (including, without limitation, the adjustment of Base Rent pursuant to Section 4 hereof) shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period, (iii) Tenant shall continue to pay Base Rent in the amount payable upon the date of the expiration or earlier termination of this Lease or such other amount as Landlord may indicate, in Landlord's sole and absolute discretion, in such written consent, and (iv) all other payments shall continue under the terms of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, (A) Tenant shall become a tenant at sufferance upon the terms of this Lease except that the monthly rental shall be equal to 150% of Rent in effect during the last 30 days of the Term, and (B) Tenant shall be responsible for all damages suffered by Landlord resulting from or occasioned by Tenant's holding over, including consequential damages. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section 8 shall not be construed as consent for Tenant to retain possession of the Premises. Acceptance by Landlord of Rent after the expiration of the Term or earlier termination of this Lease shall not result in a renewal or reinstatement of this Lease.

**9. Taxes.** Landlord shall pay, as part of Operating Expenses, all taxes, levies, fees, assessments and governmental charges of any kind, existing as of the Commencement Date or thereafter enacted (collectively referred to as "**Taxes**"), imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "**Governmental Authority**") during the Term, including, without limitation, all Taxes: (i) imposed on or measured by or based, in whole or in part, on rent payable to (or gross receipts received by) Landlord under this Lease and/or from the rental by Landlord of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Premises or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from Legal Requirements, or interpretations thereof, promulgated by any Governmental Authority, or (v) imposed as a license or other fee, charge, tax, or assessment on Landlord's business or occupation of leasing space in the Project. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. Taxes shall not include any net income taxes imposed on Landlord except to the extent such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed by Tenant in the Premises, whether levied or assessed against Landlord or Tenant. If any Taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed valuation of the Project is increased by a value attributable to improvements in or alterations to the Premises, whether owned by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, higher than the base valuation on which Landlord from time-to-time allocates Taxes to all tenants in the Project, Landlord shall have the right, but not the obligation, to pay such Taxes. Landlord's determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Landlord shall constitute Additional Rent due from Tenant to Landlord immediately upon demand.

**10. Parking.** Subject to all matters of record, Force Majeure, a Taking (as defined in Section 19 below) and the exercise by Landlord of its rights hereunder, Tenant shall have the right, in common



with other tenants of the Project pro rata in accordance with the rentable area of the Premises and the rentable areas of the Project occupied by such other tenants, to park in those areas designated for non-reserved parking, subject in each case to Landlord's rules and regulations. As of the date of this Lease, Tenant's pro rata share of parking equates to 2.8 spaces per 1,000 rentable square feet of the Premises. Landlord may allocate parking spaces among Tenant and other tenants in the Project pro rata as described above if Landlord determines that such parking facilities are becoming crowded. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties, including other tenants of the Project.

Tenant acknowledges that Tenant may be required to comply with a Preliminary Transportation Demand Management Plan ("TDM") setting forth certain requirements relating to parking and transportation demand management which are binding on tenants in the Project and agrees to comply with the requirements of any such TDM. Tenant acknowledges that Operating Expenses shall include expenses and assessments related to any such TDM.

**11. Utilities, Services.** Landlord shall provide, subject to the terms of this Section 11, water, electricity, heat, light, power, sewer, and other utilities (including gas and fire sprinklers to the extent the Project is plumbed for such services), refuse and trash collection and janitorial services (collectively, "Utilities"). Landlord shall pay, as Operating Expenses or subject to Tenant's reimbursement obligation, for all Utilities used on the Premises, all maintenance charges for Utilities, and any storm sewer charges or other similar charges for Utilities imposed by any Governmental Authority or Utility provider, and any taxes, penalties, surcharges or similar charges thereon. Landlord may cause, at Tenant's expense, any Utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay directly to the Utility provider, prior to delinquency, any separately metered Utilities and services which may be furnished to Tenant or the Premises during the Term. Tenant shall pay, as part of Operating Expenses, its share of all charges for jointly metered Utilities based upon consumption, as reasonably determined by Landlord. No interruption or failure of Utilities, from any cause whatsoever other than Landlord's willful misconduct, shall result in eviction or constructive eviction of Tenant, termination of this Lease or the abatement of Rent. Tenant agrees to limit use of water and sewer with respect to Common Areas to normal restroom use.

Landlord's sole obligation for either providing emergency generators or providing emergency back-up power to Tenant shall be: (i) to provide emergency generators with not less than the capacity of the emergency generators located in the Building as of the Commencement Date and Tenant shall be entitled to Tenant's Share of the capacity thereof available for use by all tenants of the Project in accordance with the rentable area of the Premises and the rentable areas of the Project occupied by such other tenants, and (ii) to contract with a third party to maintain the emergency generators as per the manufacturer's standard maintenance guidelines. Landlord shall have no further obligation to provide Tenant with operational emergency generators or back-up power or to supervise, oversee or confirm that the third party maintaining the emergency generators is maintaining the generators as per the manufacturer's standard guidelines or otherwise. During any period of replacement, repair or maintenance of the emergency generators when the emergency generators are not operational, including any delays thereto due to the inability to obtain parts or replacement equipment, Landlord shall have no obligation to provide Tenant with an alternative back-up generator or generators or alternative sources of back-up power. Tenant expressly acknowledges and agrees that Landlord does not guaranty that such emergency generators will be operational at all times or that emergency power will be available to the Premises when needed.

**12. Alterations and Tenant's Property.** Any alterations, additions, or improvements made to the Premises by or on behalf of Tenant, including additional locks or bolts of any kind or nature upon any doors or windows in the Premises, but excluding installation, removal or realignment of furniture systems (other than removal of furniture systems owned or paid for by Landlord) not involving any modifications to the structure or connections (other than by ordinary plugs or jacks) to Building Systems (as defined in Section 13) ("Alterations") shall be subject to Landlord's prior written consent, which may be given or withheld in Landlord's sole discretion if any such Alteration affects the structure or Building

Systems and shall not be otherwise unreasonably withheld, conditioned or delayed. If Landlord approves any Alterations, Landlord may impose such conditions on Tenant in connection with the commencement, performance and completion of such Alterations as Landlord may deem appropriate in Landlord's sole and absolute discretion. Any request for approval shall be in writing, delivered not less than 15 business days in advance of any proposed construction, and accompanied by plans, specifications, bid proposals, work contracts and such other information concerning the nature and cost of the alterations as may be reasonably requested by Landlord, including the identities and mailing addresses of all persons performing work or supplying materials. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to ensure that such plans and specifications or construction comply with applicable Legal Requirements. Tenant shall cause, at its sole cost and expense, all Alterations to comply with insurance requirements and with Legal Requirements and shall implement at its sole cost and expense any alteration or modification required by Legal Requirements as a result of any Alterations. Tenant shall pay to Landlord, as Additional Rent, on demand an amount equal to 3% of all charges incurred by Tenant or its contractors or agents in connection with any Alteration to cover Landlord's overhead and expenses for plan review, coordination, scheduling and supervision. Before Tenant begins any Alteration, Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from, any expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, delays caused by such work, or inadequate cleanup.

Tenant shall furnish security or make other reasonable arrangements satisfactory to Landlord to assure payment for the completion of all Alterations work free and clear of liens, and shall provide (and cause each contractor or subcontractor to provide) certificates of insurance for workers' compensation and other coverage in amounts and from an insurance company reasonably satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Alterations, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) "as built" plans for any such Alteration.

Except for Removable Installations (as hereinafter defined), all Installations (as hereinafter defined) shall be and shall remain the property of Landlord during the Term and following the expiration or earlier termination of the Term, shall not be removed by Tenant at any time during the Term, and shall remain upon and be surrendered with the Premises as a part thereof. Notwithstanding the foregoing, Landlord may, at the time its approval of any such Installation is requested, notify Tenant that Landlord requires that Tenant remove such Installation upon the expiration or earlier termination of the Term, in which event Tenant shall remove such Installation in accordance with the immediately succeeding sentence. Upon the expiration or earlier termination of the Term, Tenant shall remove (i) all wires, cables or similar equipment which Tenant has installed in the Premises or in the risers or plenums of the Building, (ii) any Installations for which Landlord has given Tenant notice of removal in accordance with the immediately preceding sentence, and (iii) all of Tenant's Property (as hereinafter defined), and Tenant shall restore and repair any damage caused by or occasioned as a result of such removal, including, without limitation, capping off all such connections behind the walls of the Premises and repairing any holes. During any restoration period beyond the expiration or earlier termination of the Term, Tenant shall pay Rent to Landlord as provided herein as if said space were otherwise occupied by Tenant. If Landlord is requested by Tenant or any lender, lessor or other person or entity claiming an interest in any of Tenant's Property to waive any lien Landlord may have against any of Tenant's Property, and Landlord consents to such waiver, then Landlord shall be entitled to be paid as administrative rent a fee of \$1,000 per occurrence for its time and effort in preparing and negotiating such a waiver of lien.

For purposes of this Lease, (x) "**Removable Installations**" means any items listed on Exhibit F attached hereto and any items agreed by Landlord in writing to be included on Exhibit F in the future, (y) "**Tenant's Property**" means Removable Installations and, other than Installations, any personal property or equipment of Tenant that may be removed without material damage to the Premises, and (z) "**Installations**" means all property of any kind paid for by Landlord, all Alterations, all fixtures, and all partitions, hardware, built-in machinery, built-in casework and cabinets and other similar additions, equipment, property and improvements built into the Premises so as to become an integral part of the

Premises, including, without limitation, fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, walk-in cold rooms, walk-in warm rooms, deionized water systems, glass washing equipment, autoclaves, chillers, built-in plumbing, electrical and mechanical equipment and systems, and any power generator and transfer switch.

13. **Landlord's Repairs.** Landlord, as an Operating Expense, shall maintain all of the structural, exterior, parking and other Common Areas of the Project, including HVAC, plumbing, fire sprinklers, elevators and all other building systems serving the Premises and other portions of the Project ("**Building Systems**"), in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, or by any of Tenant's agents, servants, employees, invitees and contractors (collectively, "**Tenant Parties**") excluded. Losses and damages caused by Tenant or any Tenant Party shall be repaired by Landlord, to the extent not covered by insurance, at Tenant's sole cost and expense. Landlord reserves the right to stop Building Systems services when necessary (i) by reason of accident or emergency, or (ii) for planned repairs, alterations or improvements, which are, in the judgment of Landlord, desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply Building Systems services during any such period of interruption; provided, however, that Landlord shall, except in case of emergency, make a commercially reasonable effort to give Tenant 48 hours advance notice of any planned stoppage of Building Systems services for routine maintenance, repairs, alterations or improvements. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Section, after which Landlord shall make a commercially reasonable effort to effect such repair. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after Tenant's written notice of the need for such repairs or maintenance. Tenant waives its rights under any state or local law to terminate this Lease or to make such repairs at Landlord's expense and agrees that the parties' respective rights with respect to such matters shall be solely as set forth herein. Repairs required as the result of fire, earthquake, flood, vandalism, war, or similar cause of damage or destruction shall be controlled by Section 18.

14. **Tenant's Repairs.** Subject to Section 13 hereof, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises, including, without limitation, entries, doors, ceilings, interior windows, interior walls, and the interior side of demising walls. Such repair and replacement may include capital expenditures and repairs whose benefit may extend beyond the Term. Should Tenant fail to make any such repair or replacement or fail to maintain the Premises, Landlord shall give Tenant notice of such failure. If Tenant fails to commence cure of such failure within 10 days of Landlord's notice, and thereafter diligently prosecute such cure to completion, Landlord may perform such work and shall be reimbursed by Tenant within 10 days after demand therefor; provided, however, that if such failure by Tenant creates or could create an emergency, Landlord may immediately commence cure of such failure and shall thereafter be entitled to recover the costs of such cure from Tenant. Subject to Sections 17 and 18, Tenant shall bear the full uninsured cost of any repair or replacement to any part of the Project that results from damage caused by Tenant or any Tenant Party and any repair that benefits only the Premises.

15. **Mechanic's Liens.** Tenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises or against the Project for work claimed to have been done for, or materials claimed to have been furnished to, Tenant within 10 days after the filing thereof, at Tenant's sole cost and shall otherwise keep the Premises and the Project free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to discharge any lien described herein, Landlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title to the Project and the cost thereof shall be immediately due from Tenant as Additional Rent. If Tenant shall lease or finance the acquisition of office equipment, furnishings, or other personal property of a removable nature utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code Financing Statement filed as a matter of public record by any lessor or creditor of Tenant will upon its face or by exhibit thereto indicate that such Financing Statement is applicable only to removable personal property of Tenant located within the Premises. In no event shall the address of the Project be furnished on the statement without qualifying language as to applicability of the lien only to removable personal property, located in an identified suite held by Tenant.

16. **Indemnification.** Tenant hereby indemnifies and agrees to defend, save and hold Landlord harmless from and against any and all Claims for injury or death to persons or damage to property occurring within or about the Premises, arising directly or indirectly out of use or occupancy of the Premises or a breach or default by Tenant in the performance of any of its obligations hereunder, unless caused solely by the willful misconduct or gross negligence of Landlord. Landlord shall not be liable to Tenant for, and Tenant assumes all risk of damage to, personal property (including, without limitation, loss of records kept within the Premises). Tenant further waives any and all Claims for injury to Tenant's business or loss of income relating to any such damage or destruction of personal property (including, without limitation, any loss of records). Landlord shall not be liable for any damages arising from any act, omission or neglect of any tenant in the Project or of any other third party.

17. **Insurance.** Landlord shall maintain all risk property and, if applicable, sprinkler damage insurance covering the full replacement cost of the Project or such lesser coverage amount as Landlord may elect provided such coverage amount is not less than 90% of such full replacement cost. Landlord shall further procure and maintain commercial general liability insurance with a single loss limit of not less than \$2,000,000 for bodily injury and property damage with respect to the Project. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, flood, environmental hazard and earthquake, loss or failure of building equipment, errors and omissions, rental loss during the period of repair or rebuilding, workers' compensation insurance and fidelity bonds for employees employed to perform services and insurance for any improvements installed by Tenant or which are in addition to the standard improvements customarily furnished by Landlord without regard to whether or not such are made a part of the Project. All such insurance shall be included as part of the Operating Expenses. The Project may be included in a blanket policy (in which case the cost of such insurance allocable to the Project will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises.

Tenant, at its sole cost and expense, shall maintain during the Term: all risk property insurance with business interruption and extra expense coverage, covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; workers' compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial general liability insurance, with a minimum limit of not less than \$2,000,000 per occurrence for bodily injury and property damage with respect to the Premises. The commercial general liability insurance policy shall name Alexandria Real Estate Equities, Inc., and Landlord, its officers, directors, employees, managers, agents, invitees and contractors (collectively, "**Landlord Parties**"), as additional insureds; insure on an occurrence and not a claims-made basis; be issued by insurance companies which have a rating of not less than policyholder rating of A and financial category rating of at least Class X in "Best's Insurance Guide"; shall not be cancelable for nonpayment of premium unless 30 days prior written notice shall have been given to Landlord from the insurer; contain a hostile fire endorsement and a contractual liability endorsement; and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). Copies of such policies (if requested by Landlord), or certificates of insurance showing the limits of coverage required hereunder and showing Landlord as an additional insured, along with reasonable evidence of the payment of premiums for the applicable period, shall be delivered to Landlord by Tenant upon commencement of the Term and upon each renewal of said insurance. Tenant's policy may be a "blanket policy" with an aggregate per location endorsement which specifically provides that the amount of insurance shall not be prejudiced by other losses covered by the policy. Tenant shall, at least 5 days prior to the expiration of such policies, furnish Landlord with renewal certificates.

In each instance where insurance is to name Landlord as an additional insured, Tenant shall upon written request of Landlord also designate and furnish certificates so evidencing Landlord as additional insured to: (i) any lender of Landlord holding a security interest in the Project or any portion thereof, (ii) the landlord under any lease wherein Landlord is tenant of the real property on which the Project is located, if the interest of Landlord is or shall become that of a tenant under a ground or other underlying lease rather than that of a fee owner, and/or (iii) any management company retained by Landlord to manage the Project.

The property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, and their respective officers, directors, employees, managers, agents, invitees and contractors ("**Related Parties**"), in connection with any loss or damage thereby insured against. Neither party nor its respective Related Parties shall be liable to the other for loss or damage caused by any risk insured against under property insurance required to be maintained hereunder, and each party waives any claims against the other party, and its respective Related Parties, for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its respective Related Parties shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever. If the foregoing waivers shall contravene any law with respect to exculpatory agreements, the liability of Landlord or Tenant shall be deemed not released but shall be secondary to the other's insurer.

Landlord may require insurance policy limits to be raised to conform with requirements of Landlord's lender and/or to bring coverage limits to levels then being generally required of new tenants within the Project.

18. **Restoration.** If, at any time during the Term, the Project or the Premises are damaged or destroyed by a fire or other insured casualty, Landlord shall notify Tenant within 60 days after discovery of such damage as to the amount of time Landlord reasonably estimates it will take to restore the Project or the Premises, as applicable (the "**Restoration Period**"). If the Restoration Period is estimated to exceed 9 months from the date of discovery of the damage or destruction (the "**Maximum Restoration Period**"), Landlord may, in such notice, elect to terminate this Lease as of the date that is 75 days after the date of discovery of such damage or destruction; provided, however, that notwithstanding Landlord's election to restore, Tenant may elect to terminate this Lease by written notice to Landlord delivered within 5 business days of receipt of a notice from Landlord estimating a Restoration Period for the Premises longer than the Maximum Restoration Period. Unless either Landlord or Tenant so elects to terminate this Lease, Landlord shall, subject to receipt of sufficient insurance proceeds (with any deductible to be treated as a current Operating Expense), promptly restore the Premises (excluding the improvements installed by Tenant or by Landlord and paid for by Tenant), subject to delays arising from the collection of insurance proceeds, from Force Majeure events or as needed to obtain any license, clearance or other authorization of any kind required in connection with Tenant's occupancy of the Premises to enter into and restore the Premises issued by any Governmental Authority having jurisdiction over the use, storage, handling, treatment, generation, release, disposal, removal or remediation of Hazardous Materials (as defined in Section 30) in, on or about the Premises (collectively referred to herein as "**Hazardous Materials Clearances**"); provided, however, that if repair or restoration of the Premises is not substantially complete as of the end of the Maximum Restoration Period or, if longer, the Restoration Period, Landlord may, in its sole and absolute discretion, elect not to proceed with such repair and restoration or Tenant may by written notice to Landlord delivered within 5 business days of the expiration of the Maximum Restoration Period or, if longer, the Restoration Period, elect to terminate this Lease, in which event Landlord shall be relieved of its obligation to make such repairs or restoration and this Lease shall terminate as of the date that is 75 days after the later of: (i) discovery of such damage or destruction, or (ii) the date all required Hazardous Materials Clearances are obtained, but Landlord shall retain any Rent paid and the right to any Rent payable by Tenant prior to such election by Landlord or Tenant.

Except to the extent that this Lease is terminated by Landlord or Tenant pursuant to the terms of this Section 18, Tenant, at its expense, shall promptly perform, subject to delays arising from the collection of insurance proceeds, from Force Majeure (as defined in Section 34) events or to obtain Hazardous Material Clearances, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, Landlord may terminate this Lease if the Premises are damaged during the last 1 year of the Term and Landlord reasonably estimates that it will take more than 2 months to repair such damage, or if insurance proceeds are not available for such restoration. Rent shall be abated from the date all required Hazardous Material Clearances are obtained until the Premises are repaired and restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises, unless Landlord provides Tenant with other space during the period of repair that is suitable for the temporary conduct of Tenant's business. In the event that no Hazardous Material Clearances are required to be obtained by Tenant with respect to the Premises, rent abatement shall commence on the date of discovery of the damage or destruction. Such abatement shall be the sole remedy of Tenant, and except as provided in this Section 18, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

The provisions of this Lease, including this Section 18, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, or any other portion of the Project, and any statute or regulation which is now or may hereafter be in effect shall have no application to this Lease or any damage or destruction to all or any part of the Premises or any other portion of the Project, the parties hereto expressly agreeing that this Section 18 sets forth their entire understanding and agreement with respect to such matters.

19. **Condemnation.** If the whole or any material part of the Premises or the Project is taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**" or "**Taken**"), and the Taking would in Landlord's reasonable judgment, materially interfere with or impair Landlord's ownership or operation of the Project or would in the reasonable judgment of Landlord and Tenant either prevent or materially interfere with Tenant's use of the Premises (as resolved, if the parties are unable to agree, by arbitration by a single arbitrator with the qualifications and experience appropriate to resolve the matter and appointed pursuant to and acting in accordance with the rules of the American Arbitration Association), then upon written notice by Landlord or Tenant to the other, this Lease shall terminate and Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, Landlord shall promptly restore the Premises and the Project as nearly as is commercially reasonable under the circumstances to their condition prior to such partial Taking and the rentable square footage of the Building, the rentable square footage of the Premises, Tenant's Share of Operating Expenses and the Rent payable hereunder during the unexpired Term shall be reduced to such extent as may be fair and reasonable under the circumstances. Upon any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's trade fixtures, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights it might otherwise have pursuant to any provision of state law to terminate this Lease upon a partial Taking of the Premises or the Project.

20. **Events of Default.** Each of the following events shall be a default ("**Default**") by Tenant under this Lease:

(a) **Payment Defaults.** Tenant shall fail to pay any installment of Rent hereunder when due; provided, however, that Landlord will give Tenant notice and an opportunity to cure any failure to pay Rent within 3 days of any such notice not more than once in any 12 month period and Tenant agrees that such notice shall be in lieu of and not in addition to, or shall be deemed to be, any notice required by law.

Tenant shall fail to pay any amounts due under this Lease other than Base Rent and Operating Expenses; provided, however that Landlord will give Tenant written notice and an opportunity to cure any failure to pay such amounts other than Base Rent and Operating Expenses within 3 days of any such notice.

(b) **Insurance.** Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Landlord shall receive a notice of nonrenewal of any such insurance and Tenant shall fail to obtain replacement insurance before the expiration of the current coverage.

(c) **Abandonment.** Tenant shall abandon the Premises.

(d) **Improper Transfer.** Tenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Tenant's interest in this Lease or the Premises except as expressly permitted herein, or Tenant's interest in this Lease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.

(e) **Liens.** Tenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Premises in violation of this Lease within 10 days after any such lien is filed against the Premises.

(f) **Insolvency Events.** Tenant or any guarantor or surety of Tenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "**Proceeding for Relief**"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(g) **Estoppel Certificate or Subordination Agreement.** Tenant fails to execute any document required from Tenant under Sections 23 or 27 within 5 days after a second notice requesting such document.

(h) **Other Defaults.** Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 20, and, except as otherwise expressly provided herein, such failure shall continue for a period of 30 days after written notice thereof from Landlord to Tenant.

Any notice given under Section 20(h) hereof shall: (i) specify the alleged default, (ii) demand that Tenant cure such default, (iii) be in lieu of, and not in addition to, or shall be deemed to be, any notice required under any provision of applicable law, and (iv) not be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice; provided that if the nature of Tenant's default pursuant to Section 20(h) is such that it cannot be cured by the payment of money and reasonably requires more than 30 days to cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30 day period and thereafter diligently prosecutes the same to completion; provided, however, that such cure shall be completed no later than 60 days from the date of Landlord's notice.

## 21. Landlord's Remedies.

(a) **Payment By Landlord; Interest.** Upon a Default by Tenant hereunder, Landlord may, without waiving or releasing any obligation of Tenant hereunder, make such payment or perform such act. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to 12% per annum or the highest rate permitted by law (the

“Default Rate”), whichever is less, shall be payable to Landlord on demand as Additional Rent. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from Tenant’s Default hereunder.

(b) **Late Payment Rent.** Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord under any Mortgage covering the Premises. Therefore, if any installment of Rent due from Tenant is not received by Landlord within 5 days after the date such payment is due, Tenant shall pay to Landlord an additional sum equal to 6% of the overdue Rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In addition to the late charge, Rent not paid when due shall bear interest at the Default Rate from the 5th day after the date due until paid.

(c) **Remedies.** Upon the occurrence of a Default, Landlord, at its option, without further notice or demand to Tenant, shall have in addition to all other rights and remedies provided in this Lease, at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

(i) Terminate this Lease, or at Landlord’s option, Tenant’s right to possession only, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor;

(ii) Upon any termination of this Lease, whether pursuant to the foregoing Section 21(c)(i) or otherwise, Landlord may recover from Tenant the following:

(A) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(B) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(C) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(D) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant’s failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including, but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(E) At Landlord’s election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term “rent” as used in this Section 21 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 21(c)(ii)(A) and (B), above, the “**worth at the time of award**” shall be computed by



allowing interest at the Default Rate. As used in Section 21(c)(ii)(C) above, the “worth at the time of award” shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(iii) Landlord may continue this Lease in effect after Tenant’s Default and recover rent as it becomes due (Landlord and Tenant hereby agreeing that Tenant has the right to sublet or assign hereunder, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease following a Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.

(iv) Whether or not Landlord elects to terminate this Lease following a Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord’s sole discretion, succeed to Tenant’s interest in such subleases, licenses, concessions or arrangements. Upon Landlord’s election to succeed to Tenant’s interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

(v) Independent of the exercise of any other remedy of Landlord hereunder or under applicable law, Landlord may conduct an environmental test of the Premises as generally described in Section 30(d) hereof, at Tenant’s expense.

(d) **Effect of Exercise.** Exercise by Landlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, it being understood that such surrender and/or termination can be effected only by the express written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same and shall not be deemed a waiver of Landlord’s right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of Rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord’s intention to re-enter, re-take or otherwise obtain possession of the Premises as provided in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. Any reletting of the Premises or any portion thereof shall be on such terms and conditions as Landlord in its sole discretion may determine. Landlord shall not be liable for, nor shall Tenant’s obligations hereunder be diminished because of, Landlord’s failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Tenant’s Default.

## 22. Assignment and Subletting.

(a) **General Prohibition.** Without Landlord’s prior written consent subject to and on the conditions described in this Section 22, Tenant shall not, directly or indirectly, voluntarily or by operation of law, assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises, and any attempt to do any of the foregoing shall be void and of no effect. If Tenant is a corporation, partnership or limited liability company, the shares or other ownership interests thereof which are not actively traded upon a stock exchange or in the over-the-counter market, a transfer or series of transfers whereby 50% or more of the issued and outstanding shares or other ownership interests of such corporation are, or

voting control is, transferred (but excepting transfers upon deaths of individual owners) from a person or persons or entity or entities which were owners thereof at time of execution of this Lease to persons or entities who were not owners of shares or other ownership interests of the corporation, partnership or limited liability company at time of execution of this Lease, shall be deemed an assignment of this Lease requiring the consent of Landlord as provided in this Section 22.

(b) **Permitted Transfers.** If Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises, other than pursuant to a Permitted Assignment (as defined below), then at least 15 business days, but not more than 45 business days, before the date Tenant desires the assignment or sublease to be effective (the “**Assignment Date**”), Tenant shall give Landlord a notice (the “**Assignment Notice**”) containing such information about the proposed assignee or sublessee, including the proposed use of the Premises and any Hazardous Materials proposed to be used, stored handled, treated, generated in or released or disposed of from the Premises, the Assignment Date, any relationship between Tenant and the proposed assignee or sublessee, and all material terms and conditions of the proposed assignment or sublease, including a copy of any proposed assignment or sublease in its final form, and such other information as Landlord may deem reasonably necessary or appropriate to its consideration whether to grant its consent. Landlord may, by giving written notice to Tenant within 15 business days after receipt of the Assignment Notice: (i) grant such consent, (ii) refuse such consent, in its sole and absolute discretion, if the proposed assignment, hypothecation or other transfer or subletting concerns more than (together with all other then effective subleases) 50% of the Premises, (iii) refuse such consent, in its reasonable discretion, if the proposed subletting concerns (together with all other then effective subleases) 50% or less of the Premises (provided that Landlord shall further have the right to review and approve or disapprove the proposed form of sublease prior to the effective date of any such subletting), or (iv) terminate this Lease with respect to the space described in the Assignment Notice as of the Assignment Date (an “**Assignment Termination**”). If Landlord delivers notice of its election to exercise an Assignment Termination, Tenant shall have the right to withdraw such Assignment Notice by written notice to Landlord of such election within 5 business days after Landlord’s notice electing to exercise the Assignment Termination. If Tenant withdraws such Assignment Notice, this Lease shall continue in full force and effect. If Tenant does not withdraw such Assignment Notice, this Lease, and the term and estate herein granted, shall terminate as of the Assignment Date with respect to the space described in such Assignment Notice. No failure of Landlord to exercise any such option to terminate this Lease, or to deliver a timely notice in response to the Assignment Notice, shall be deemed to be Landlord’s consent to the proposed assignment, sublease or other transfer. Tenant shall pay to Landlord a fee equal to One Thousand Five Hundred Dollars (\$1,500) in connection with its consideration of any Assignment Notice and/or its preparation or review of any consent documents. Notwithstanding the foregoing, Tenant shall have the right to assign this Lease, upon 30 days prior written notice to Landlord but without obtaining Landlord’s prior written consent, to a corporation or other entity which is a successor-in-interest to Tenant, by way of merger, consolidation or corporate reorganization, or by the purchase of all or substantially all of the assets or the ownership interests of Tenant provided that (i) such merger or consolidation, or such acquisition or assumption, as the case may be, is for a good business purpose and not principally for the purpose of transferring the Lease, and (ii) the net worth (as determined in accordance with generally accepted accounting principles (“**GAAP**”)) of the assignee is not less than the greater of the net worth (as determined in accordance with GAAP) of Tenant as of (A) the Commencement Date, or (B) as of the date of Tenant’s most current quarterly or annual financial statements, and (iii) such assignee shall agree in writing to assume all of the terms, covenants and conditions of this Lease arising after the effective date of the assignment (a “**Permitted Assignment**”).

(c) **Additional Conditions.** As a condition to any such assignment or subletting, whether or not Landlord’s consent is required, Landlord may require:

(i) that any assignee or subtenant agree, in writing at the time of such assignment or subletting, that if Landlord gives such party notice that Tenant is in default under this Lease, such party shall thereafter make all payments otherwise due Tenant directly to Landlord, which payments will be received by Landlord without any liability except to credit such payment against those due under the Lease, and any such third party shall agree to attorn to Landlord or its successors and assigns should this Lease be terminated for any reason; provided, however, in no event shall Landlord or its successors or assigns be obligated to accept such attornment; and

(ii) A list of Hazardous Materials, certified by the proposed assignee or sublessee to be true and correct, which the proposed assignee or sublessee intends to use, store, handle, treat, generate in or release or dispose of from the Premises, together with copies of all documents relating to such use, storage, handling, treatment, generation, release or disposal of Hazardous Materials by the proposed assignee or subtenant in the Premises or on the Project, prior to the proposed assignment or subletting, including, without limitation: permits; approvals; reports and correspondence; storage and management plans; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Neither Tenant nor any such proposed assignee or subtenant is required, however, to provide Landlord with any portion(s) of the such documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities.

(d) **No Release of Tenant, Sharing of Excess Rents.** Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Tenant's other obligations under this Lease. If the Rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto in any form) exceeds the sum of the rental payable under this Lease, (excluding however, any Rent payable under this Section) and actual and reasonable brokerage fees, legal costs and any design or construction fees and costs directly related to and required pursuant to the terms of any such sublease) ("**Excess Rent**"), then Tenant shall be bound and obligated to pay Landlord as Additional Rent hereunder 50% of such Excess Rent within 10 days following receipt thereof by Tenant. If Tenant shall sublet the Premises or any part thereof, Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any such subletting, and Landlord as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; provided, however, that until the occurrence of a Default, Tenant shall have the right to collect such rent.

(e) **No Waiver.** The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignees of this Lease or any sublessees of the Premises from obtaining the consent of Landlord to any further assignment or subletting nor shall it release Tenant or any assignee or sublessee of Tenant from full and primary liability under the Lease. The acceptance of Rent hereunder, or the acceptance of performance of any other term, covenant, or condition thereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer of the Premises.

(f) **Prior Conduct of Proposed Transferee.** Notwithstanding any other provision of this Section 22, if (i) the proposed assignee or sublessee of Tenant has been required by any prior landlord, lender or Governmental Authority to take remedial action in connection with Hazardous Materials contaminating a property, where the contamination resulted from such party's action or use of the property in question, (ii) the proposed assignee or sublessee is subject to an enforcement order issued by any Governmental Authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any Governmental Authority), or (iii) because of the existence of a pre-existing environmental condition in the vicinity of or underlying the Project, the risk that Landlord would be targeted as a responsible party in connection with the remediation of such pre-existing environmental condition would be materially increased or exacerbated by the proposed use of Hazardous Materials by such proposed assignee or sublessee, Landlord shall have the absolute right to refuse to consent to any assignment or subletting to any such party.

23. **Estoppel Certificate.** Tenant shall, within 10 business days of written notice from Landlord, execute, acknowledge and deliver a statement in writing in any form reasonably requested by a proposed lender or purchaser, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, (ii) acknowledging that there are not any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iii) setting forth such further information with respect to the status of this Lease or the Premises as may be requested thereon. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within such time shall, at the option of Landlord, constitute a Default under this Lease, and, in any event, shall be conclusive upon Tenant that the Lease is in full force and effect and without modification except as may be represented by Landlord in any certificate prepared by Landlord and delivered to Tenant for execution.

24. **Quiet Enjoyment.** So long as Tenant is not in Default under this Lease, Tenant shall, subject to the terms of this Lease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

25. **Prorations.** All prorations required or permitted to be made hereunder shall be made on the basis of a 360 day year and 30 day months.

26. **Rules and Regulations.** Tenant shall, at all times during the Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current rules and regulations are attached hereto as **Exhibit E**. If there is any conflict between said rules and regulations and other provisions of this Lease, the terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project and shall not enforce such rules and regulations in a discriminatory manner.

27. **Subordination.** This Lease and Tenant's interest and rights hereunder are hereby made and shall be subject and subordinate at all times to the lien of any Mortgage now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant; provided, however that so long as there is no Default hereunder, Tenant's right to possession of the Premises shall not be disturbed by the Holder of any such Mortgage. Tenant agrees, at the election of the Holder of any such Mortgage, to attorn to any such Holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination, and such instruments of attornment as shall be requested by any such Holder, provided any such instruments contain appropriate non-disturbance provisions assuring Tenant's quiet enjoyment of the Premises as set forth in Section 24 hereof. Tenant hereby appoints Landlord attorney-in-fact for Tenant irrevocably (such power of attorney being coupled with an interest) to execute, acknowledge and deliver any such instrument and instruments for and in the name of Tenant and to cause any such instrument to be recorded. Notwithstanding the foregoing, any such Holder may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in that event such Holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such Mortgage and had been assigned to such Holder. The term "**Mortgage**" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "**Holder**" of a Mortgage shall be deemed to include the beneficiary under a deed of trust.

28. **Surrender.** Upon the expiration of the Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, subject to any Alterations or Installations permitted by Landlord to remain in the Premises, free of Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from, the Premises by any person other than a Landlord Party (collectively, "**Tenant HazMat Operations**") and released of all Hazardous Materials Clearances, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Sections 18 and 19 excepted. At least 3 months prior to the surrender of the Premises, Tenant shall deliver to Landlord a narrative description of the actions proposed (or required by any Governmental Authority) to be taken by Tenant in order to surrender the Premises (including any Installations permitted by Landlord to remain in the Premises) at the expiration or earlier termination of the Term, free from any residual impact from the Tenant HazMat Operations and otherwise released for unrestricted use and occupancy (the "**Surrender Plan**"). Such Surrender Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of any Tenant Party with respect to the Premises, and (ii) all Hazardous Materials used, stored, handled, treated, generated, released or disposed of from the Premises, and shall be subject to the review and approval of Landlord's environmental consultant. In connection with the review and approval of the Surrender Plan, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such additional non-proprietary information concerning Tenant HazMat Operations as Landlord shall request. On or before such surrender, Tenant shall deliver to Landlord evidence that the approved Surrender Plan shall have been satisfactorily completed and Landlord shall have the right, subject to reimbursement at Tenant's expense as set forth below, to cause Landlord's environmental consultant to inspect the Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that the Premises are, as of the effective date of such surrender or early termination of the Lease, free from any residual impact from Tenant HazMat Operations. Tenant shall reimburse Landlord, as Additional Rent, for the actual out-of-pocket expense incurred by Landlord for Landlord's environmental consultant to review and approve the Surrender Plan and to visit the Premises and verify satisfactory completion of the same, which cost shall not exceed \$5,000. Landlord shall have the unrestricted right to deliver such Surrender Plan and any report by Landlord's environmental consultant with respect to the surrender of the Premises to third parties.

If Tenant shall fail to prepare or submit a Surrender Plan approved by Landlord, or if Tenant shall fail to complete the approved Surrender Plan, or if such Surrender Plan, whether or not approved by Landlord, shall fail to adequately address any residual effect of Tenant HazMat Operations in, on or about the Premises, Landlord shall have the right to take such actions as Landlord may deem reasonable or appropriate to assure that the Premises and the Project are surrendered free from any residual impact from Tenant HazMat Operations, the cost of which actions shall be reimbursed by Tenant as Additional Rent, without regard to the limitation set forth in the first paragraph of this Section 28.

Tenant shall immediately return to Landlord all keys and/or access cards to parking, the Project, restrooms or all or any portion of the Premises furnished to or otherwise procured by Tenant. If any such access card or key is lost, Tenant shall pay to Landlord, at Landlord's election, either the cost of replacing such lost access card or key or the cost of reprogramming the access security system in which such access card was used or changing the lock or locks opened by such lost key. Any Tenant's Property, Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Term, including the obligations of Tenant under Section 30 hereof, shall survive the expiration or earlier termination of the Term, including, without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Premises.

29. **Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY LAW, TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.

### 30. Environmental Requirements.

(a) **Prohibition/Compliance/Indemnity.** Tenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Premises or the Project in violation of applicable Environmental Requirements (as hereinafter defined) by Tenant or any Tenant Party. If Tenant breaches the obligation stated in the preceding sentence, or if the presence of Hazardous Materials in the Premises during the Term or any holding over results in contamination of the Premises, the Project or any adjacent property or if contamination of the Premises, the Project or any adjacent property by Hazardous Materials brought into, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Premises by anyone other than Landlord and Landlord's employees, agents and contractors otherwise occurs during the Term or any holding over, Tenant hereby indemnifies and shall defend and hold Landlord, its officers, directors, employees, agents and contractors harmless from any and all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including, without limitation, punitive damages and damages based upon diminution in value of the Premises or the Project, or the loss of, or restriction on, use of the Premises or any portion of the Project), expenses (including, without limitation, attorneys', consultants' and experts' fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses (collectively, "**Environmental Claims**") which arise during or after the Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, treatment, remedial, removal, or restoration work required by any federal, state or local Governmental Authority because of Hazardous Materials present in the air, soil or ground water above, on, or under the Premises.

(b) **Business.** Landlord acknowledges that it is not the intent of this Section 30 to prohibit Tenant from using the Premises for the Permitted Use. Tenant may operate its business according to prudent industry practices so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all then applicable Environmental Requirements. As a material inducement to Landlord to allow Tenant to use Hazardous Materials in connection with its business, Tenant agrees to deliver to Landlord prior to the Commencement Date a list identifying each type of Hazardous Materials to be brought upon, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Premises and setting forth any and all governmental approvals or permits required in connection with the presence, use, storage, handling, treatment, generation, release or disposal of such Hazardous Materials on or from the Premises ("**Hazardous Materials List**"). Tenant shall deliver to Landlord an updated Hazardous Materials List at least once a year and shall also deliver an updated list before any new Hazardous Material is brought onto, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Premises. Tenant shall deliver to Landlord true and correct copies of the following documents (the "**Haz Mat Documents**") relating to the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials prior to the Commencement Date, or if unavailable at that time, concurrent with the receipt from or submission to a Governmental Authority: permits; approvals; reports and correspondence; storage and management plans, notice of violations of any Legal Requirements; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given Tenant its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks; and a Surrender Plan (to the extent surrender in accordance with Section 28 cannot be accomplished in 3 months). Tenant is not required, however, to provide Landlord with any portion(s) of the Haz Mat Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors.

(c) **Tenant Representation and Warranty.** Tenant hereby represents and warrants to Landlord that (i) neither Tenant nor any of its legal predecessors has been required by any prior landlord, lender or Governmental Authority at any time to take remedial action in connection with Hazardous Materials contaminating a property which contamination was permitted by Tenant of such predecessor or resulted from Tenant's or such predecessor's action or use of the property in question, and (ii) Tenant is not subject to any enforcement order issued by any Governmental Authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any Governmental Authority). If Landlord determines that this representation and warranty was not true as of the date of this lease, Landlord shall have the right to terminate this Lease in Landlord's sole and absolute discretion.

(d) **Testing.** Landlord shall have the right to conduct annual tests of the Premises to determine whether any contamination of the Premises or the Project has occurred as a result of Tenant's use. Tenant shall be required to pay the cost of such annual test of the Premises; provided, however, that if Tenant conducts its own tests of the Premises using third party contractors and test procedures acceptable to Landlord which tests are certified to Landlord, Landlord shall accept such tests in lieu of the annual tests to be paid for by Tenant. In addition, at any time, and from time to time, prior to the expiration or earlier termination of the Term, Landlord shall have the right to conduct appropriate tests of the Premises and the Project to determine if contamination has occurred as a result of Tenant's use of the Premises. In connection with such testing, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Premises by Tenant or any Tenant Party. If contamination has occurred for which Tenant is liable under this Section 30, Tenant shall pay all costs to conduct such tests. If no such contamination is found, Landlord shall pay the costs of such tests (which shall not constitute an Operating Expense). Landlord shall provide Tenant with a copy of all third party, non-confidential reports and tests of the Premises made by or on behalf of Landlord during the Term without representation or warranty and subject to a confidentiality agreement. Tenant shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing in accordance with all Environmental Requirements. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights which Landlord may have against Tenant.

(e) **Control Areas.** Tenant shall be allowed to utilize up to its pro rata share of the Hazardous Materials inventory within any control area or zone (located within the Premises), as designated by the applicable building code, for chemical use or storage. As used in the preceding sentence, Tenant's pro rata share of any control areas or zones located within the Premises shall be determined based on the rentable square footage that Tenant leases within the applicable control area or zone. For purposes of example only, if a control area or zone contains 10,000 rentable square feet and 2,000 rentable square feet of a tenant's premises are located within such control area or zone (while such premises as a whole contains 5,000 rentable square feet), the applicable tenant's pro rata share of such control area would be 20%.

(f) **Underground Tanks.** Tenant shall have no right to use or install any underground or other storage tanks at the Project.

(g) **Tenant's Obligations.** Tenant's obligations under this Section 30 shall survive the expiration or earlier termination of the Lease. During any period of time after the expiration or earlier termination of this Lease required by Tenant or Landlord to complete the removal from the Premises of any Hazardous Materials (including, without limitation, the release and termination of any licenses or permits restricting the use of the Premises and the completion of the approved Surrender Plan), Tenant shall continue to pay the full Rent in accordance with this Lease for any portion of the Premises not relet by Landlord in Landlord's sole discretion, which Rent shall be prorated daily.

(h) **Definitions.** As used herein, the term “**Environmental Requirements**” means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any Governmental Authority regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the Project, or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. As used herein, the term “**Hazardous Materials**” means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its impact or potential impact on humans, animals and/or the environment under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the “**operator**” of Tenant’s “**facility**” and the “**owner**” of all Hazardous Materials brought on the Premises by Tenant or any Tenant Party, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

31. **Tenant’s Remedies/Limitation of Liability.** Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, Tenant shall give notice by registered or certified mail to any Holder of a Mortgage covering the Premises and to any landlord of any lease of property in or on which the Premises are located and Tenant shall offer such Holder and/or landlord a reasonable opportunity to cure the default, including time to obtain possession of the Project by power of sale or a judicial action if such should prove necessary to effect a cure; provided Landlord shall have furnished to Tenant in writing the names and addresses of all such persons who are to receive such notices. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord’s obligations hereunder.

All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term “**Landlord**” in this Lease shall mean only the owner for the time being of the Premises. Upon the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Term upon each new owner for the duration of such owner’s ownership.

32. **Inspection and Access.** Landlord and its agents, representatives, and contractors may enter the Premises at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord’s representatives may enter the Premises during business hours on not less than 48 hours advance written notice (except in the case of emergencies in which case no such notice shall be required and such entry may be at any time) for the purpose of effecting any such repairs, inspecting the Premises, showing the Premises to prospective purchasers and, during the last year of the Term, to prospective tenants or for any other business purpose. Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate Common Areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially, adversely affects Tenant’s use or occupancy of the Premises for the Permitted Use. At Landlord’s request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions. Tenant shall at all times, except in the case of emergencies, have the right to escort Landlord or its agents, representatives, contractors or guests while the same are in the Premises, provided such escort does not materially and adversely affect Landlord’s access rights hereunder.

33. **Security.** Tenant acknowledges and agrees that security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and that



Landlord is not providing any security services with respect to the Premises. Tenant agrees that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible for the personal safety of Tenant's officers, employees, agents, contractors, guests and invitees while any such person is in, on or about the Premises and/or the Project. Tenant shall at Tenant's cost obtain insurance coverage to the extent Tenant desires protection against such criminal acts.

34. **Force Majeure.** Except for the payment of Rent, neither Tenant nor Landlord shall be responsible or liable for delays in the performance of its obligations hereunder when caused by, related to, or arising out of acts of God, sinkholes or subsidence, strikes, lockouts, or other labor disputes, embargoes, quarantines, weather, national, regional, or local disasters, calamities, or catastrophes, inability to obtain labor or materials (or reasonable substitutes therefor) at reasonable costs or failure of, or inability to obtain, utilities necessary for performance, governmental restrictions, orders, limitations, regulations, or controls, national emergencies, delay in issuance or revocation of permits, enemy or hostile governmental action, terrorism, insurrection, riots, civil disturbance or commotion, fire or other casualty, and other similar causes or events beyond the reasonable control of such party ("**Force Majeure**").

35. **Brokers.** Landlord and Tenant each represents and warrants that it has not dealt with any broker, agent or other person (collectively, "**Broker**") in connection with this transaction and that no Broker brought about this transaction, other than Cornish & Carey Commercial, NKF and Jones Lang LaSalle. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker, other than the broker, if any named in this Section 35, claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction.

36. **Limitation on Landlord's Liability.** NOTWITHSTANDING ANYTHING SET FORTH HEREIN OR IN ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT TO THE CONTRARY: (A) LANDLORD SHALL NOT BE LIABLE TO TENANT OR ANY OTHER PERSON FOR (AND TENANT AND EACH SUCH OTHER PERSON ASSUME ALL RISK OF) LOSS, DAMAGE OR INJURY, WHETHER ACTUAL OR CONSEQUENTIAL TO: TENANT'S PERSONAL PROPERTY OF EVERY KIND AND DESCRIPTION, INCLUDING, WITHOUT LIMITATION TRADE FIXTURES, EQUIPMENT, INVENTORY, SCIENTIFIC RESEARCH, SCIENTIFIC EXPERIMENTS, LABORATORY ANIMALS, PRODUCT, SPECIMENS, SAMPLES, AND/OR SCIENTIFIC, BUSINESS, ACCOUNTING AND OTHER RECORDS OF EVERY KIND AND DESCRIPTION KEPT AT THE PREMISES AND ANY AND ALL INCOME DERIVED OR DERIVABLE THEREFROM; (B) THERE SHALL BE NO PERSONAL RECOURSE TO LANDLORD FOR ANY ACT OR OCCURRENCE IN, ON OR ABOUT THE PREMISES OR ARISING IN ANY WAY UNDER THIS LEASE OR ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND ANY LIABILITY OF LANDLORD HEREUNDER SHALL BE STRICTLY LIMITED SOLELY TO LANDLORD'S INTEREST IN THE PROJECT OR ANY PROCEEDS FROM SALE OR CONDEMNATION THEREOF AND ANY INSURANCE PROCEEDS PAYABLE IN RESPECT OF LANDLORD'S INTEREST IN THE PROJECT OR IN CONNECTION WITH ANY SUCH LOSS; AND (C) IN NO EVENT SHALL ANY PERSONAL LIABILITY BE ASSERTED AGAINST LANDLORD IN CONNECTION WITH THIS LEASE NOR SHALL ANY RECOURSE BE HAD TO ANY OTHER PROPERTY OR ASSETS OF LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS. UNDER NO CIRCUMSTANCES SHALL LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS BE LIABLE FOR INJURY TO TENANT'S BUSINESS OR FOR ANY LOSS OF INCOME OR PROFIT THEREFROM.

37. **Severability.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease

that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in effect to such illegal, invalid or unenforceable clause or provision as shall be legal, valid and enforceable.

38. **Signs; Exterior Appearance.** Except as set forth in this Section 38, Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's sole discretion: (i) attach any awnings, exterior lights, decorations, balloons, flags, pennants, banners, painting or other projection to any outside wall of the Project, (ii) use any curtains, blinds, shades or screens other than Landlord's standard window coverings, (iii) coat or otherwise sunscreen the interior or exterior of any windows, (iv) place any bottles, parcels, or other articles on the window sills, (v) place any equipment, furniture or other items of personal property on any exterior balcony, or (vi) paint, affix or exhibit on any part of the Premises or the Project any signs, notices, window or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises. Interior signs on doors and the directory tablet shall be inscribed, painted or affixed for Tenant by Landlord, with Landlord and Tenant each responsible for 50% of the cost thereof, and shall be of a size, color and type consistent with Landlord's signage program for the Project. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering. The directory tablet shall be provided exclusively for the display of the name and location of tenants.

Subject to applicable Legal Requirements, Tenant shall have the non-exclusive right to display, at Tenant's cost and expense, signage bearing Tenant's name on the exterior of the Building (i) facing the bay in a location on the Building reasonably acceptable to Landlord and Tenant, and (ii) subject to an equitable arrangement being entered into between Tenant and the other tenant(s) of the Building, on the southeast corner of the Building in a location on the Building reasonably acceptable to Landlord and Tenant (collectively, "**Building Sign**"). Tenant shall also have the non-exclusive right to display, at Landlord's cost and expense, Tenant's name on the existing monument sign at the Project ("**Monument Sign**"). Tenant further acknowledges and agrees that Tenant's signage on the Monument Sign and the Building Sign including, without limitation, the location, size, color and type, shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld and shall be consistent with Landlord's signage program at the Project and applicable Legal Requirements and in no event shall Tenant be entitled to more than Tenant's pro rata share of any such signage. Tenant shall be responsible, at Tenant's sole cost and expense, for the maintenance of Tenant's signage on the Monument Sign and the Building Sign, for the removal of Tenant's signage from the Monument Sign and the Building Sign at the expiration or earlier termination of this Lease and for the repair all damage resulting from such removal.

Subject to obtaining all necessary and required approvals including, without limitation, as may be required by Legal Requirements, Landlord will work with Tenant to add a directional sign at the Project, the installation of which shall be at Landlord's cost.

39. **Right to Extend Term.** Tenant shall have the right to extend the Term of the Lease upon the following terms and conditions:

(a) **Extension Rights.** Tenant shall have 1 right (an "**Extension Right**") to extend the term of this Lease for 2 years (an "**Extension Term**") on the same terms and conditions as this Lease (other than with respect to Base Rent and the Work Letter) by giving Landlord written notice of its election to exercise the Extension Right at least 9 months prior, and no earlier than 12 months prior, to the expiration of the Base Term of the Lease.

Upon the commencement of the Extension Term, Base Rent shall be payable at the Market Rate (as defined below). Base Rent shall thereafter be adjusted on each annual anniversary of the commencement of such Extension Term by a percentage as determined by Landlord and agreed to by Tenant at the time the Market Rate is determined. As used herein, "**Market Rate**" shall mean the then market rental rate for comparable laboratory space in the South San Francisco, California. The Market Rate shall be as determined by Landlord and agreed to by Tenant. Landlord and Tenant shall use reasonable efforts to agree upon the Market Rate.

If, on or before the date which is 180 days prior to the expiration of the Base Term of this Lease, Tenant has not agreed with Landlord's determination of the Market Rate during the first year of the Extension Term and the rent escalation after negotiating in good faith, Tenant shall be deemed to have elected arbitration as described in Section 39(b). Tenant acknowledges and agrees that, if Tenant has elected to exercise the Extension Right by delivering notice to Landlord as required in this Section 39(a), Tenant shall have no right thereafter to rescind or elect not to extend the term of the Lease for the Extension Term.

**(b) Arbitration.**

(i) Within 10 days of Tenant's notice to Landlord of its election (**or deemed election**) to arbitrate Market Rate and escalation, each party shall deliver to the other a proposal containing the Market Rate and escalation that the submitting party believes to be correct ("**Extension Proposal**"). If either party fails to timely submit an Extension Proposal, the other party's submitted proposal shall determine the Base Rent and escalation for the Extension Term. If both parties submit Extension Proposals, then Landlord and Tenant shall meet within 7 days after delivery of the last Extension Proposal and make a good faith attempt to mutually appoint a single Arbitrator (and defined below) to determine the Market Rate and escalation. If Landlord and Tenant are unable to agree upon a single Arbitrator, then each shall, by written notice delivered to the other within 10 days after the meeting, select an Arbitrator. If either party fails to timely give notice of its selection for an Arbitrator, the other party's submitted proposal shall determine the Base Rent for the Extension Term. The 2 Arbitrators so appointed shall, within 5 business days after their appointment, appoint a third Arbitrator. If the 2 Arbitrators so selected cannot agree on the selection of the third Arbitrator within the time above specified, then either party, on behalf of both parties, may request such appointment of such third Arbitrator by application to any state court of general jurisdiction in the jurisdiction in which the Premises are located, upon 10 days prior written notice to the other party of such intent.

(ii) The decision of the Arbitrator(s) shall be made within 30 days after the appointment of a single Arbitrator or the third Arbitrator, as applicable. The decision of the single Arbitrator shall be final and binding upon the parties. The average of the two closest Arbitrators in a three Arbitrator panel shall be final and binding upon the parties. Each party shall pay the fees and expenses of the Arbitrator appointed by or on behalf of such party and the fees and expenses of the third Arbitrator shall be borne equally by both parties. If the Market Rate and escalation are not determined by the first day of the Extension Term, then Tenant shall pay Landlord Base Rent in an amount equal to the Base Rent in effect immediately prior to the Extension Term and increased by the Rent Adjustment Percentage until such determination is made. After the determination of the Market Rate and escalation, the parties shall make any necessary adjustments to such payments made by Tenant. Landlord and Tenant shall then execute an amendment recognizing the Market Rate and escalation for the Extension Term.

(iii) An "**Arbitrator**" shall be any person appointed by or on behalf of either party or appointed pursuant to the provisions hereof and: (i) shall be (A) a member of the American Institute of Real Estate Appraisers with not less than 10 years of experience in the appraisal of improved office and high tech industrial real estate in the greater San Francisco metropolitan area, or (B) a licensed commercial real estate broker with not less than 15 years experience representing landlords and/or tenants in the leasing of high tech or life sciences space in the greater San Francisco metropolitan area, (ii) devoting substantially all of their time to professional appraisal or brokerage work, as applicable, at the time of appointment and (iii) be in all respects impartial and disinterested.

**(c) Rights Personal.** The Extension Right is personal to Tenant and is not assignable without Landlord's consent, which may be granted or withheld in Landlord's sole discretion separate and apart from any consent by Landlord to an assignment of Tenant's interest in the Lease, except that they may be assigned in connection with any Permitted Assignment of this Lease.

(d) **Exceptions.** Notwithstanding anything set forth above to the contrary, at Landlord's option, the Extension Right shall not be in effect and Tenant may not exercise the Extension Right:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in Default under any provision of this Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period immediately prior to the date that Tenant intends to exercise the Extension Right, whether or not the Defaults are cured.

(e) **No Extensions.** The period of time within which the Extension Right may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Extension Right.

(f) **Termination.** The Extension Right shall, at Landlord's option, terminate and be of no further force or effect even after Tenant's due and timely exercise of the Extension Right, if, after such exercise, but prior to the commencement date of the Extension Term, (i) Tenant fails to timely cure any default by Tenant under this Lease; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of the Extension Right to the date of the commencement of the Extension Term, whether or not such Defaults are cured.

#### 40. Right to Expand.

(a) **Right of First Refusal.** Each time during the Term that Landlord intends to accept a written proposal (the "**Pending Deal**") to lease the ROFR Space (as hereinafter defined) to a third party, Landlord shall deliver to Tenant written notice (the "**Pending Deal Notice**") of the existence of such Pending Deal. For purposes of this Section 40(a), "**ROFR Space**" shall mean any space on the second floor of the Building, which is not occupied by a tenant or which is occupied by a then existing tenant whose lease is expiring within 9 months or less and such tenant does not wish to renew (whether or not such tenant has a right to renew) its occupancy of such space. Tenant shall be entitled to exercise its right under this Section 40(a) only with respect to the entire ROFR Space described in such Pending Deal Notice. Within 10 days after Tenant's receipt of the Pending Deal Notice, Tenant shall deliver to Landlord written notice (the "**Space Acceptance Notice**") if Tenant elects to lease the ROFR Space. Tenant's right to receive the Pending Deal Notice and election to lease or not lease the ROFR Space pursuant to this Section 40(a) is hereinafter referred to as the "**Right of First Refusal.**" If Tenant elects to lease the ROFR Space described in the Pending Deal Notice by delivering the Space Acceptance Notice within the required 10 day period, Tenant shall be deemed to agree to lease the ROFR Space on the same general terms and conditions as this Lease except that the terms of this Lease shall be modified to reflect the terms of the Pending Deal Notice for the rental of the ROFR Space. Tenant acknowledges that the term of the Lease with respect to the ROFR Space and the Term of the Lease with respect to the then-existing Premises may not be co-terminous. Notwithstanding anything to the contrary contained herein, in no event shall the Work Letter apply to the ROFR Space. If Tenant fails to deliver a Space Acceptance Notice to Landlord within the required 10 day period, Tenant shall be deemed to have waived its rights under this Section 40(a) to lease the ROFR Space, and Landlord shall have the right to lease the ROFR Space to the third party subject to the Pending Deal (or an affiliate of such third party) on substantially the same business terms and conditions set forth in the Pending Deal Notice.

(b) **Amended Lease.** If: (i) Tenant fails to timely deliver a Space Acceptance Notice, or (ii) after the expiration of a period of 10 days after Landlord's delivery to Tenant of a lease amendment or lease agreement for Tenant's lease of the ROFR Space no lease amendment or lease agreement for the ROFR Space acceptable to both parties each in their sole and absolute discretion, has been executed, Tenant shall be deemed to have waived its right to lease such ROFR Space.

(c) **Exceptions.** Notwithstanding the above, the *Right of First Refusal* shall, at Landlord's option, not be in effect and may not be exercised by Tenant:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in default under any provision of this Lease 3 or more times, whether or not the defaults are cured, during the 12 month period prior to the date on which Tenant seeks to exercise the *Right of First Refusal*.

(d) **Termination.** The *Right of First Refusal* shall, at Landlord's option, terminate and be of no further force or effect even after Tenant's due and timely exercise of the *Right of First Refusal*, if, after such exercise, but prior to the commencement date of the lease of such ROFR Space, (i) Tenant fails to timely cure any default by Tenant under the Lease; or (ii) Tenant has defaulted 3 or more times during the period from the date of the exercise of the *Right of First Refusal*, to the date of the commencement of the lease of the ROFR Space, whether or not such defaults are cured.

(e) **Subordinate.** Tenant's rights in connection with the *Right of First Refusal* are and shall be subject to and subordinate to any expansion or extension rights granted in Project prior to the date of this Lease.

(f) **Rights Personal.** The *Right of First Refusal* is personal to Tenant and is not assignable without Landlord's consent, which may be granted or withheld in Landlord's sole discretion separate and apart from any consent by Landlord to an assignment of Tenant's interest in the Lease.

(g) **No Extensions.** The period of time within which the *Right of First Refusal* may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the *Right of First Refusal*.

41. **Landlord's Right to Relocate Tenant.** Landlord shall have the right to relocate Tenant, upon 180 days' prior written notice, from all or part of the Premises to another area in the Project designated by Landlord (the "Relocation Premises"), provided that: (a) the size of the Relocation Premises is at least equal to the size of the Premises; and, (b) Landlord pays the reasonable costs of moving Tenant and improving the Relocation Premises to a substantially similar standard as that of the Premises, and reimburses Tenant for all reasonable costs directly incurred by Tenant as a result of relocation, including without limitation all costs incurred by Tenant replacing Tenant's letterhead, promotional materials, business cards and similar items. Tenant shall cooperate with Landlord in all reasonable ways to facilitate relocation.

#### 42. Miscellaneous.

(a) **Notices.** All notices or other communications between the parties shall be in writing and shall be deemed duly given upon delivery or refusal to accept delivery by the addressee thereof if delivered in person, or upon actual receipt if delivered by reputable overnight guaranty courier, addressed and sent to the parties at their addresses set forth above. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

(b) **Joint and Several Liability.** If and when included within the term "**Tenant**," as used in this instrument, there is more than one person or entity, each shall be jointly and severally liable for the obligations of Tenant.

(c) **Financial Information.** Tenant shall furnish Landlord with true and complete copies of Tenant's most recent audited annual financial statements within 90 days of the end of each of Tenant's fiscal years during the Term. Upon Landlord's request from time to time, Tenant shall also furnish Landlord with true and complete copies of any additional financial information requested by Landlord; provided, however, in no event shall Tenant be required to provide any financial information to Landlord which Tenant does not otherwise prepare (or cause to be prepared) for its own purposes.

(d) **Recordation.** Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(e) **Interpretation.** The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(f) **Not Binding Until Executed.** The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(g) **Limitations on Interest.** It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(h) **Choice of Law.** Construction and interpretation of this Lease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

(i) **Time.** Time is of the essence as to the performance of Tenant's obligations under this Lease.

(j) **OFAC.** Tenant, and all beneficial owners of Tenant, are currently (a) in compliance with and shall at all times during the Term of this Lease remain in compliance with the regulations of the Office of Foreign Assets Control ("**OFAC**") of the U.S. Department of Treasury and any statute, executive order, or regulation relating thereto (collectively, the "**OFAC Rules**"), (b) not listed on, and shall not during the term of this Lease be listed on, the Specially Designated Nationals and Blocked Persons List maintained by OFAC and/or on any other similar list maintained by OFAC or other governmental authority pursuant to any authorizing statute, executive order, or regulation, and (c) not a person or entity with whom a U.S. person is prohibited from conducting business under the OFAC Rules.

(k) **Incorporation by Reference.** All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

(l) **Entire Agreement.** This Lease, including the exhibits attached hereto, constitutes the entire agreement between Landlord and Tenant pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, letters of intent, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements, express or implied, made to either party by the other party in connection with the subject matter hereof except as specifically set forth herein.

(m) **No Accord and Satisfaction.** No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Base Rent or any Additional Rent will be other than on account of

the earliest stipulated Base Rent and Additional Rent, nor will any endorsement or statement on any check or letter accompanying a check for payment of any Base Rent or Additional Rent be an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue any other remedy provided in this Lease.

(n) **Hazardous Activities.** Notwithstanding any other provision of this Lease, Landlord, for itself and its employees, agents and contractors, reserves the right to refuse to perform any repairs or services in any portion of the Premises which, pursuant to Tenant's routine safety guidelines, practices or custom or prudent industry practices, require any form of protective clothing or equipment other than safety glasses. In any such case, Tenant shall contract with parties who are acceptable to Landlord, in Landlord's reasonable discretion, for all such repairs and services, and Landlord shall, to the extent required, equitably adjust Tenant's Share of Operating Expenses in respect of such repairs or services to reflect that Landlord is not providing such repairs or services to Tenant.

43. **Roof Equipment.** As long as Tenant is not in default under this Lease, Tenant shall have the right at its sole cost and expense, subject to compliance with all Legal Requirements, to install, maintain, and remove on the top of the roof of the Building in a location designated by Landlord, equipment (having a diameter and height acceptable to Landlord) for the transmission or reception of communication of signals as Tenant may from time to time desire (collectively, "the **Roof Equipment**") on the following terms and conditions:

(a) **Requirements.** Tenant shall submit to Landlord (i) the plans and specifications for the installation of the Roof Equipment, (ii) copies of all required governmental and quasi-governmental permits, licenses, and authorizations that Tenant will and must obtain at its own expense, with the cooperation of Landlord, if necessary for the installation and operation of the Roof Equipment, and (iii) an insurance policy or certificate of insurance evidencing insurance coverage as required by this Lease and any other insurance as reasonably required by Landlord for the installation and operation of the Roof Equipment. Landlord shall not unreasonably withhold or delay its approval for the installation and operation of the Roof Equipment; provided, however, that Landlord may reasonably withhold its approval if the installation or operation of the Roof Equipment (A) may damage the structural integrity of the Building, (B) may void, terminate, or invalidate any applicable roof warranty, (C) may interfere with any service provided by Landlord or any tenant of the Building, (D) may reduce the leasable space in the Building, or (E) is not properly screened from the viewing public.

(b) **No Damage to Roof.** If installation of the Roof Equipment requires Tenant to make any roof cuts or perform any other roofing work, such cuts shall only be made to the roof area of the Building located directly above the Premises and only in the manner designated in writing by Landlord; and any such installation work (including any roof cuts or other roofing work) shall be performed by Tenant, at Tenant's sole cost and expense by a roofing contractor designated by Landlord. If Tenant or its agents shall otherwise cause any damage to the roof during the installation, operation, and removal of the Roof Equipment such damage shall be repaired promptly at Tenant's expense and the roof shall be restored in the same condition it was in before the damage. Landlord shall not charge Tenant Additional Rent for the installation and use of the Roof Equipment. If, however, Landlord's insurance premium or Tax assessment increases as a result of the Roof Equipment, Tenant shall pay such increase as Additional Rent within ten (10) days after receipt of a reasonably detailed invoice from Landlord. Tenant shall not be entitled to any abatement or reduction in the amount of Rent payable under this Lease if for any reason Tenant is unable to use the Roof Equipment. In no event whatsoever shall the installation, operation, maintenance, or removal of the Roof Equipment by Tenant or its agents void, terminate, or invalidate any applicable roof warranty.

(c) **Protection.** The installation, operation, and removal of the Roof Equipment shall be at Tenant's sole risk. Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all claims, costs, damages, liabilities and expenses (including, but not limited to, attorneys' fees) of every kind and description that may arise out of or be connected in any way with Tenant's installation, operation, or removal of the Roof Equipment.

(d) **Removal.** At the expiration or earlier termination of this Lease or the discontinuance of the use of the Roof Equipment by Tenant, Tenant shall, at its sole cost and expense, remove the Roof Equipment from the Building. Tenant shall leave the portion of the roof where the Roof Equipment was located in good order and repair, reasonable wear and tear excepted. If Tenant does not so remove the Roof Equipment, Tenant hereby authorizes Landlord to remove and dispose of the Roof Equipment and charge Tenant as Additional Rent for all costs and expenses incurred by Landlord in such removal and disposal. Tenant agrees that Landlord shall not be liable for any Roof Equipment or related property disposed of or removed by Landlord.

(e) **No Interference.** The Roof Equipment shall not interfere with the proper functioning of any telecommunications equipment or devices that have been installed or will be installed by Landlord or for any other tenant or future tenant of the Building. Tenant acknowledges that other tenant(s) may have approval rights over the installation and operation of telecommunications equipment and devices on or about the roof, and that Tenant's right to install and operate the Roof Equipment is subject and subordinate to the rights of such other tenants. Tenant agrees that any other tenant of the Building that currently has or in the future takes possession of any portion of the Building will be permitted to install such telecommunication equipment that is of a type and frequency that will not cause unreasonable interference to the Roof Equipment.

(f) **Relocation.** Landlord shall have the right, at its expense and after 60 days prior notice to Tenant, to relocate the Roof Equipment to another site on the roof of the Building as long as such site reasonably meets Tenant's sight line and interference requirements and does not unreasonably interfere with Tenant's use and operation of the Roof Equipment.

(g) **Access.** Landlord grants to Tenant the right of ingress and egress on a 24 hour 7 day per week basis to install, operate, and maintain the Roof Equipment. Before receiving access to the roof of the Building, Tenant shall give Landlord at least 24 hours' advance written or oral notice, except in emergency situations, in which case 2 hours' advance oral notice shall be given by Tenant. Landlord shall supply Tenant with the name, telephone, and pager numbers of the contact individual(s) responsible for providing access during emergencies.

(h) **Appearance.** If permissible by Legal Requirements, the Roof Equipment shall be painted the same color as the Building so as to render the Roof Equipment virtually invisible from ground level.

(i) **No Assignment.** The right of Tenant to use and operate the Roof Equipment shall be personal solely to Tenant, and (i) no other person or entity shall have any right to use or operate the Roof Equipment, and (ii) except in connection with a Permitted Assignment, Tenant shall not assign, convey, or otherwise transfer to any person or entity any right, title, or interest in all or any portion of the Roof Equipment or the use and operation thereof.

[ Signatures on next page ]



IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

**TENANT:**

**CYTOMX THERAPEUTICS, INC.,**

a Delaware corporation

By: /s/ Sean McCarthy

Its: CEO

**LANDLORD:**

**ARE-TECHNOLOGY CENTER SSF, LLC,**

a Delaware limited liability company

By: **ALEXANDRIA REAL ESTATE EQUITIES, L.P.,**

a Delaware limited partnership,

managing member

By: **ARE-QRS CORP.,**

a Maryland corporation,

general partner

By: /s/ Eric S. Johnson

Its: Vice President

Real Estate Legal Affairs

EXHIBIT A TO LEASE

DESCRIPTION OF PREMISES



DGA planning | architecture | interiors

FLOOR PLAN  
03.07.2013

CYТОMХ  
343 Oyster Point

**EXHIBIT B TO LEASE****DESCRIPTION OF PROJECT**

The land referred to in this policy is situated in the State of California, County of San Mateo, City of South San Francisco and is described as follows:

**PARCEL I:**

Parcel A, as shown on that certain Parcel Map entitled, "PARCEL MAP NO. 98-033" filed for Record on December 30, 1998 in Book 71 of Parcel Maps at Pages 13 and 14, Series No. 98222035, San Mateo County Records.

**PARCEL II:**

Ingress, Egress and Public Utilities

Affects: A non-exclusive easement for ingress, egress and utility purposes in, on, over, under and along all that certain real property situate in the City of South San Francisco, County of San Mateo, State of California, being over a portion of Parcel 1 as said Parcel 1 is shown on that certain Parcel Map, filed for record on November 12, 1973 in Book 22 of Parcel Maps at Page 45, San Mateo County Records; said easement being more particularly described as follows:

BEGINNING at the Southwest corner of said Parcel 1; thence from said Point of Beginning Northerly along the Westerly line of said Parcel 1 the following courses; North 0° 00' 55" West 632.44 feet, South 89° 59' 05" West 10.00 feet and North 0° 00' 55" West 112.00 feet to a point thereon; thence leaving last said line North 89° 59' 05" East 25.00 feet; thence South 0° 00' 55" East 743.67 feet to a point on the general Southerly line of said Parcel 1; thence Westerly along last line South 87° 03' 05" West 15.02 feet to the Point of Beginning.

**PARCEL III:**

Ingress and Egress

Affects: A non-exclusive easement for ingress, egress, purposes in, on, over, under and along all that certain real property situated in the City of south San Francisco, County of San Mateo, State of California being a portion of Parcel 1, as said Parcel 1 is shown on that certain Parcel Map, filed for record on November 12, 1973 in Book 22 of Parcel Maps at Page 45, San Mateo County Records; said easement being over a strip of land 30.00 feet in width lying Westerly of and immediately adjacent to the following described Easterly line thereof.

BEGINNING at the Northeast corner of said Parcel 1; thence from said Point of Beginning Southeasterly along the general Easterly line of said Parcel 1 the following courses. South 0° 00' 55" East 365.43 feet, tangent to the proceeding course along the arc of curve to the left having a radius of 85.00 feet and central angle of 20° 29' 29", an arc distance of 30.40 feet, tangent to the proceeding curve South 20° 30' 24" East 137.30 feet, tangent to the proceeding course along the arc of a curve to the left having a radius of 85.00 feet and a central angle of 39° 30' 31", an arc distance of 58.61 feet, tangent to the proceeding curve South 60° 00' 55" East 66.36 feet, tangent to the proceeding course along the arc of a curve to the right having a radius of 115.00 feet and a central angle of 60° 00' 00", an arc distance of 120.43 feet and tangent to the proceeding curve South 0° 00' 55" East 73.76 feet to the southeast corner of said Parcel 1, last said point being also the Southerly terminus of the easement described herein, said easement being contiguous for its full width at its Northerly terminus to the Northerly line of said Parcel 1 and at its Southerly terminus to the southerly line of said Parcel 1.

**PARCEL IV:**

Slope Easement

Affects: A non-exclusive easement for slope purposes in, on, over, under and along all that certain real property situate in the City of South San Francisco, County of San Mateo, State of California; said easement being over a portion of Parcel 3, as said Parcel is shown on that certain Parcel Map filed for record on January 15, 1974 in Book 23 of Parcel Map at Page 27, San Mateo County Records; said easement being more particularly described as follows:

BEGINNING at a point on the general Northerly line of said Parcel 3, distant thereon North 89° 59' 05" East 25.00 feet from the Northwesterly corner thereof; thence from said Point of Beginning Easterly along the Northerly line of said Parcel 3 North 89° 59' 05" East 21.00 feet to a point thereon; thence leaving last said line South 08° 35' 00" East 13.00 feet; thence tangent to the preceding course along the arc of a curve to the left having a radius of 60.00 feet and a central angle of 67° 42' 23" an arc distance of 70.90 feet; thence Southerly along a line being parallel with and perpendicularly distant 93.03 feet Easterly from the Westerly line of said Parcel 3; thence South 0° 00' 55" East 21.74 feet; thence South 89° 59' 05" West 68.03 feet; thence North 0° 00' 55" West 83.94 feet to the Point of Beginning.

EXCEPTING THEREROM any portion lying within Parcel I of Parcels II, III and IV.

## EXHIBIT C TO LEASE

WORK LETTER

THIS WORK LETTER dated \_\_\_\_\_, (this “**Work Letter**”) is made and entered into by and between **ARE-TECHNOLOGY CENTER SSF, LLC**, a Delaware limited liability company (“**Landlord**”), and **CYTOMX THERAPEUTICS, INC.**, a Delaware corporation (“**Tenant**”), and is attached to and made a part of the Lease Agreement dated \_\_\_\_\_, (the “**Lease**”), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

**1. General Requirements.**

(a) **Tenant’s Authorized Representative.** Tenant designates Fletcher Payne and Sean McCarthy (either such individual acting alone, “**Tenant’s Representative**”) as the only persons authorized to act for Tenant pursuant to this Work Letter. Landlord shall not be obligated to respond to or act upon any request, approval, inquiry or other communication (“**Communication**”) from or on behalf of Tenant in connection with this Work Letter unless such Communication is in writing from Tenant’s Representative. Tenant may change either Tenant’s Representative at any time upon not less than 5 business days advance written notice to Landlord. Neither Tenant nor Tenant’s Representative shall be authorized to direct Landlord’s contractors in the performance of Landlord’s Work (as hereinafter defined).

(b) **Landlord’s Authorized Representative.** Landlord designates Todd Miller and Rob Kain (either such individual acting alone, “**Landlord’s Representative**”) as the only persons authorized to act for Landlord pursuant to this Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this Work Letter unless such Communication is in writing from Landlord’s Representative. Landlord may change either Landlord’s Representative at any time upon not less than 5 business days advance written notice to Tenant. Landlord’s Representative shall be the sole persons authorized to direct Landlord’s contractors in the performance of Landlord’s Work.

(c) **Architects, Consultants and Contractors.** Landlord and Tenant hereby acknowledge and agree that: (i) the general contractor and any subcontractors for the Tenant Improvements shall be selected by Landlord, subject to Tenant’s approval, which approval shall not be unreasonably withheld, conditioned or delayed, and (ii) DGA shall be the architect (the “**TI Architect**”) for the Tenant Improvements.

**2. Tenant Improvements.**

(a) **Tenant Improvements Defined.** As used herein, “**Tenant Improvements**” shall mean all improvements to the Project of a fixed and permanent nature as shown on the approved TI Construction Drawings, as defined in Section 2(c) below. Other than Landlord’s Work (as defined in Section 3(a) below, Landlord shall not have any obligation whatsoever with respect to the finishing of the Premises for Tenant’s use and occupancy.

(b) **Tenant’s Space Plans.** Landlord and Tenant acknowledge and agree that the plan prepared by the TI Architect attached hereto as **Schedule 1** (the “**Space Plan**”) and the scope of work attached hereto as **Schedule 2** (“**Scope of Work**”) have been approved by both Landlord and Tenant. Tenant shall be solely responsible for all costs incurred by Landlord to alter the Building (or Landlord’s plans for the Building) as a result of Tenant’s requested changes to such Space Plan.

(c) **Working Drawings.** Not later than 7 business days following the mutual execution and delivery of the Lease, Landlord shall cause the TI Architect to prepare and deliver to Tenant for review and comment construction plans, specifications and drawings for the Tenant Improvements (“**TI Construction Drawings**”), which TI Construction Drawings shall be prepared substantially in accordance

with the Space Plan. Tenant shall be solely responsible for ensuring that the TI Construction Drawings reflect Tenant's requirements for the Tenant Improvements. Tenant shall deliver its written comments on the TI Construction Drawings to Landlord not later than 10 business days after Tenant's receipt of the same; provided, however, that Tenant may not disapprove any matter that is consistent with the Space Plan without submitting a Change Request. Landlord and the TI Architect shall consider all such comments in good faith and shall, within 10 business days after receipt, notify Tenant how Landlord proposes to respond to such comments, but Tenant's review rights pursuant to the foregoing sentence shall not delay the design or construction schedule for the Tenant Improvements. Any disputes in connection with such comments shall be resolved in accordance with Section 2(d) hereof. Provided that the design reflected in the TI Construction Drawings is consistent with the Space Plan, Tenant shall approve the TI Construction Drawings submitted by Landlord, unless Tenant submits a Change Request. Once approved by Tenant, subject to the provisions of Section 4 below, Landlord shall not materially modify the TI Construction Drawings except as may be reasonably required in connection with the issuance of the TI Permit (as defined in Section 3(b) below). Landlord shall obtain Tenant's prior written approval (which approval shall not be unreasonably withheld or delayed) of modifications to the TI Construction Drawings that are required in connection with the issuance of the TI Permit.

(d) **Approval and Completion.** It is hereby acknowledged by Landlord and Tenant that the TI Construction Drawings must be completed and approved not later than April 28, 2013, in order for the Landlord's Work to be Substantially Complete by the Target Commencement Date (as defined in the Lease). Upon any dispute regarding the design of the Tenant Improvements, which is not settled within 10 business days after notice of such dispute is delivered by one party to the other, Tenant may make the final decision regarding the design of the Tenant Improvements, provided (i) Tenant acts reasonably and such final decision is either consistent with or a compromise between Landlord's and Tenant's positions with respect to such dispute, (ii) to the extent that such decision is not consistent with the Space Plan and/or the TI Construction Drawings, that all costs and expenses resulting from any such decision by Tenant shall be payable by Tenant, and (iii) Tenant's decision will not affect the base Building, structural components of the Building or any Building systems. Any changes to the TI Construction Drawings following Landlord's and Tenant's approval of same requested by Tenant shall be processed as provided in Section 4 hereof.

### 3. Performance of Landlord's Work.

(a) **Definition of Landlord's Work.** As used herein, "**Landlord's Work**" shall mean the work of constructing the Tenant Improvements.

(b) **Commencement and Permitting.** Landlord shall commence construction of the Tenant Improvements upon obtaining a building permit (the "**TI Permit**") authorizing the construction of the Tenant Improvements consistent with the TI Construction Drawings approved by Tenant. The cost of obtaining the TI Permit shall be payable by Landlord. Tenant shall assist Landlord in obtaining the TI Permit. If any Governmental Authority having jurisdiction over the construction of Landlord's Work or any portion thereof shall impose terms or conditions upon the construction thereof that: (i) are inconsistent with Landlord's obligations hereunder, (ii) increase the cost of constructing Landlord's Work, or (iii) will materially delay the construction of Landlord's Work, Landlord and Tenant shall reasonably and in good faith seek means by which to mitigate or eliminate any such adverse terms and conditions.

(c) **Completion of Landlord's Work.** Landlord shall substantially complete or cause to be substantially completed Landlord's Work in a good and workmanlike manner, in accordance with the TI Permit subject, in each case, to Minor Variations and normal "punch list" items of a non-material nature that do not interfere with the use of the Premises ("**Substantial Completion**" or "**Substantially Complete**"). Upon Substantial Completion of Landlord's Work, Landlord shall require the TI Architect and the general contractor to execute and deliver, for the benefit of Tenant and Landlord, a Certificate of Substantial Completion in the form of the American Institute of Architects ("**AIA**") document G704. For purposes of this Work Letter, "**Minor Variations**" shall mean any modifications reasonably required: (i) to comply with all applicable Legal Requirements and/or to obtain or to comply with any required permit

(including the TI Permit); (ii) to comply with any request by Tenant for modifications to Landlord's Work; (iii) to comport with good design, engineering, and construction practices that are not material; or (iv) to make reasonable adjustments for field deviations or conditions encountered during the construction of Landlord's Work.

(d) **Selection of Materials.** Where more than one type of material or structure is indicated on the TI Construction Drawings approved by Landlord and Tenant, the option will be selected at Landlord's reasonable discretion. As to all building materials and equipment that Landlord is obligated to supply under this Work Letter, Landlord shall select the manufacturer thereof in its reasonable discretion.

(e) **Delivery of the Premises.** When Landlord's Work is Substantially Complete, subject to the remaining terms and provisions of this Section 3(e), Tenant shall accept the Premises. Tenant's taking possession and acceptance of the Premises shall not constitute a waiver of: (i) any warranty with respect to workmanship (including installation of equipment) or material (exclusive of equipment provided directly by manufacturers), (ii) any non-compliance of Landlord's Work with applicable Legal Requirements, or (iii) any claim that Landlord's Work was not completed substantially in accordance with the TI Construction Drawings (subject to Minor Variations and such other changes as are permitted hereunder) (collectively, a "**Construction Defect**"). Tenant shall have one year after Substantial Completion within which to notify Landlord of any such Construction Defect discovered by Tenant, and Landlord shall use reasonable efforts to remedy or cause the responsible contractor to remedy any such Construction Defect within 30 days thereafter. Notwithstanding the foregoing, Landlord shall not be in default under the Lease if the applicable contractor, despite Landlord's reasonable efforts, fails to remedy such Construction Defect within such 30-day period, in which case Landlord shall have no further obligation with respect to such Construction Defect other than to cooperate, at no cost to Landlord, with Tenant should Tenant elect to pursue a claim against such contractor, provided that Tenant shall defend with counsel reasonably acceptable to Landlord, indemnify and hold Landlord harmless from and against any claims arising out of or in connection with any such claim.

Tenant shall be entitled to receive the benefit of all construction warranties and manufacturer's equipment warranties relating to equipment installed in the Premises. If requested by Tenant, Landlord shall attempt to obtain extended warranties from manufacturers and suppliers of such equipment, but the cost of any such extended warranties shall be borne solely by Tenant. Landlord shall promptly undertake and complete, or cause to be completed, all punch list items.

(f) **Commencement Date Delay.** Except as otherwise provided in the Lease, Delivery of the Premises shall occur when Landlord's Work has been Substantially Completed, except to the extent that completion of Landlord's Work shall have been actually delayed by any one or more of the following causes ("**Tenant Delay**"):

- (i) Tenant's Representative was not available to give or receive any Communication or to take any other action required to be taken by Tenant hereunder;
- (ii) Tenant's request for Change Requests (as defined in Section 4(a), below) whether or not any such Change Requests are actually performed;
- (iii) Construction of any Change Requests;
- (iv) Tenant's request for materials, finishes or installations requiring unusually long lead times;
- (v) Tenant's delay in reviewing, revising or approving plans and specifications beyond the periods set forth herein;

- (vi) Tenant's delay in providing information critical to the normal progression of the Project. Tenant shall provide such information as soon as reasonably possible, but in no event longer than one week after receipt of any request for such information from Landlord;
- (vii) Tenant's delay in making payments to Landlord for Excess TI Costs (as defined in Section 5(b) below); or
- (viii) Any other act or omission by Tenant or any Tenant Party (as defined in the Lease), or persons employed by any of such persons.

If Delivery is delayed for any of the foregoing reasons, then Landlord shall cause the TI Architect to certify the date on which the Tenant Improvements would have been Substantially Completed but for such Tenant Delay and such certified date shall be the date of Delivery.

**4. Changes.** Any changes requested by Tenant to the Tenant Improvements after the delivery and approval by Landlord of the Space Plan shall be requested and instituted in accordance with the provisions of this Section 4 and shall be subject to the written approval of Landlord and the TI Architect, such approval not to be unreasonably withheld, conditioned or delayed.

(a) **Tenant's Request For Changes.** If Tenant shall request changes to the Tenant Improvements ("**Changes**"), Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "**Change Request**"), which Change Request shall detail the nature and extent of any such Change. Such Change Request must be signed by Tenant's Representative. Landlord shall, before proceeding with any Change, use commercially reasonable efforts to respond to Tenant as soon as is reasonably possible with an estimate of: (i) the time it will take, and (ii) the architectural and engineering fees and costs that will be incurred, to analyze such Change Request (which costs shall be paid by Tenant to the extent actually incurred, whether or not such change is implemented). Landlord shall thereafter submit to Tenant in writing, within 5 business days of receipt of the Change Request (or such longer period of time as is reasonably required depending on the extent of the Change Request), an analysis of the additional cost or savings involved, including, without limitation, architectural and engineering costs and the period of time, if any, that the Change will extend the date on which Landlord's Work will be Substantially Complete. Any such delay in the completion of Landlord's Work caused by a Change, including any suspension of Landlord's Work while any such Change is being evaluated and/or designed, shall be Tenant Delay.

(b) **Implementation of Changes.** If Tenant: (i) approves in writing the cost or savings and the estimated extension in the time for completion of Landlord's Work, if any, and (ii) deposits with Landlord any Excess TI Costs required in connection with such Change, Landlord shall cause the approved Change to be instituted. Notwithstanding any approval or disapproval by Tenant of any estimate of the delay caused by such proposed Change, the TI Architect's determination of the amount of Tenant Delay in connection with such Change shall be final and binding on Landlord and Tenant.

#### 5. Costs.

(a) **TI Costs.** Landlord shall be solely responsible for the payment of all design, permits and construction and related costs and expenses in connection with the construction of the Tenant Improvements, including, without limitation, the cost of preparing the TI Construction Drawings and the Space Plans and Landlord's out-of-pocket expenses (collectively, "**TI Costs**"). Notwithstanding anything to the contrary contained herein, in no event shall Landlord be required to pay for any furniture, personal property or other non-Building system materials or equipment, including, but not limited to, Tenant's voice or data cabling, non-ducted biological safety cabinets and other scientific equipment not incorporated into the Tenant Improvements (collectively "**FF&E**"), which FF&E shall be at Tenant's option and cost.

(b) **Excess TI Costs.** Notwithstanding anything to the contrary contained herein, Tenant acknowledges and agrees that Landlord shall have no responsibility for any costs arising from or related



to (i) Tenant's changes to the Space Plan, (ii) Tenant's changes to the TI Construction Drawings that are not consistent with the Space Plan or are requested after the TI Construction Drawings have been approved by Landlord and Tenant pursuant to Section 2(c) of this Work Letter, (iii) Tenant Delays, (iv) the cost of any of the items identified in the Scope of Work as "Alternates Not Included Above" ("**Alternates**"), and (v) the cost of Changes and Change Requests (collectively, "**Excess TI Costs**"); provided, however, Tenant shall only be responsible for the same to the extent of any increase in Landlord's net cost to design and construct the Tenant Improvements. Notwithstanding the foregoing, Tenant shall only be responsible for the cost of Alternates up to the amounts quoted in the Scope of Work and Landlord, as part of TI Costs, shall be responsible for the cost of Alternates in excess of the amounts quoted in the Scope of Work, except to the extent any such increased cost is the result of Tenant Delays, Changes or Change Requests, in which case Tenant shall be responsible for such excess costs. Upon Landlord's request from time to time, Tenant shall deposit with Landlord, as a condition precedent to Landlord's obligation to complete the Tenant Improvements, 100% of the Excess TI Costs. If Tenant fails to deposit the Excess TI Costs with Landlord, Landlord shall have all of the rights and remedies set forth in the Lease for nonpayment of Rent (including, but not limited to, the right to interest at the Default Rate and the right to assess a late charge). For purposes of any litigation instituted with regard to such amounts, those amounts will be deemed Rent under the Lease.

(c) **TI Allowance.** Landlord shall provide to Tenant a tenant improvement allowance (the "**TI Allowance**") of up to \$60,000 in the aggregate, which shall, to the extent used, result in TI Rent as provided below. The TI Allowance may only be applied toward the cost of Alternates elected by Tenant, if any. Tenant shall have no right to the use or benefit (including any reduction to or payment of Base Rent) of any portion of the TI Allowance not required for the payment of Alternates. Commencing on the Commencement Date and continuing thereafter on the first day of each month during the Base Term, Tenant shall pay to Landlord in equal monthly payments the amount necessary to fully amortize the portion of the TI Allowance actually funded by Landlord, if any, with interest at a rate of 9% per annum.

#### 6. Tenant Access.

(a) **Tenant's Access Rights.** Landlord hereby agrees to permit Tenant access, at Tenant's sole risk and expense, to the Building (i) 10 days prior to the Commencement Date to perform any work ("**Tenant's Work**") required by Tenant other than Landlord's Work, provided that such Tenant's Work is coordinated with the TI Architect and the general contractor, and complies with the Lease and all other reasonable restrictions and conditions Landlord may impose, and (ii) prior to the completion of Landlord's Work, to inspect and observe work in process; all such access shall be during normal business hours or at such other times as are reasonably designated by Landlord. Notwithstanding the foregoing, Tenant shall have no right to enter onto the Premises or the Project unless and until Tenant shall deliver to Landlord evidence reasonably satisfactory to Landlord demonstrating that any insurance reasonably required by Landlord in connection with such pre-commencement access (including, but not limited to, any insurance that Landlord may require pursuant to the Lease) is in full force and effect. Any entry by Tenant shall comply with all established safety practices of Landlord's contractor and Landlord until completion of Landlord's Work and acceptance thereof by Tenant.

(b) **No Interference.** Neither Tenant nor any Tenant Party (as defined in the Lease) shall interfere with the performance of Landlord's Work, nor with any inspections or issuance of final approvals by applicable Governmental Authorities, and upon any such interference, Landlord shall have the right to exclude Tenant and any Tenant Party from the Premises and the Project until Substantial Completion of Landlord's Work.

(c) **No Acceptance of Premises.** The fact that Tenant may, with Landlord's consent, enter into the Project prior to the date Landlord's Work is Substantially Complete for the purpose of performing Tenant's Work shall not be deemed an acceptance by Tenant of possession of the Premises, but in such event Tenant shall defend with counsel reasonably acceptable by Landlord, indemnify and hold Landlord harmless from and against any loss of or damage to Tenant's property, completed work, fixtures, equipment, materials or merchandise, and from liability for death of, or injury to, any person, caused by the act or omission of Tenant or any Tenant Party.

7. **Miscellaneous.**

(a) **Consents.** Whenever consent or approval of either party is required under this Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, unless expressly set forth herein to the contrary.

(b) **Modification.** No modification, waiver or amendment of this Work Letter or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.

Schedule 1

Space Plan



DGA planning | architecture | interior

FLOOR PLAN  
03.07.2013

CYТОMХ  
343 Oyster Point

Schedule 2

Scope of Work

**Project:** AREE - CytomX  
**Location:** 343 Oyster Point  
 South San Francisco, Ca



**Est. No.** 6  
**Est by:** AP/PP

**Date:** March 6, 2013

**File:** 3-6-13 - Cytomx Scope of Work

CYTOMX SCOPE OF WORK

<b>DIRECT COSTS</b>		<u>ITEM DESCRIPTION</u>
20100	SURVEY & LAYOUT	layout new labs, offices, conference rooms, vivarium
20500	DEMOLITION	selective interior demo per plan, includes removal of floor covering as necessary and partial ceiling tile removal.
20700	CONCRETE SAWCUT & PATCH	
20800	ASBESTOS REMOVAL	n.i.c.
25000	SITE CONCRETE	signage upgrades for HC parking - excludes site concrete
30000	ADA IMPROVEMENTS	Per LBI letter dated 10/17/12 based on DGA survey letter dated 10/1/12. Note that Existing Showers are being demoed
33000	EQUIPMENT ENCLOSURE	Existing trash enclosure to be modified to house new generator. Build new trash enclosure on West side of loading dock.
50000	STRUCTURAL STEEL	
55000	MISCELLANEOUS METAL	
60000	ROUGH CARPENTRY	backing for casework, millwork, screens, etc.
65000	MILLWORK & CABINETS	existing to remain
66000	FINISH CARPENTRY	misc.trim@doors, casework, millwork, etc.
67000	LAB CASEWORK	New base cabinets, sink assemblies, vertical pipe chases, reagent racks, deck mounted service fixtures & epoxy tops.
72000	INSULATION	wall insulation @ interior walls including vivarium, labs, offices & conference rooms.
74600	ROOF SCREEN	n.i.c.
75000	MEMBRANE ROOFING	
76000	SHEET METAL	
79200	CAULKING	
82000	WOOD & HOLLOW METAL DOORS	7' doors to w/ anodized aluminum frames & sidelights in office areas. HM frames & doors in labs w/ vision lite kits & clear tempered glass. Finish hardware.
83300	ACCORDIAN DOORS	n.i.c.
88000	GLASS & GLAZING	1/4" clear tempered glass @ sidelites.
92000	LATH & PLASTERING	
92500	GYPSON BOARD	level 4 finish throughout. Excludes coved corners @ the inside walls and wall to ceiling in the vivarium suite. Hardlid ceiling in vivarium.
93000	CERAMIC & STONE SURFACE	
95000	ACOUSTIC CEILING	patch (e) tile where walls are demoed. (e) ceiling tiles to remain at areas not affected by construction. Patch ceiling at new office area. Remove ceiling to facilitate new duct work
96800	FLOOR COVERING	patch (e) carpet, vct, and sheet vinyl. New VCT in new lab areas.

		<u>ITEM DESCRIPTION</u>
98500	EPOXY COATING	multipart epoxy floors, and walls in vivarium suite including holding rooms, procedure rooms, Ante / gown room and glass wash. Excludes fiberglass reinforced walls
99000	PAINTING	paint new construction & affected areas only. Durapoxy @ vivarium hard lid ceilings. No work in bathrooms & lobby.
101600	TOILET PARTITIONS	n.i.c.
102600	CORNER / WALL GUARDS	in Vivarium suite
104000	SIGNS/I.D. DEVICES	
105200	FIRE EXTINGUISHERS	
105360	AWNINGS	
108000	TOILET ACCESSORIES	n.i.c. - use (e)
108010	MARLITE	
111300	AUDIO-VISUAL EQUIPMENT	2 new automatic projection screens
114000	FOOD SERVICE EQUIPMENT	n.i.c.
125100	WINDOW COVERINGS	keep (e) 1” horizontal blinds and repair blinds where exterior walls are removed.
130000	SPECIAL CONSTRUCTION	relocated cold room from (e) space
153000	FIRE PROTECTION	Add / relocate fire sprinklers as required for new walls. Includes fire sprinklers at new fume hoods.
154000	PLUMBING	Reuse existing systems. Lab waste, sanitary sewer, vent piping, domestic cold & hot water. Vacuum, CDA, N2,O2,CO2,PVC, DI Piping. Includes allowance of \$7,500 in Warm-up cost to startup VAC, CDA & DI. All sinks and drains will be pumped due to the structural slab.
155000	HVAC	use (e) units throughout. P&I new VAV boxes with reheat coils with DDC controls. new lab CAV boxes with reheat coils with DDC controls. Reuse / relocate existing lab or office boxes. New supply and exhaust grilles, relocated supply and exhaust grilles where feasible. Modifications of mains as required. New reheat coil piping as required. Fume hood connections. P&I fan powered hepas to Tissue Culture and fan powered hepas to Vivarium. Vivarium to have (3) zones: Holding Room -1, Procedure Room - 1, Corridor, Receiving Storage, Ante Room - 1. Includes commissioning and repairs to HVAC equipment
159500	ENERGY MANAGEMENT SYSTEM	modify (e) system
160000	ELECTRICAL	demo, safe-off, remove unused lights from site, re-switch lights as needed, new sealed lights @ vivarium, R4000, dual compartment wiremold, EM dedicated lights, new 225kW generator, use (e) ATS, hook up of new fan powered hepas.
167200	LIFE SAFETY SYSTEM	code compliant system per City of SSF
167300	SECURITY ALARM SYSTEM	n.i.c.
167400	COMMUNICATION CABLING	n.i.c.
<b>GENERAL CONDITIONS</b>		
1100000	PROJECT SUPERINTENDENT	full time
1150000	PROJECT MANAGER	part time as required
1170000	SAFETY COORDINATOR	part time as required
1200000	TEMPORARY FACILITIES	temp power distribution, water, phones, & toilets
1400000	SUPPLIES & SERVICES	photos & blueprints
1500000	EQUIPMENT	small tools & supplies, fuel, misc. equipment rentals
1700000	CLEAN UP	progressive & final clean up

ITEM DESCRIPTION

**OTHER FEES**

1800000	DESIGN FEES	
1900000	FEES	
1992000	PERFORMANCE BOND	
1993000	GENERAL LIABILITY INSURANCE	excludes course of construction insurance
1994000	CONSTRUCTION CONTINGENCY	
1995000	OVERHEAD & PROFIT	

**ALTERNATES NOT INCLUDED ABOVE**

ALT #1	Add 2nd Control Zone	\$ 0	
ALT #2	Add glass wall @ All Hands Room	\$ 0	3ea 3'x7' clear glass panels set in hollow metal or aluminum frames with high volume water curtain tied into the fire sprinkler main line per code.
ALT #3	Additional Wiremold per Revised Plan	\$ 8,227	
ALT #4	3 power/data boxes for Conference Room Tables	\$ 7,120	Thin wire or connect track will be used to run power to the Conference Room Tables
ALT #5	Add Apprx. 300 SF of Vivarium	\$ 8,761	we only charged for the additional epoxy coatings
ALT #6	Added Glass @ Lab & Relocate Fume Hood	\$ 1,594	fume hood relocation cost was \$0
ALT #7	Add for All Hands Room w/ VCT Flooring, No Glass	\$ 4,927	the original plan had All Hands in an existing open area where we were only adding a wall. Now we need to do additional demo, flooring and ceiling tie in
ALT #8	Server Room Modifications	\$ 2,418	
ALT #9	CEO Area Modifications	\$ 3,228	
ALT #10	Allowance for Carpet Tiles and Lighting Upgrades @ the All Hands Room	\$ 7,644	includes a flooring allowance of \$9/sf and 2k for electrical fixtures
ALT #11	Allowance for Carpet Tiles and Lighting Upgrades @ the All Hands Room	\$ 8,500	
ALT #12	Carpet @ CEO Office	\$ 3,000	includes removal of (e) carpet
<b>TOTAL FOR ALL ALTERNATES</b>		<b><u>55,420</u></b>	

EXHIBIT D TO LEASE

ACKNOWLEDGMENT OF COMMENCEMENT DATE

This ACKNOWLEDGMENT OF COMMENCEMENT DATE is made this day of , between ARE-TECHNOLOGY CENTER SSF, LLC, a Delaware limited liability company ("Landlord"), and CYTOMX THERAPEUTICS, INC., a Delaware corporation ("Tenant"), and is attached to and made a part of the Lease dated , (the "Lease"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the Commencement Date of the Base Term of the Lease is , and the termination date of the Base Term of the Lease shall be midnight on , . In case of a conflict between the terms of the Lease and the terms of this Acknowledgment of Commencement Date, this Acknowledgment of Commencement Date shall control for all purposes.

IN WITNESS WHEREOF, Landlord and Tenant have executed this ACKNOWLEDGMENT OF COMMENCEMENT DATE to be effective on the date first above written.

TENANT:

CYTOMX THERAPEUTICS, INC.,
a Delaware corporation

By:
Its:

LANDLORD:

ARE-TECHNOLOGY CENTER SSF, LLC,
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P.,
a Delaware limited partnership,
managing member

By: ARE-QRS CORP.,
a Maryland corporation,
general partner

By:
Its:

**EXHIBIT E TO LEASE****Rules and Regulations**

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or any Tenant Party, or used by them for any purpose other than ingress and egress to and from the Premises.
2. Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project.
3. Except for animals assisting the disabled, no animals shall be allowed in the offices, halls, or corridors in the Project.
4. Tenant shall not disturb the occupants of the Project or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.
5. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will direct the electrician as to where and how the wires may be introduced; and, without such direction, no boring or cutting of wires will be permitted. Any such installation or connection shall be made at Tenant's expense.
6. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.
7. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Except for the overnight parking of operative vehicles, no vehicle of any type shall be stored in the parking areas at any time. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "For Sale" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord.
8. Tenant shall maintain the Premises free from rodents, insects and other pests.
9. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of the Rules and Regulations of the Project.
10. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitors or any other employee or person.
11. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.
12. Tenant shall not permit storage outside the Premises, including without limitation, outside storage of trucks and other vehicles, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.



13. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.
14. No auction, public or private, will be permitted on the Premises or the Project.
15. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.
16. The Premises shall not be used for lodging, sleeping or cooking or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.
17. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.
18. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.
19. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.

## MASTER LOAN AND SECURITY AGREEMENT

## No. CYTOY

Dated as of December 20, 2013

**THIS AGREEMENT** (this “**Agreement**”) is between ATEL VENTURES, INC. (together with its successors and assigns, if any, “**Lender**”) and CYTOMX THERAPEUTICS, INC., (“**Borrower**”). Lender has an office at 600 Montgomery Street, 9<sup>th</sup> Floor, San Francisco, CA 94111. Borrower is a corporation organized and existing under the laws of the state of Delaware. Borrower’s mailing address and principal place of business is 343 Oyster Point Boulevard, Suite 100, South San Francisco, CA 94080.

**1. CREATION OF SECURITY INTEREST; ADVANCE OF LOAN AND OTHER INVESTMENT MATTERS.**

(a) Security Interest. Borrower grants to Lender, its successors and assigns, a security interest in and against the Collateral (as that term is defined herein) (“**Lender’s Lien**”). This security interest is given to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of Borrower to Lender, now existing or arising in the future, including but not limited to the payment and performance of certain Loan Schedules from time to time executed by Borrower substantially in the form set forth in Schedule C (collectively “**Loan Schedules**” and each a “**Loan Schedule**”), and any renewals, extensions and modifications of such debts, obligations and liabilities (such Loan Schedules, debts, obligations and liabilities are called the “**Indebtedness**”). Any reference herein to a “**Loan**” shall mean any Loan Schedule, as it incorporates by reference all the terms and conditions of this Agreement and any riders, exhibits or addendum thereto. Lender shall retain Lender’s Lien on all Loans until Borrower has performed all obligations and paid in full all amounts due under all Loans (other than any unasserted claims for indemnification or expense reimbursement).

(b) Advance of Loan. At Borrower’s written request pursuant to a Request for Advance in the form set forth in Schedule D, Lender will advance Borrower an amount, (the “**Advance**”), in an aggregate amount not to exceed \$3,000,000 for use by Borrower as general working capital, (the “**Working Capital Line**”). Lender’s obligation to make the Advance under the Working Capital Line will be at its sole discretion and in any event, will be subject to the following conditions precedent (i) through (viii): (i) Lender and Borrower shall have entered into mutually acceptable Loan documentation, along with such other ancillary documents and instruments as may be reasonably required by Lender in connection with the Advance under the Working Capital Line, including corporate resolutions and incumbency certificates, or other documents evidencing the Borrower’s authority to execute and deliver the Loan (substantially in the form set forth in Schedule E or other form reasonably acceptable to Lender), evidence of insurance pursuant to “Accord” certificates (pursuant to the request set forth in Schedule F), appropriate waivers or agreements (each a “**Waiver**”) from all Collateral lien-holders and entities in control of the real property on which Collateral with a fair market value in excess of \$50,000 is located including landlords and co-location facilities, but excluding entities and facilities performing Borrower’s drug trials and to which raw materials and goods are shipped, until products produced by such entities and facilities can be classified as “inventory” under generally accepted accounting principles (“**GAAP**”) and the Uniform Commercial Code as from time to time in effect in the State of California (the “**UCC**”) (substantially in the form set forth in Schedule H and Schedule I, respectively, or other form reasonably acceptable to Lender), provided, however, with respect to each Waiver, Borrower shall have sixty (60) days after the effective date of this Agreement to obtain and deliver the appropriate Waiver from its landlord, and Borrower and Lender agree if the required Waiver is either missing or does not include language reasonably satisfactory to Lender which provides to Lender an independent means of access to the Collateral, Borrower shall pay to Lender, as additional security, cash in an amount equal to one month’s Basic Loan Payment (“**Additional Security**”), which deposit will be applied to the next Basic Loan Payment due after the required Waiver is provided and if the required Waiver is not provided, Lender shall apply the

Additional Security to Borrower's last Basic Loan Payment if no Event of Default has occurred; (ii) Borrower shall have requested an Advance on personal property that will become Collateral to be placed under a Loan by executing a Request for Advance, and a list of Borrower's major equipment collateral by make, model, serial number, purchase price, purchase date and location, provided, however, Borrower agrees that this list is not intended in any way to limit Lender's Lien only to items of equipment Collateral so listed; (iii) Borrower shall have authorized Lender to file UCC-1 financing Statements; (iv) Borrower shall have executed and delivered to Lender a Loan Schedule for the aggregate principal amount of such Advance; (v) Borrower shall have full legal right, title, and interest in and to the Collateral, free and clear of all liens, claims, and encumbrances, whatsoever, other than Permitted Liens; (vi) all representations and warranties of Borrower contained in Section 2 of this Agreement are true and correct in all material respects as of the date the Loan is advanced except for any representations and warranties that expressly refer to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date; (vii) there shall not exist under the Loan any Event of Default, or any condition, event, or act which with notice or lapse of time would become an Event of Default; and (viii) there has not been, in Lender's opinion, any material adverse change or event since the date of the Proposal Letter dated August 1, 2013 ("**Proposal Letter**"), with respect to the Advance, which, in the judgment of Lender, would impair the ability of Borrower to perform its obligations hereunder. Lender agrees that in the event Lender at its discretion opts not to make an Advance under this Agreement after an Advance is requested by Borrower and all conditions precedent set forth in this Section 1(b) have been met by Borrower, the Warrant, which shall initially be based upon the Working Capital Line of \$3,000,000, shall be automatically reduced by the number of shares which equate to the proportion of the amount of the Working Capital Line not funded by Lender. Lender shall provide a certificate of adjustment indicating the adjustment to the Warrant at such time within ten (10) days of the request of Borrower. Borrower agrees, however, that the Warrant shall not be so reduced in the event Lender is ready, willing and able to make Advances to Borrower under this Agreement but Borrower chooses not to request the Advances. In the event the Warrant has been net exercised when any reduction in shares occurs, Lender shall forfeit and return to Borrower that number of shares which equate to the proportion of the Working Capital Line not funded by Lender at its discretion. To the extent Lender has purchased the Warrant shares at the exercise price for cash when any reduction in shares occurs, Borrower shall have the right to repurchase from Lender in cash at the exercise price paid by Lender that number of shares which equate to the proportion of the Working Capital Line not funded by Lender at its discretion.

(c) Loan Payment. A daily loan payment ("**Daily Loan Payment**") shall accrue from the Advance Date multiplied by the number of days from (and including) the Advance Date to (but not including) the Commencement Date and shall be due and payable on the Commencement Date. The Basic Loan Payment payable hereunder during the Basic Loan Term is as set forth in the Loan Schedule. Lender and Borrower agree that the Basic Loan Payment described in the Loan Schedule has a corresponding yield relationship to the U.S. Treasury obligation with the closest equivalent maturity as the applicable Basic Loan Term ("**Index Instrument**"), as reported in The Wall Street Journal Online on the date of, and quoted in, Lender's Proposal Letter, and consequently, the Basic Loan Payment, Loan Rate Factor, and Balance Due Values Table may be adjusted upward to provide for any increase in the reported yield of the Index Instrument over 0.845%, and downward to provide for a decrease in the yield of the Index Instrument, provided such adjustment shall never be based on a yield that is less than 0.845% by the Lender on the date of preparation of the Loan Schedule, or alternatively, on the funding date by a Notification of Loan Payment Adjustment amendment prepared thereafter, to reflect a change on such date in the reported yield of the U.S. Treasury obligation, with the equivalent term of the U.S. Treasury obligation quoted in the Proposal Letter (or the closest term to such original U.S. Treasury obligation in the event an identical term issue is not reported, and in the event that two or more comparison Treasury obligations are quoted with identical maturities, then with the "Asked" price which is closest to par) in order to preserve Lender's anticipated corresponding yield relationship. Except as may otherwise be provided in any Loan Schedule, Basic Loan Payment shall begin to accrue on the Commencement Date and shall be due and payable by Borrower on the first day of each period (advance) or

the last day (arrears) of each period, as set forth in the applicable Loan Schedule. In addition to the Basic Loan Payment Borrower shall pay Daily Loan Payment due as indicated in this Loan Agreement, or on any Loan Schedule, or any Rider hereto or thereto. All Loan Payments due by Borrower hereunder are absolute and unconditional obligations of Borrower which may not be abated or offset for any reason whatsoever.

(d) Stock Warrant. Concurrently with execution of this Agreement by the parties, Borrower will issue to Lender a Series B Preferred warrant based on four and three quarters percent (4.75%) of the Working Capital Line, exercisable for \$142,500 worth of shares of Borrower's Series B Preferred Stock at an exercise price of \$0.048961 per share (the "**Warrant**"). Borrower and Lender hereby acknowledge and agree that the Warrant to purchase stock transferred to Lender is part of an investment unit within the meaning of Section 1273(c)(2) of the Internal Revenue Code which includes the Loans entered into hereunder. Borrower and Lender further agree as between Borrower and Lender, that the fair market value of the Warrant is equal to US\$100 and that, pursuant to Treas. Reg. § 1.1273-2(h), US\$100 of the issue price of the investment unit will be allocable to the Warrant and the balance shall be allocable to the Loans. Borrower and Lender agree to prepare their federal income tax returns in a manner consistent with the foregoing agreement and, pursuant to Treas. Reg. § 1.1273, the original issue discount on the Loans shall be considered to be zero.

(e) Investment Right. If Lender advances a Loan under the Working Capital Line to Borrower, then Borrower agrees that Lender will have the right (but not the obligation) to invest up to \$500,000.00 in cash in a private equity round, in which Borrower will issue equity securities ranking senior to Series B-1 preferred stock, par value \$0.00001 per share, of Borrower (such senior equity securities, the "Senior Securities" and such private equity round, the "**Qualified Financing Round**"), to purchase the same Senior Securities at the same purchase price per Senior Security paid in cash by the other investors participating therein (the "**Purchase Price**"), and, to the extent Lender does not invest the full \$500,000.00 in one such Qualified Financing Round, Lender shall have the right to invest any balance remaining in Borrower's subsequent Qualified Financing Rounds at the same Purchase Price offered to investors in such subsequent Qualified Financing Rounds. The Lender may exercise the foregoing investment right by (i) delivering written notice thereof to the Company no less than five (5) days prior to the investment, and (ii) within one (1) day (or such other period of time as may be mutually agreed by the parties) after Lender has provided notice of its intent to invest in the equity round, providing Borrower with funds for the Lender's investment and executed copies of all stock purchase agreements, voting agreements, investor rights agreements and other documents entered into by other investors participating in the equity round. The investment right of Lender under this Section 1(e) shall not apply to the issuance by Borrower of any Exempted Securities (as defined in Borrower's Amended and Restated Certificate of Incorporation, as amended from time to time (the "**Restated Certificate**")) and shall terminate and be of no further force or effect immediately prior to (i) the consummation of an initial public offering of capital stock of Borrower, (ii) the date that the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Securities Exchange Act of 1934, as amended, or (iii) the Deemed Liquidation Event (as defined in the Restated Certificate) of Borrower, whichever occurs first.

(f) Prepayment Option. So long as no Event of Default shall exist and be continuing, Borrower may elect to terminate any outstanding Loan in whole or in part by paying to Lender in immediately available funds the Balance Due Value set forth in the applicable Loan Schedule for the payment period immediately preceding the date of prepayment, and any outstanding fees, taxes, costs or other reimbursements owing to Lender (the "**Prepayment Option**"). In the event Borrower elects to exercise its Prepayment Option, Borrower shall give Lender at least five (5) days prior written notice of the proposed prepayment date and such prepayment shall be made as of the regularly scheduled Basic Loan Payment date. Upon receipt by Lender of all amounts due under the Loan (other than any unasserted claims for indemnification or expense reimbursement), Lender shall, at Borrower's cost and expense, execute such further documents and take such further actions as may be necessary to affect the release of its security interest in the Collateral under the

terminated Loan Schedule, including duly executing and delivering UCC termination statements for filing in any relevant jurisdictions. Nothing in this paragraph is intended to extinguish Lender's Warrant or Lender's right to indemnifications which by their nature survive the termination of the Loan.

## 2. REPRESENTATIONS AND WARRANTIES OF BORROWER.

Borrower represents and warrants as of the date of this Agreement and as of the date of the Advance date of any Loan Schedule that:

- (a) Due Organization. Borrower's exact legal name is as set forth in the preamble of this Agreement and Borrower is duly organized, existing and in good standing under the laws of the State set forth in the preamble of this Agreement, has its chief executive offices at the location specified in the preamble or such other location specified to Lender in writing, and, except as would not have a material adverse effect on Borrower or its business, is duly qualified and licensed in every jurisdiction wherever necessary to carry on its business and operations.
- (b) Power and Capacity to Enter Into and Perform Obligations. Borrower has adequate power and capacity to enter into, and to perform its obligations under this Agreement, each Loan Schedule and any other documents evidencing, or given in connection with, any of the Indebtedness including the Warrant, (all of the foregoing are called the "**Debt Documents**").
- (c) Due Authorization. This Agreement and the other Debt Documents have been duly authorized, executed and delivered by Borrower and constitute legal, valid and binding agreements enforceable in accordance with their terms, except to the extent that the enforcement of remedies may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought by proceedings in equity or at law).
- (d) Approvals and Consents. No approval, consent or withholding of objections is required from any governmental authority or instrumentality with respect to the entry into, or performance by Borrower of any of the Debt Documents, except any already obtained.
- (e) No Violations or Defaults. The entry into, and performance by, Borrower of the Debt Documents will not (i) violate any of the organizational documents of Borrower or any judgment, order, law or regulation applicable to Borrower, or (ii) except for any breach or default that would not have a material adverse effect on Borrower or its business, result in any breach of or constitute a default under any contract to which Borrower is a party, or result in the creation of any lien, claim or encumbrance on any of Borrower's property (except for liens in favor of Lender) pursuant to any indenture, mortgage, deed of trust, bank loan, credit agreement, or other agreement or instrument to which Borrower is a party.
- (f) Litigation. There are no suits or proceedings pending in court or before any commission, board or other administrative agency against or affecting Borrower which if determined adversely to Borrower would, in the aggregate, have a material adverse effect on Borrower, its business or operations, or its ability to perform its obligations under the Debt Documents, nor does Borrower know that any such suits or proceedings are threatened.
- (g) Solvency. The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Borrower is not left with unreasonably small capital after the transactions in this Agreement or any Loan Schedule and Borrower is able to pay its debts (including trade debts) as they mature.

- (h) Financial Statements Prepared In Accordance with GAAP. All financial statements delivered to Lender in connection with the Indebtedness have been prepared in accordance with generally accepted accounting principles (except that the monthly, quarterly and other unaudited financial statements do not contain notes thereto or account for normal year-end audit adjustments), and since the date of the most recent financial statement, there has been no material adverse change in Borrower's financial condition.
- (i) Use of Collateral. The Collateral is not used by Borrower for personal, family or household purposes.
- (j) Collateral in Good Condition and Repair. The Collateral is in good condition and repair and Borrower will not be negligent in its care and use.
- (k) Ownership of Collateral. Borrower is the sole and lawful owner and is in possession of, the Collateral, and has the sole right and lawful authority to grant the security interest described in this Agreement. The Collateral is and shall remain personal property, and not part of any real estate or, except as expressly permitted in this Agreement or any other Debt Document, Borrower shall have obtained from all applicable real property interest holders appropriate Waivers and releases as reasonably requested by Lender.
- (l) Receivables. As to each and every Receivable, (a) it is a bona fide existing obligation, valid and enforceable against the Account Debtor for a sum certain for sales of goods shipped or delivered, or goods leased, or services rendered in the ordinary course of business; (b) all supporting documents, instruments, chattel paper and other evidence of indebtedness, if any, requested by and delivered to the Lender are complete and correct in all material respects and valid and enforceable in accordance with their terms, and all signatures and endorsements that appear thereon are genuine, and all signatories and endorsers have full capacity to contract; (c) to the best of the Borrower's knowledge, the Account Debtor is liable for and will make payment of the amount expressed in such Receivable according to its terms; (d) it will be subject to no discount, deduction, setoff, counterclaim, return, allowance or special terms of payment other than in the ordinary course of business without the prior approval of the Lender; (e) it is subject to no dispute, defense or offset, real or claimed; (f) it is not subject to any prohibition or limitation upon assignment; (g) it has not been redated or reissued in satisfaction of prior Receivables; and (h) the Borrower has full right and power to grant the Lender a security interest therein and the security interest granted in such Receivable to the Lender in this Agreement, when perfected, will be a valid first security interest (subject to Permitted Liens) which will inure to the benefit of the Lender without further action. The warranties set out herein shall be deemed to have been made with respect to each and every Receivable now owned or hereafter acquired by the Borrower.
- (m) Encumbrances. The Collateral is free and clear of all liens, claims and encumbrances of any kind whatsoever, except for Permitted Liens.
- (n) Taxes. All federal, state and local tax returns required to be filed by Borrower have been filed with the appropriate governmental agencies and all material taxes due and payable by Borrower have been timely paid, except as are being contested in good faith and by appropriate proceedings and for which adequate reserves have been established.

- (o) No Defaults. No event or condition exists under any material agreement, instrument or document to which Borrower is a party or may be subject, or by which Borrower or any of its properties are bound, which constitutes a default or an event of default thereunder, or will, with the giving of notice, passage of time, or both, would constitute a default or event of default thereunder.
- (p) No Significant Event or Change. There has been no significant event affecting or change in Borrower's financial condition, business operations, prospects, properties, product development, technology, or business or contractual relations with third parties which would impair the ability of Borrower to perform its obligations hereunder or under any other financing agreement exceeding \$100,000 to which it is a party or of Lender to enforce the Indebtedness or realize upon the Collateral.
- (q) Omissions. Borrower has not omitted to state in any written statement furnished to Lender, any material fact which would make any of the representations and warranties set forth herein false or misleading in any material respect in light of the circumstances under which made.
- (r) Primary Account and Wire Transfer Instructions. Borrower maintains its Primary Account (the "**Primary Operating Account**") at the following bank and the Wire Transfer Instructions for the Primary Operating Account are as follows:

Bank name:  
Acct number:  
ABA No:  
Acct name:

In addition to the Primary Operating Account identified hereinabove, Borrower maintains the following other deposit and investment accounts:

Bank Name:  
Acct number:  
Acct Name:  
  
Investment account:  
Bank Name:  
Acct number:  
Acct name:

Borrower has no other deposit or investment accounts other than the ones described here above, or of which Borrower has given Lender notice and, except as otherwise permitted under this Agreement or any other Debt Document, taken such actions as are necessary to give Lender a perfected security interest therein.

### 3. AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that, so long as any Loans (other than any un-asserted claims for indemnification or expense reimbursement) remain outstanding, or unless the Lender shall otherwise consent in writing:

- (a) Ownership and Possession of Collateral. Borrower shall remain the sole and lawful owner of the Collateral and in possession of the Collateral, except as otherwise permitted in this Agreement and the other Debt Documents; except that Lender shall have the right to possess (i) any chattel paper or instrument that constitutes a part of the Collateral, and (ii) any other Collateral in which Lender's security interest may be perfected only by possession. Promptly, upon request by the Lender, Borrower shall deliver, assign, and endorse to the Lender all chattel paper and all other documents held by the Borrower in connection therewith. The Collateral is and shall remain personal property, and not part of any real estate or, except as expressly permitted in this Agreement and the other Debt Documents, Borrower shall have obtained from all applicable real property interest holders appropriate Waivers and releases as reasonably requested by Lender.
- (b) Maintenance of Collateral. Borrower shall (i) use the Collateral only in its trade or business, (ii) maintain all of the Collateral consisting of Equipment in good operating order and repair, normal wear and tear excepted, (iii) use and maintain the Collateral consisting of Equipment only in compliance with manufacturers' recommendations and all applicable laws, and (iv) keep all of the Collateral free and clear of all liens, claims and encumbrances (except for Permitted Liens).
- (c) Taxes. Borrower shall pay promptly when due all taxes, license fees, assessments and public and private charges levied or assessed on any of the Collateral, on its use, or on this Agreement or any of the other Debt Documents (other than income taxes of Lender), except as are being contested in good faith and by appropriate proceedings and for which adequate reserves have been established. At its option, Lender may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance, insurance and preservation of the Collateral and effect compliance with the terms of this Agreement or any of the other Debt Documents. Borrower agrees to reimburse Lender, on demand, all costs and expenses incurred by Lender in connection with such payment or performance and agrees that such reimbursement obligation shall constitute Indebtedness. Borrower agrees to file all required property tax returns and reports concerning the Collateral with all appropriate governmental agencies, and, within not more than thirty (30) days after such filing, to send confirmation of and copies of such filings to Lender. Borrower shall provide, on an annual basis, a copy of its property tax report lists to Lender and hereby certifies that all Collateral subject to property tax has been reported to the proper taxing jurisdiction.
- (d) Books and Records; Audit of Collateral. Borrower shall, at all times, keep accurate and complete records of the Collateral, and Lender shall have the right to inspect and make copies of all of Borrower's books and records relating to the Collateral during normal business hours, after giving Borrower reasonable prior notice. Upon forty-eight (48) hours' advance notice, Borrower shall allow Lender to audit the Collateral at Borrower's expense. Such audits will be conducted no more often than once every year unless an Event of Default has occurred and is continuing.
- (e) Third Party Possession of Collateral. Borrower agrees and acknowledges that any third person who may at any time possess all or any portion of the Collateral shall be deemed to hold, and shall hold, the Collateral as the agent of, and as pledge holder for, Lender. Upon the occurrence and during the continuation of any Event of Default, Lender may at any time give notice to any third person described in the preceding sentence that such third person is holding the Collateral as the agent of, and as pledge holder for, the Lender. The Equipment Collateral may be temporarily relocated to third parties for repairs and maintenance in the ordinary course of business not to exceed 90 days which new location(s) shall be provided to Lender for Collateral valued at more than \$50,000 in the aggregate.



- (f) **Bailees.** If any Inventory is stored with a bailee, warehouseman, or similar party, the Borrower will cause any such bailee, warehouseman, or similar party to issue and deliver to the Lender, in a form reasonably acceptable to the Lender, warehouse receipts in the Lender's name evidencing the storage of the Inventory and Waiver in form substantially similar to the form set forth in Schedule J hereto or such other form as may be reasonably acceptable to the Lender. All such warehouse receipts do and will evidence ownership of the Inventory stored by the issuers thereof, and the holder thereof is and will continue to be the owner of good and marketable title of same, free and clear of any Liens or encumbrances. All such warehouse receipts are and will be genuine, valid and enforceable by the holder thereof in accordance with their terms and all statements thereon are and will be true and accurate in all respects. None of the Collateral shall be placed by the Borrower on consignment with any person or entity.
- (g) **Change of Address.** All of the Collateral is located in and will in the future be in the possession of the Borrower at its address stated above or at such other addresses as set forth on the attached Schedule A or otherwise provided to Lender in writing. The Lender shall be entitled to rely upon the foregoing unless it receives 14 days' advance written notice of a change in the address of the Borrower's executive offices or location of the Collateral.
- (h) **Fixtures.** Borrower will not permit any item of the Equipment to become a fixture to real estate or an accession to other property without the prior written consent of the Lender, and the Equipment is now and shall at all times remain personal property except with the Lender's prior written consent.
- (i) **Claims and Disputes.** Immediately upon learning thereof, Borrower shall report to the Lender any reclamation, return or repossession of goods, any claim or dispute asserted by any Account Debtor or other obligor, and any other matter affecting the value and enforceability or collectability of any of the Collateral with an aggregate fair market value in excess of \$50,000. In addition, the Borrower shall, at its sole cost and expense (including attorneys' fees), settle any and all such claims and disputes and indemnify and protect the Lender against any liability, loss or expense arising therefrom or out of any such reclamation, return or repossession of goods, provided, however, that the Lender, if it shall so elect after the occurrence of an Event of Default, shall have the right at all times to settle, compromise, adjust or litigate all claims or disputes directly with the Account Debtor or other obligor upon such terms and conditions as the Lender deems advisable and charge all costs and expenses thereof (including attorneys' fees) to the Borrower's account and add them to the principal amount of the Indebtedness.
- (j) **Use of Collateral and Loan Proceeds.** The Collateral will not be used by Borrower for personal, family or household purposes. Borrower agrees that it shall use the Loan proceeds for general working capital purposes.
- (k) **Domain Name.** Borrower shall take the necessary or appropriate steps to ensure that the identity and location of the servers used in connection with the Borrower's website and Borrowers domain name and the identity of the party having control over the domain name server and of the administrative contact with the registry have been disclosed to the Lender. The Borrower shall not change the domain name server without notification to the Lender. The Borrower shall maintain the trademark of the domain name by defending against any infringement suits and by policing the trademark. The Borrower shall renew the domain name registration and make all payment to the domain name registrar necessary to maintain the domain name during the time that any Indebtedness is outstanding.
- (l) **Account Control Agreements.** Borrower shall at all times maintain all Cash Equivalents owned by Borrower on deposit in a Deposit Account or securities accounts in Borrower's name with the institutions identified in Section 2(u) or at one or more other institutions disclosed to Lender (each,

a “**Third Party Institution**”) and which accounts are covered by an account control agreement in favor of Lender (the terms of which shall be reasonably acceptable to Lender). At any time that the Cash Equivalents or any portion thereof are held in an account or accounts in one or more Third Party Institutions, the related account control agreement shall provide that, upon request, Lender is to receive a copy of the account statements delivered to Borrower. With respect to each such account, Borrower, Lender, and each Third Party Institution shall enter into a written agreement, granting Lender control of such account and providing that the Third Party Institution will comply with instructions originated by the Lender directing disposition of the funds in such account without further consent by Borrower. Such account control agreement may in accordance with the provisions thereof provide terms under which Borrower may remove funds from such account prior to Lender’s exercise of control; provided all funds in or transferred into such account on or after the effectiveness of this Agreement shall be subject to the security interest granted under this Agreement. Notwithstanding anything in this Agreement or any other Debt Document to the contrary, in no event shall Borrower be required to deliver a control agreement over (i) any payroll and payroll taxes account, workers’ compensation account or other employee wage or benefit payment account the proceeds of which are used solely to fund such purposes and (ii) any other deposit account or investment accounts, so long as the aggregate amount on deposit in (or credited to) all such accounts excluded pursuant to this clause (ii) does not exceed \$100,000 at any time.

- (m) Intellectual Property Rights. Borrower will (i) use commercially reasonable efforts to protect, defend and maintain the validity and enforceability of the Intellectual Property and promptly advise Lender in writing of material infringements, and (ii) not allow any Intellectual Property material to Borrower’s business to be abandoned, forfeited or dedicated to the public without Lender’s written consent.
- (n) Notice of Significant Event or Change. Borrower shall give the Lender prompt written notice of any significant event, occurrence or other matter which has resulted or may result in a material adverse change in its financial condition, business operations, prospects, product development, technology, or business or contractual relations with third parties of Borrower which would impair the ability of Borrower to perform its obligations hereunder or under any of the other financing agreements to which it is a party or of Lender to enforce the Indebtedness or realize upon the Collateral.
- (o) Late Charges. If any Basic Loan Payment or other amount due under any Loan Schedule or this Agreement is not received when due, then upon receipt of notice of the outstanding sum, Borrower agrees to pay, in addition to the amount of each such payment, a late payment charge of one and one half percent (1.5%) of the amount of said Basic Loan Payment or other amount, but not exceeding any lawful maximum, provided however, if Borrower’s first Basic Loan Payment due hereunder is late due to Lender failing to timely debit the Basic Loan Payment by electronic means pursuant to Section 9(k), Borrower shall not owe a late charge in such event.
- (p) Solvency. The fair salable value of Borrower’s assets (including goodwill minus disposition costs) will at all times exceed the fair value of its liabilities.

#### 4. NEGATIVE COVENANTS.

The Borrower covenants and agrees that, so long as any Loans (other than any unasserted claims for indemnification or expense reimbursement) remain outstanding, or unless the Lender shall otherwise consent in writing:

- (a) Distributions. Borrower shall not (i) pay any dividends or make any distributions on its equity securities; (ii) purchase, redeem, retire, defease or otherwise acquire for value any of its equity securities (other than repurchases pursuant to the terms of employee stock purchase plans, employee restricted stock agreements or similar arrangements in an aggregate not to exceed \$500,000 in any fiscal year of Borrower); (iii) return any capital to any holder of its equity securities as such; (iv) make any distribution of assets, equity securities, obligations or securities to any holder of its equity securities as such; or (v) set apart any sum for any such purpose; provided, however, Borrower may pay dividends payable solely in common stock.
- (b) Subordinated Indebtedness Payments. Borrower shall not (i) prepay, redeem, purchase, defease or otherwise satisfy in any manner prior to the scheduled repayment thereof any Subordinated Indebtedness for borrowed money or lease obligations, (ii) amend, modify or otherwise change the terms of any Subordinated Indebtedness for borrowed money or lease obligations so as to accelerate the scheduled repayment thereof or (iii) repay any notes to officers, directors or shareholders except as expressly provided for in a duly executed subordination agreement in favor of, and approved by Lender.
- (c) Additional Indebtedness. Borrower shall not create, incur, assume or permit to exist any Additional Indebtedness except Permitted Indebtedness.
- (d) Investments. Borrower shall not make any Investment except for Permitted Investments.
- (e) Negative Pledge Regarding Intellectual Property. Borrower shall not sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its Intellectual Property, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Lender) with any entity which directly or indirectly prohibits or has the effect of prohibiting Borrower from selling, transferring, assigning, mortgaging, pledging, leasing, granting a security interest in or upon, or encumbering any of Borrower's Intellectual Property; provided, however, that Borrower may grant exclusive and non-exclusive licenses with respect to components of Borrower's Intellectual Property in connection with joint ventures and corporate collaborations in the ordinary course of Borrower's business and Borrower acknowledges that it has granted to Lender a lien in all licensing or royalty revenue with respect thereto. If Borrower at any time violates its agreement set forth in this Section 4(e), Lender is hereby automatically granted by Borrower a concurrent security interest in Borrower's Intellectual Property.
- (f) Transactions with Affiliates. Borrower shall not, without the prior written consent of Lender, directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a nonaffiliated Person.
- (g) Change in Management. Borrower shall not, without providing prompt written notice to Lender, change the persons holding the offices of Chief Executive Officer or Chief Financial Officer. In the event of the resignation of the Chief Executive Officer or Chief Financial Officer, Borrower agrees to identify a suitable replacement for such individual or individuals within ninety (90) calendar days, and any such individual or individuals so identified shall be approved by Borrower's Board of Directors.

- (h) Disposition of Collateral. Without the prior written consent of Lender, Borrower shall not (i) remove any of the Collateral from the continental United States except raw materials and goods used in Borrower's drug tests which are shipped to foreign entities and facilities, or (ii) sell, rent, lease, mortgage, license, grant a security interest in or otherwise transfer or encumber any of the Collateral, except for (a) Permitted Liens, (b) sales of Inventory in the ordinary course of business, (c) Permitted Investments, (d) sales, assignments, transfers and other dispositions of accounts receivable in connection with the compromise, settlement or collection thereof consistent in the ordinary course of business and not for purposes of financing, (e) leases or subleases entered into in the ordinary course of business, to the extent that they do not materially interfere with the business of Borrower, (f) dispositions resulting from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of Borrower and (g) transfers of worn out or obsolete equipment Collateral and (iii) Borrower shall provide to Lender in conjunction with the list of fixed assets required pursuant to Section 6(e) of this Agreement, information regarding any transfers of any items of worn out or obsolete equipment Collateral valued in excess of \$20,000.
- (i) Change in Control. EXCEPT FOR PERMITTED TRANSACTIONS, BORROWER SHALL NOT SELL, CONVEY, TRANSFER, PART WITH POSSESSION, OR ASSIGN OR OTHERWISE ENCUMBER THIS LOAN OR ANY OF THE COLLATERAL OR ANY OF ITS RIGHTS HEREUNDER OR SUBLEASE THE EQUIPMENT COLLATERAL, OR SUFFER A CHANGE IN CONTROL, WITHOUT THE PRIOR WRITTEN CONSENT OF LENDER (SAID CONSENT NOT TO BE UNREASONABLY WITHHELD). EXCEPT AS PERMITTED HEREIN, ANY SUCH PURPORTED TRANSACTION SHALL BE NULL AND VOID AND OF NO FORCE AND EFFECT. An affiliate that is a subsidiary may merge or consolidate into another subsidiary or into Borrower.

For purposes of this Loan, "Permitted Transaction" shall mean (i) Permitted Liens; (ii) dispositions of Collateral made concurrently with the exercise of Borrower's Prepayment Option with respect to Equipment Collateral in accordance with the immediately succeeding paragraph; (iii) any Change in Control in which the surviving entity after such Change in Control has a tangible net worth equal to or greater than that of the Borrower as of the date of the Change in Control, which shall be based on pro forma financial statements utilizing, in Lender's reasonable opinion, reasonable assumptions in the preparation thereof by Borrower and provided by Borrower to Lender at least five (5) Business Days before such Change in Control, and the financial condition of such entity will enable it, in Lender's reasonable opinion, based on said financial statements, to meet all obligations to Borrower's creditors, including its obligations under the Loan, as they become due for the remaining term of the Loan; and (iv) each other transaction expressly permitted under this Agreement and the other Debt Documents. No permitted assignment or sublease shall relieve Borrower of any of its obligations hereunder without the express written consent of Lender.

Prepayment Requirement. In the event Lender in good faith does not give prior written consent to any event set forth in this Section 4(i), and such event does not constitute a Permitted Transaction, Borrower shall prepay in full the Loan Schedule entered into under this Agreement affected by such event by paying to Lender the Balance Due Value as of the Basic Loan Payment date immediately preceding the consummation of any event described in this Section 4(i) plus any other amounts outstanding and owed to Lender under such Loan Schedule. Upon receipt by Lender of all amounts due under the applicable Loan Schedule (other than any unasserted claims for indemnification or expense reimbursement), Lender shall, at Borrower's sole cost and expense, execute such further documents and take such further actions as may be necessary to affect the release of its security interests in the applicable Collateral, including duly executing and delivering UCC termination statements for filing in any relevant jurisdictions or terminating account control agreements. Nothing in this paragraph is intended to extinguish Lender's Warrant or Lender's right to indemnifications which by their nature survive the termination of this Agreement and the Loan Schedule.

## 5. INSURANCE.

- (a) Risk of Loss. Borrower shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever.
- (b) Insurance Requirements. Borrower agrees to maintain general liability insurance and to keep the Collateral insured against loss or damage by fire and extended coverage perils, theft, burglary, risk of loss by collision (for any or all Collateral which are vehicles) and such other risks as Lender may reasonably require. The liability insurance coverage shall be in an amount standard for companies similar to Borrower in Borrower's industry in Borrower's geographic region. The property insurance coverage shall be in an amount no less than the full replacement value of the Collateral. All insurance policies shall be in a form, with companies and with deductible amounts reasonably acceptable to Lender. Borrower shall deliver to Lender policies or certificates of insurance evidencing such coverage. Each policy shall name Lender as a loss payee and an additional insured, shall provide for coverage to Lender regardless of the breach by Borrower of any warranty or representation made therein, shall not be subject to co-insurance, and shall provide that coverage may not be canceled or altered by the insurer except upon thirty (30) days prior written notice to Lender. Borrower appoints Lender as its attorney-in-fact to make proof of loss, claim for insurance and adjustments with insurers, and to receive payment of and execute or endorse all documents, checks or drafts in connection with insurance payments, provided that Lender shall not act as Borrower's attorney-in-fact unless Borrower is in default. If any item of Collateral is materially damaged or suffers a casualty event, Borrower shall give to Lender prompt notice thereof. Borrower shall determine within twenty (20) days after the date on which such damage or casualty event occurs whether such item of Collateral can be repaired. If Borrower determines that such item of Collateral can be repaired with commercially reasonable efforts, Borrower shall cause such item of Collateral to be promptly repaired. If Borrower determines that such item of Collateral cannot be repaired with commercially reasonable efforts, Borrower shall either (i) promptly replace such item of Collateral with equipment useful in the business of Borrower of equal or greater value free and clear of all liens and encumbrances except for Permitted Liens and the Loan with respect to such Collateral shall continue in full force and effect as though such damage or destruction has not occurred, or (ii) pay to Lender an amount equal to the Balance Due Value for the item of Collateral for the Basic Loan Payment due date immediately preceding such damage or casualty event and the applicable Loan will terminate with respect to such item of Collateral and the Basic Loan Payment under the applicable Loan Schedule will be reduced thereafter pro rata by the original cost of the item of Collateral suffering such damage or loss. All proceeds of insurance received by Lender, the designated loss payee or Borrower under any insurance policy shall be applied to the cost of any such repair or replacement so long as no Event of Default has occurred and is continuing at the time such proceeds are received.

## 6. REPORTS.

- (a) Notice of Events. Borrower shall promptly notify Lender of (i) any change in the name of Borrower, (ii) any change in the state of its incorporation or registration, (iii) any relocation of its chief executive offices, (iv) any material amount of Collateral being lost, stolen, missing, destroyed, materially damaged or worn out, or (v) any lien, claim or encumbrance other than Permitted Liens attaching to or being made against any of the Collateral.

- (b) Financial Statements, Reports and Certificates. (i) Borrower will deliver to Lender within one hundred and twenty (120) days of the close of each fiscal year of Borrower, Borrower's complete unaudited financial statements including a balance sheet, income statement, statement of shareholders' equity and statement of cash flows; provided that Borrower shall provide a copy of Borrower's audited financial statements within 5 business days of when the same shall become available to Borrower, each prepared in accordance with generally accepted accounting principles consistently applied, certified by a recognized firm of certified public accountants reasonably satisfactory to Lender (it being agreed that PricewaterhouseCoopers LLP or any of the other "big four" accounting firms is satisfactory to Lender). (ii) Borrower will deliver to Lender copies of Borrower's quarterly unaudited financial statements including a balance sheet, income statement and statement of cash flows, each prepared by Borrower in accordance with generally accepted accounting principles consistently applied (except for the absence of notes thereto and of normal year-end audit adjustments) within sixty (60) days after the close of each of Borrower's fiscal quarters. (iii) Borrower will deliver to Lender copies of Borrower's monthly unaudited financial statements including a company prepared balance sheet, income statement and cash flow statement covering Borrower's operations during such period, within thirty (30) days after the close of each month. (iv) So long as there are amounts due Lender under this Loan, Borrower shall supply Lender with such other financial and operating performance data as is provided to its outside investors or commercial lenders and, if applicable, required to be provided to shareholders by the Security and Exchange Commission.
- (c) Certification of Financial Information. All reports, certificates, schedules, notices and financial information (other than any projections or other forward-looking information) submitted by Borrower to the Lender pursuant to this Agreement shall be certified as true and correct in all material respects by the president or chief financial officer of Borrower.
- (d) Receivables. Upon the written request of Lender, but no more frequently than once per month unless an Event of Default has occurred and is continuing, Borrower shall deliver to the Lender schedules of all outstanding Receivables. Such schedules shall be in form reasonably satisfactory to the Lender and shall show the age of such Receivables in intervals of not more than thirty (30) days, and contain such other information and be accompanied by such supporting documents as the Lender may from time to time reasonably prescribe. The Borrower shall also deliver to the Lender, upon Lender's request, no more frequently than once per month unless an Event of Default has occurred and is continuing copies of the Borrower's invoices, sales journals, evidences of shipment or delivery and such other schedules and information as the Lender may reasonably request. The items to be provided under this Section are to be prepared and delivered to the Lender from time to time solely for its convenience in maintaining records of the Collateral and the Borrower's failure to give any of such items to the Lender shall not affect, terminate, modify or otherwise limit the Lender's security interest granted herein.
- (e) Quarterly Asset List. Within forty-five (45) days after the close of each of Borrower's fiscal quarters, at the same time as Borrower delivers to Lender its quarterly financial statements, Borrower shall deliver to Lender a current list of all Equipment Collateral.

## 7. FURTHER ASSURANCES.

- (a) Further Assurances Regarding Security Interests. Borrower shall, upon request of Lender, furnish to Lender such further information, execute and deliver to Lender such documents and instruments (including, without limitation, Uniform Commercial Code financing statements) and shall do such other acts and things as Lender may at any time reasonably request relating to the perfection or

protection of the security interest created by this Agreement or for the purpose of carrying out the intent of this Agreement. To the extent Lender has filed Uniform Commercial Code Financing Statements prior to the execution of this Agreement by Borrower, Borrower hereby ratifies and confirms the completion and filing of any Uniform Commercial Code Financing Statements by Lender occurring prior to the execution by Borrower of this Agreement. Without limiting the foregoing, Borrower shall cooperate and do all acts reasonably deemed necessary or advisable by Lender to continue in Lender a perfected first security interest in the Collateral, and, except as expressly permitted under this Agreement or any other Loan Document, shall obtain and furnish to Lender any subordinations, releases, landlord waivers, lessor waivers, mortgagee waivers, or control agreements, and similar documents as may be from time to time reasonably requested by, and in form and substance reasonably satisfactory to, Lender. If Borrower shall at any time acquire a commercial tort claim, as defined in the Code, Borrower shall immediately notify Lender in writing signed by Borrower of the brief details thereof and grant to Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Lender.

- (b) **Authorization To File Financial Statements.** Except as expressly permitted under this Agreement or any other Loan Document, Borrower shall perform any and all acts reasonably requested by the Lender to establish, maintain and continue the Lender's security interest and liens in the Collateral, including but not limited to, executing or authenticating financing statements and such other instruments and documents when and as reasonably requested by the Lender. Borrower hereby authorizes Lender through any of Lender's employees, agents or attorneys to file any and all financing statements, including, without limitation, any original filings, continuations, transfers or amendments thereof required to perfect Lender's security interest and liens in the Collateral under the UCC without authentication or execution by Borrower.
- (c) **Indemnification.** Borrower shall indemnify and defend the Lender, its successors and assigns, and their respective directors, officers and employees (collectively, "**Indemnitees**"), from and against all claims, actions and suits (including, without limitation, related attorneys' fees) of any kind whatsoever arising, directly or indirectly, in connection with any of the Collateral or the Debt Documents; provided that notwithstanding the foregoing, in no event shall Borrower be required to indemnify any Indemnitee for any claims, actions or suits arising from the gross negligence or willful misconduct of any Indemnitee.
- (d) **Transaction Costs and Fees.** Borrower shall pay all reasonable itemized out of pocket costs and expenses (including reasonable attorneys' fees and expenses for Lender's outside counsel) incurred for (i) negotiating and preparing the Debt Documents, and, in the future for (ii) amending, negotiating, administering, defending and enforcing the Debt Documents and related documents, (including, without limitation, those incurred in connection with appeals or insolvency proceedings) or otherwise incurred with respect to Borrower until all obligations of Borrower to Lender are paid in full. Borrower shall also pay to Lender a facility fee equal to 1% of the Working Capital Line equal to \$30,000.00.

## **8. DEFAULT AND REMEDIES.**

- (a) **Default.** Borrower shall be in default under this Agreement and each of the other Debt Documents ("**Event of Default**") if any one of the following shall occur:

- (i) Borrower breaches its obligation to pay when due any installment or other amount due or coming due under any of the Debt Documents within five (5) days after the date the same becomes due and payable;
- (ii) Borrower, without the prior written consent of Lender, attempts to or does sell, rent, lease, license, mortgage, grant a security interest in, or otherwise transfer or encumber, or allow Liens (except for Permitted Liens) upon, any of the Collateral, in each case, except as expressly permitted under this Agreement or any other Debt Document;
- (iii) Borrower breaches any of its covenants under Sections 3 and 4 and, in the case of any breach of any covenant under Section 3(b), (d), (e), (f), (g), (h), (i), or (k), Borrower fails to cure that breach within fifteen (15) days after written notice thereof to Borrower by Lender; provided that the cure and notice requirement in the preceding sentence does not apply to Borrower's breaches of any of its covenants under Sections 3 (a), (c), (j), (l), (m), (n), (o) or (p) and such breach shall be an immediate Event of Default.
- (iv) Borrower breaches any of its insurance obligations under Section 5;
- (v) Borrower breaches any of its other non-payment obligations under any of the Debt Documents and fails to cure that breach within thirty (30) days after written notice thereof to Borrower by Lender;
- (vi) Any representation, warranty or statement made by Borrower in any of the Debt Documents or otherwise in connection with any of the Indebtedness, shall be, on the date such representation or warranty was made, false or misleading in any material respect;
- (vii) Borrower breaches or is in default under any other agreement between Borrower and Lender;
- (viii) Any of the Collateral is subjected to attachment, execution, levy, seizure or confiscation in any legal proceeding or otherwise, or if any legal or administrative proceeding is commenced against Borrower or any of the Collateral, which in the good faith judgment of Lender subjects any of the Collateral to a material risk of attachment, execution, levy, seizure or confiscation and no bond is posted or protective order obtained to remove the risk of same;
- (ix) Borrower, or any guarantor or other obligor for any of the Indebtedness (collectively "**Guarantor**") dissolves, terminates its existence, becomes insolvent, or ceases to do business as a going concern;
- (x) A receiver is appointed for all or of any part of the property of Borrower or any Guarantor, or Borrower or any Guarantor makes any assignment for the benefit of creditors;
- (xi) Borrower or any Guarantor files a petition for relief under any bankruptcy, insolvency or similar law, or any such petition is filed against Borrower or any Guarantor and is not dismissed within thirty (30) days;
- (xii) Borrower improperly files an amendment or termination statement relating to a filed financing statement describing the Collateral;
- (xiii) Borrower shall become the subject matter of, or enter into any Change in Control that is not a Permitted Transaction without the prior written consent of Lender;



- (xiv) Borrower defaults under any other financing arrangement between Borrower and a third party resulting in acceleration of the maturity of Borrower's obligations to such third party in an amount equal to or greater than \$250,000;
  - (xv) If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least \$250,000 shall be rendered against Borrower and shall remain unsatisfied and un-stayed for a period of ten (10) days or more; or
  - (xvi) Lender shall have determined in its reasonable judgment that there has been a material adverse change in Borrower's financial condition or business operations since either the date of the Proposal Letter or the date of the most recent financial statements delivered to Lender pursuant to Section 6(b).
- (b) Acceleration. If an Event of Default has occurred, Lender, at its option, may declare any or all of the Indebtedness to be immediately due and payable, without demand or notice to Borrower or any Guarantor (provided that if there is a default as a result of a bankruptcy or insolvency all Indebtedness shall become immediately due and payable without any action by Lender) and recover from Borrower as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Balance Due with respect to any Loan Schedule calculated as of the payment date preceding the date that the event which resulted in the Event of Default occurred which payment shall become immediately due and payable. The accelerated obligations and liabilities shall bear interest (both before and after any judgment) until paid in full at the lower of thirteen percent (13 %) per annum or the maximum rate not prohibited by applicable law.
- (c) Rights and Remedies. Upon the occurrence of an Event of Default, Lender shall have all of the rights and remedies of a Lender under the Code, and under any other applicable law. Without limiting the foregoing, upon the occurrence of an Event of Default, Lender shall have the right to do all of the following: (i) notify any Account Debtor of Borrower or any obligor on any instrument which constitutes part of the Collateral to make payment to the Lender, (ii) with or without legal process, enter any premises where the Collateral may be and take possession of and remove the Collateral from the premises or store it on the premises, (iii) sell the Collateral at public or private sale, in whole or in part, and have the right to bid and purchase at said sale, (iv) to instruct the Third Party Institution maintaining any deposit account or securities account subject to a control agreement in favor of Lender to transfer the funds in such account to any account of the Lender, or (v) lease or otherwise dispose of all or part of the Collateral, applying proceeds from such disposition to the obligations then in default, provided, however, Borrower hereby agrees that, in any event, it will be liable for any deficiency after any lease or other disposition of the Collateral. If requested by Lender, Borrower shall promptly assemble the Collateral and make it available to Lender at a place to be designated by Lender, which is reasonably convenient to both parties. Lender may also render any or all of the Collateral unusable at the Borrower's premises and may dispose of such Collateral on such premises without liability for rent or costs. Any notice that Lender is required to give to Borrower under the Uniform Commercial Code of the time and place of any public sale or the time after which any private sale or other intended disposition of the Collateral is to be made shall be deemed to constitute reasonable notice if such notice is given to the last known address of Borrower at least ten (10) days prior to such action. Upon the occurrence and during the continuation of an Event of Default, Borrower hereby appoints Lender as Borrower's attorney-in-fact, with full authority in Borrower's place and stead and in Borrower's name or otherwise, from time to time in Lender's sole and arbitrary discretion, to take any action and to execute any instrument which Lender may deem necessary or advisable to accomplish the purpose

of this Agreement. Lender may ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. In connection therewith, upon the occurrence and during the continuation of an Event of Default, Lender and its agents and any purchasers at or after foreclosure are hereby granted a non-exclusive, irrevocable, perpetual, fully paid, royalty-free license or other right, solely pursuant to the provisions of this Section 8, to use, without charge, Borrower's Intellectual Property, including without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, now or at any time hereafter owned or acquired by Borrower or in which Borrower now or at any time hereafter has any rights; provided, however, such license shall only be exercisable in connection with the disposition of Collateral upon Lender's exercise of its remedies hereunder.

- (d) Application of Proceeds. Proceeds from any sale or lease or other disposition shall be applied: first, to all costs of repossession, storage, and disposition including without limitation attorneys', appraisers', and auctioneers' fees; second, to discharge the obligations then in default; third, to discharge any other Indebtedness of Borrower to Lender, whether as obligor, endorser, guarantor, surety or indemnitor; fourth, to expenses incurred in paying or settling liens and claims against the Collateral; and lastly, to Borrower or the Person legally entitled thereto, if there exists any surplus. Borrower shall remain fully liable for any deficiency.
- (e) Fees and Costs. Borrower agrees to pay all reasonable attorneys' fees and other itemized out-of-pocket costs incurred by Lender in connection with the enforcement, assertion, defense or preservation of Lender's rights and remedies under this Agreement, or if prohibited by law, such lesser sum as may be permitted. Borrower further agrees that such fees and costs shall constitute Indebtedness.
- (f) Remedies Cumulative. Lender's rights and remedies under this Agreement or otherwise arising are cumulative and may be exercised singularly or concurrently. Neither the failure nor any delay on the part of the Lender to exercise any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise of that or any other right, power or privilege. LENDER SHALL NOT BE DEEMED TO HAVE WAIVED ANY OF ITS RIGHTS OR REMEDIES, WHETHER HEREINBEFORE OR HEREINAFTER EXISTING, PAST OR PRESENT, UNDER THIS AGREEMENT OR UNDER ANY OTHER AGREEMENT, INSTRUMENT OR PAPER SIGNED BY BORROWER UNLESS SUCH WAIVER IS EXPRESSED IN WRITING AND SIGNED BY LENDER. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.
- (g) WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, BORROWER AND LENDER UNCONDITIONALLY WAIVE THEIR RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER DEBT DOCUMENTS, ANY OF THE INDEBTEDNESS SECURED HEREBY, ANY DEALINGS BETWEEN BORROWER AND LENDER RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN BORROWER AND LENDER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS

AGREEMENT, ANY OTHER DEBT DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

- (h) Mitigation. In the event that Borrower shall have paid to Lender the liquidated damages referred to in Clause 8(b) above, and Borrower shall have previously returned the Collateral to Lender in accordance with Clause 8(c) above, then Lender shall pay to Borrower, promptly after receipt thereof, all sale or rental proceeds received from any sale or re-letting of the Collateral during the balance of the Loan term (after deduction of all un-reimbursed damages, costs and expenses incurred by Lender as a result of the Event of Default; or other sums due Lender by Borrower under the Loan), said amount never to exceed the amount of the liquidated damages paid by Borrower. Lender shall use commercially reasonable efforts to sell, re-lease or otherwise use or dispose of the Collateral in mitigation of damages to the extent required by law (however, Lender shall not be obligated to give preference to the sale, lease or other disposition of the Collateral over the sale, lease or other disposition of similar equipment owned or leased by Lender).

## 9. MISCELLANEOUS.

- (a) Assignment. This Agreement, any Loan Schedule and/or any of the other Debt Documents may be assigned, in whole or in part, by Lender without notice to Borrower, and Borrower agrees not to assert against any such assignee, or assignee's assigns, any defense, set-off, recoupment claim or counterclaim which Borrower has or may at any time have against Lender for any reason whatsoever. Borrower agrees that if Borrower receives written notice of an assignment from Lender, Borrower will pay all amounts payable under any assigned Debt Documents to such assignee or as instructed by Lender. Borrower also agrees to confirm in writing receipt of the notice of assignment as may be reasonably requested by Lender or assignee in form substantially similar to the form set forth in Schedule G attached hereto. Notwithstanding anything in this Agreement or any other Debt Document to the contrary, Lender hereby agrees that it will not make any assignment to a third party unless that third party is: (i) any Affiliate of Lender, or (ii) any commercial bank, savings and loan association or savings bank or any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended) which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies; and (iii) such third party is not a competitor of Borrower or an Affiliate of a competitor of Borrower as reasonably determined by Lender in its good faith business judgment, and any such assignment in violation of this Section 9(a) shall be null and void.
- (b) Notices. All notices to be given in connection with this Agreement shall be in writing, shall be addressed to the parties at their respective addresses set forth in this Agreement (unless and until a different address may be specified in a written notice to the other party), and shall be deemed given (i) on the date of receipt if delivered in hand or by facsimile or e-mail transmission, (ii) on the next business day after being sent by express mail, and (iii) on the fourth business day after being sent by regular, registered or certified mail. As used herein, the term "business day" shall mean and include any day other than Saturdays, Sundays, or other days on which commercial banks in San Francisco, California are required or authorized to be closed.
- (c) Time is of the Essence. Time is of the essence of this Agreement. This Agreement shall be binding, jointly and severally, upon all parties described as the "Borrower" and their respective heirs, executors, representatives, successors and assigns, and shall inure to the benefit of Lender, its successors and assigns.

- (d) Entire Agreement. This Agreement and the Debt Documents constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior understandings (whether written, verbal or implied) with respect to such subject matter. THIS AGREEMENT AND THE DEBT DOCUMENTS SHALL NOT BE CHANGED OR TERMINATED ORALLY OR BY COURSE OF CONDUCT, BUT ONLY BY A WRITING SIGNED BY BOTH PARTIES. Section headings contained in this Agreement have been included for convenience only, and shall not affect the construction or interpretation of this Agreement.
- (e) Termination of Agreement and Security Interests. This Agreement shall continue in full force and effect until all of the Indebtedness has been paid in full to Lender or its assignee at which time this Agreement and all security interests granted hereby shall terminate, provided, that Borrower's indemnity obligations set forth in Section 7(c) shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Lender have run. This Agreement shall automatically be reinstated if Lender is ever required to return or restore the payment of all or any portion of the Indebtedness (all as though such payment had never been made).
- (f) CHOICE OF LAW. BORROWER AGREES THAT LENDER AND/OR ITS SUCCESSORS AND ASSIGNS SHALL HAVE THE OPTION BY WHICH STATE LAWS THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED AND SHALL SELECT EITHER: (A) THE LAWS OF THE STATE OF CALIFORNIA; OR (B) IF COLLATERAL HAS BEEN PLEDGED TO SECURE THE LIABILITIES, THEN BY THE LAWS OF THE STATE OR STATES WHERE THE COLLATERAL IS LOCATED, AT LENDER'S OPTION. THIS CHOICE OF STATE LAWS IS EXCLUSIVE TO THE LENDER. BORROWER SHALL NOT HAVE ANY OPTION TO CHOOSE THE LAWS BY WHICH THIS AGREEMENT SHALL BE GOVERNED. BORROWER ACKNOWLEDGES THAT THIS AGREEMENT IS BEING SIGNED BY THE LENDER IN PARTIAL CONSIDERATION OF LENDER'S RIGHT TO ENFORCE IN THE JURISDICTION STATED ABOVE. BORROWER CONSENTS TO JURISDICTION IN THE STATE OF CALIFORNIA OR THE STATE IN WHICH ANY COLLATERAL IS LOCATED AND VENUE IN ANY FEDERAL OR STATE COURT IN THE STATE OF CALIFORNIA OR THE STATE IN WHICH COLLATERAL IS LOCATED FOR SUCH PURPOSES AND WAIVES ANY AND ALL RIGHTS TO CONTEST SAID JURISDICTION AND VENUE AND ANY OBJECTION THAT SAID COUNTY IS NOT CONVENIENT. BORROWER WAIVES ANY RIGHTS TO COMMENCE ANY ACTION AGAINST LENDER IN ANY JURISDICTION EXCEPT THE STATE OF CALIFORNIA, OR IF LENDER CHOOSES TO LITIGATE IN A STATE WHERE COLLATERAL IS LOCATED THEN IN SUCH COUNTY AND STATE.
- (g) Limitation of Liability. The Lender shall not, under any circumstances, be liable for any error or omission or delay of any kind occurring in the settlement, collection or payment of any Receivables or any instrument received in payment thereof or for any damage resulting therefrom. The Lender is authorized to accept the return of the goods represented by any of the Receivables, without notice to or consent by the Borrower, or without discharging or in any manner affecting the Indebtedness.
- (h) Notification to Account Debtors. The Lender shall have the right at any time after the occurrence and during the continuation of an Event of Default to notify any Account Debtor of the Lender's security interest in the Receivables and to require payments to be made directly to the Lender. To facilitate direct collection, the Borrower hereby appoints the Lender and any officer or employee of the Lender, as the Lender may from time to time designate, after the occurrence and during the

continuation of an Event of Default as attorney-in-fact for the Borrower to (a) receive, open and dispose of all mail addressed to the Borrower and take therefrom any payments on or proceeds of Receivables; (b) take over the Borrower's post office boxes or make such other arrangements, in which the Borrower shall cooperate, to receive the Borrower's mail, including notifying the post office authorities to change the address for delivery of mail addressed to the Borrower to such address as the Lender shall designate; (c) endorse the name of the Borrower in favor of the Lender upon any and all checks, drafts, money orders, notes, acceptances or other evidences of payment or Collateral that may come into the Lender's possession; (d) sign and endorse the name of the Borrower on any invoice or bill of lading relating to any of the Receivables, on verifications of Receivables sent to any Account Debtor, to drafts against any Account Debtor, to assignments of Receivables, and to notices to any Account Debtor; and (e) do all acts and things necessary to carry out this Agreement and the transactions contemplated hereby, including signing the name of the Borrower on any instruments required by law in connection with the transactions contemplated hereby and on financing statements as permitted by the Code. The Borrower hereby ratifies and approves all acts of such attorneys-in-fact, and neither the Lender nor any other such attorney-in-fact shall be liable for any acts of commission or omission, or for any error of judgment or mistake of fact or law of any such attorney-in-fact, in each case, except to the extent resulting from the gross negligence or willful misconduct of Lender or such other attorney-in-fact. This power, being coupled with an interest, is irrevocable so long as the Indebtedness (other than any unasserted claims for indemnification or expense reimbursement) remains unsatisfied, or any Loan Document remains effective, as solely determined by the Lender.

- (i) Loss, Depreciation or Other Damage. The Lender shall not be liable for or prejudiced by any loss, depreciation or other damage to Receivables or other Collateral unless caused by the Lender's gross negligence or willful misconduct, and the Lender shall have no duty to take any action to preserve or collect any Receivable or other Collateral beyond the degree of care with which Lender treats its own property.
- (j) Use of Information. Borrower shall permit Lender to list Borrower's name and logo and to describe the transaction contemplated herein in Lender's marketing materials and press releases and to post such information on Lender's website. Lender and Borrower agree to enter into a mutually agreeable press release announcing the financing contemplated by this Loan Agreement, provided that the press release shall be approved by Borrower within ten (10) days of Lender's request.
- (k) Payments. Borrower authorizes Lender to debit the Loan payments by electronic means (e.g., automated clearinghouse payment) (the "**ACH Payments**") from Borrower's deposit account and Borrower shall provide Lender with the ACH Payment information and instructions prior to funding of any Advance hereunder.

## 10. DEFINITIONS.

As used herein, the following terms, when initial capital letters are used, shall have the respective meanings set forth below. In addition, all terms defined in the California Uniform Commercial Code (including revised Article 9 thereof) (the "**Code**") shall have the meanings given therein unless otherwise defined herein.

Defined Terms. As used in this Agreement, the following terms shall have the following meanings, unless the context otherwise requires:

"**Account Debtor**" shall mean the account debtor or any customer of the Borrower who is obligated or indebted to the Borrower with respect to any of the Receivables and/or the prospective purchaser with respect to any contract right, and/or any party or organization who enters into any contract or other arrangement with the Borrower pursuant to which the Borrower is to deliver any personal property or perform any service.

“**Additional Indebtedness**” means, with respect to Borrower or any of its subsidiaries, the aggregate amount of, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade payables aged less than one hundred eighty (180) days), (d) all capital lease obligations of such Person, (e) all obligations or liabilities of others secured by a Lien on any asset of such Person, whether or not such obligation or liability is assumed, (f) all obligations or liabilities of others guaranteed by such Person, and (g) any other obligations or liabilities which are required by GAAP to be shown as debt on the balance sheet of such Person. Unless otherwise indicated, the term “Additional Indebtedness” shall include all Indebtedness of Borrower and its subsidiaries.

“**Affiliate**” of a Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person’s senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person’s managers and members.

“**Balance Due**” means the product of the corresponding percentage indicated on the Balance Due Rider, which is attached as Rider No. 2 to the applicable Loan Schedule, for the Basic Loan Payment date immediately preceding the date that the event which caused the Event of Default occurred, multiplied by the total principal amount borrowed by Borrower under such Loan Schedule.

“**Cash Equivalents**” means the sum outstanding, at any one time, of (i) all cash (in United States dollars) owned by Borrower at such time plus (ii) the fair market value of all cash equivalents and short term investments (as those terms are defined by GAAP) owned by Borrower at such time.

“**Change in Control**” means (i) a change in the majority interest or control of ownership of the Borrower in any one transaction or series of related transactions, or (ii) a sale, assignment, or acquisition of all, or substantially all, of the property of Borrower by merger, consolidation or purchase; provided that in no event shall the occurrence of a Qualified Public Offering constitute a Change in Control.

“**Collateral**” shall mean all personal property and fixtures of the Borrower, including, but not limited to all of the Receivables, Payments, accounts, the Deposit Account or Accounts, contract rights, instruments, documents, chattel paper (including tangible and electronic chattel paper), payment intangibles, commercial tort claims, health-care-insurance receivables, instruments, investment property, supporting obligations and general intangibles now owned or hereafter acquired by the Borrower and all goods, equipment, general intangibles and property of the Borrower described below which is now owned or hereafter acquired by the Borrower, wherever located; all deposit accounts (including all signature cards, account agreements and other documents relating to deposit accounts) and other obligations or indebtedness owed to the Borrower from whatever source arising; letter of credit rights; all rights of the Borrower to receive any payment in money or kind; all Inventory; all Equipment; all of the Borrower’s rights as an unpaid seller, including stoppage in transit, detinue and reclamation; all guarantees, or other agreements or property securing or relating to any of the items referred to above, or acquired for the purpose of

securing and enforcing any of such items; all books of account and documents related thereto; all customer lists and other documents containing the names, addresses and other information regarding the Borrower's customers, subscribers or those to whom the Borrower provides any services; computer tapes, programs, discs and other material, media or documents relating to the recording, billing or analyzing of any of the above; all computers, word processors, printers, switches, interfaces, source codes, mask works, software, web servers, website service contracts, internet connection contract or line lease, website hosting service contract, website license agreements, back-up copies of website content, contracts with website advertisers, scripts, codes or Active X controls, technology escrow agreements, website content development agreements, all rights, of whatever form, in and to instructional material, and connectors and all parts, accessories, additions, substitutions, or options together with all property or equipment used in connection with any of the above or which are used to operate or cause to operate any features, special applications, format controls, options or software of any or all of the above-mentioned items; whether now owned or existing or hereafter acquired or arising, contractual rights, literary rights, all amounts received as an award in or settlement of a suit in damages, proceeds of loans, interests in joint ventures or general or limited partnerships, the sale by the Borrower of any of the foregoing and all proceeds (cash and non-cash) of the foregoing; proceeds of property received wholly or partly in trade or exchange for the Collateral and all rents, revenues, issues, profits and proceeds in any form, including cash, insurance proceeds, distributions on stock, negotiable instruments and other evidences of indebtedness, chattel paper, security agreements and other documents arising from the sale, lease, license, encumbrance, collection of, or any other temporary or permanent disposition of, the Collateral or any interest therein. **Notwithstanding anything in this Agreement or any other Debt Document to the contrary, the term Collateral shall not include any Intellectual Property of Borrower (the "Excluded Property"); provided, however, the Collateral shall include all accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any of the foregoing Intellectual Property, ("Rights to Payments")**. Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying intellectual property herein described, is necessary to have a security interest in the Rights to Payment, then the Collateral shall automatically, and effective as of the date of the Agreement, include the intellectual property to the extent necessary to permit perfection of Lender's security interest in the Rights to Payment. The Lender may at any time and from time to time file, pursuant to the provisions of this Agreement, financing and continuation statements and amendments thereto reflecting the same.

**"Deposit Account"** means a demand, time, savings, passbook, or similar account maintained with a bank.

**"Equipment"** shall mean (a) all goods and equipment of the Borrower of every type and description, now owned and hereafter acquired and wherever located, including, without limitation, all imbedded software, machinery, motor vehicles and other rolling stock, furniture, furnishings, tools, dies, fittings, accessories, all substitutions therefore, leasehold improvements, fixtures, and materials and supplies relating to any of the foregoing; (b) all present and future documents of title and trust receipts relating to any of the foregoing; (c) all present and future rights, claims and causes of action of Borrower in connection with purchases of (or contracts for the purchase of), or warranties relating to, or damages to, goods held or to be held by the Borrower as equipment; (d) all present and future warranties, manuals and other written materials (and packaging thereof or relating thereto) relating to any of the foregoing; and (e) all present and future general intangibles of the Borrower in any way relating to any of the foregoing.

**“Intellectual Property”** shall mean (a) all of the Borrower’s right, title and interest, whether now owned or existing or hereafter acquired or arising, in and to all domestic and foreign copyrights, copyright registrations and copyright applications, whether or not registered or filed with any governmental authority, together with (i) all renewals thereof, (ii) all present and future rights of the Borrower under all present and future license agreements relating thereto, whether the Borrower is licensee or licensor thereunder, (iii) all income, royalties, damages and payments now or hereafter due and/or payable to the Borrower thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) all of the Borrower’s present and future claims, causes of action and rights to sue for past, present or future infringements thereof, and (v) all rights corresponding thereto throughout the world (collectively **“Copyright Rights”**); (b) all of the Borrower’s right, title and interest, whether now owned or existing or hereafter acquired or arising, in and to all United States and foreign patents, and pending and abandoned United States and foreign patent applications, including, without limitation, the inventions and improvements described or claimed therein, together with (i) any reissues, divisions, continuations, certificates of re-examination, extensions and continuations-in-part thereof, (ii) all present and future rights of the Borrower under all present and future license agreements relating thereto, whether the Borrower is licensee or licensor thereunder, (iii) all income, royalties, damages and payments now or hereafter due and/or payable to the Borrower thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) all of the Borrower’s present and future claims, causes of action and rights to sue for past, present or future infringements thereof, and (v) all rights corresponding thereto throughout the world (collectively **“Patent Rights”**); (c) all of the Borrower’s right, title and interest, whether now owned or existing or hereafter acquired or arising, in and to all domestic and foreign trademarks, trademark registrations, trademark applications and trade names, whether or not registered or filed with any governmental authority, together with (i) all renewals thereof, (ii) all present and future rights of the Borrower under all present and future license agreements relating thereto, whether the Borrower is licensee or licensor thereunder, (iii) all income, royalties, damages and payments now or hereafter due and/or payable to the Borrower thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) all of the Borrower’s present and future claims, causes of action and rights to sue for past, present or future infringements thereof, and (v) all rights corresponding thereto throughout the world (collectively **“Trademark Rights”**); (d) all present and future licenses and license agreements of the Borrower, and all rights of the Borrower under or in connection therewith, whether the Borrower is licensee or licensor thereunder, including, without limitation, any present or future franchise agreements under which the Borrower is franchisee or franchisor, together with (i) all renewals thereof, (ii) all income, royalties, damages and payments now or hereafter due and/or payable to the Borrower thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iii) all claims, causes of action and rights to sue for past, present or future infringements thereof, and (iv) all rights corresponding thereto throughout the world (collectively **“License Rights”**); (e) all present and future trade secrets of the Borrower; and (f) all other present and future intellectual property of the Borrower.

**“Inventory”** shall mean and include (a) all goods now owned or hereafter acquired by the Borrower, which are held for sale or lease by the Borrower or are furnished or to be furnished by the Borrower under contracts of service; (b) all raw materials, work in process, finished goods, packaging materials, and other materials and supplies of every kind used or consumed in connection with the manufacture, production, packing, shipping, advertising or sale of such goods; (c) all proceeds and products from the sale or other disposition of such goods, including all goods returned, repossessed, or acquired by the Borrower by way of substitution or replacement, and all



additions and accessions thereto, and all documents and instruments (as those terms are defined in the Uniform Commercial Code) covering such goods; (d) all the Borrower's rights as an unpaid seller, including stoppage in transit, detainee and reclamation; and (e) all of the above owned by the Borrower or in which the Borrower now has or in which the Borrower may hereafter acquire an interest, whether in transit or in the Borrower's constructive or actual possession or held by the Borrower or others for the Borrower's account (including any of the above held on consignment), including, without limitation, all of the above which may be located on the Borrower's premises or upon the premises of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents, finishers, converters or other third parties who may have possession, temporary or otherwise, thereof.

**"Investment"** means the purchase or acquisition of any capital stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or the extension of any advance, loan, extension of credit or capital contribution to, or any other investment in, or deposit with, any Person.

**"Lien(s)"** shall mean any mortgage, pledge, deed of trust, assignment, security interest, encumbrance, hypothecation, lien, or charge of any kind (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

**"Payment"** or **"Payments"** shall mean any check, draft, cash or any other remittance or credit in payment or on account of any or all of the Receivables and the cash proceeds of any returned, rejected or repossessed goods, the sale or lease of which gave rise to a Receivable.

**"Permitted Indebtedness"** means and includes: (i) Indebtedness of Borrower to Lender; (ii) Additional Indebtedness arising from the endorsement of instruments in the ordinary course of business; (iii) Additional Indebtedness existing on the date hereof and set forth in Schedule B; (iv) Subordinated Indebtedness; (v) Additional Indebtedness not to exceed \$50,000 in the aggregate in any fiscal year of Borrower secured by Liens described in clause "(v)" of the definition of Permitted Liens, provided such Additional Indebtedness does not exceed the cost of the Equipment financed with such Additional Indebtedness; (vi) other Additional Indebtedness not otherwise permitted by Section 4(c) not exceeding \$100,000 in the aggregate at any time; (vii) Additional Indebtedness with respect to surety bonds and like obligations with respect to performance contracts in the ordinary course of business; (viii) Additional Indebtedness of Borrower to any subsidiary of Borrower so long as the terms thereof do not require Borrower to pay more than \$50,000 in aggregate amount in any fiscal year to its subsidiaries; (ix) Additional Indebtedness with respect to surety, appeal, indemnity, bid, performance, warranty, release or other similar bonds or letters of credit for operating purposes and completion guarantees, in each case in the ordinary course of business; (x) Additional Indebtedness owed to any Person (including obligations in respect of letters of credit for the benefit of such Person) providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business; (xi) Additional Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is promptly extinguished; (xii) Additional Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business; (xiii) Indebtedness arising from customary cash management services or in connection with any

automated clearinghouse transfer of funds in the ordinary course of business; (xiv) Indebtedness consisting of the financing of insurance premiums or take or pay obligations contained in supply arrangements, in each case, entered into in the ordinary course of business; and (xv) the extension, renewal or refinancing of the Additional Indebtedness described above so long as it constitutes Permitted Indebtedness, but the then outstanding principal amount of the Additional Indebtedness may not increase or the terms modified to impose materially more burdensome terms upon the Borrower.

**“Permitted Investments”** means and includes any of the following Investments as to which Lender has a perfected security interest: (a) Deposits and deposit accounts with commercial banks organized under the laws of the United States or a state thereof to the extent: (i) the deposit accounts of each such institution are insured by the Federal Deposit Insurance Corporation up to the legal limit; and (ii) each such institution has an aggregate capital and surplus of not less than One Hundred Million Dollars (\$100,000,000); (b) Investments in marketable obligations issued or fully guaranteed by the United States and maturing not more than one (1) year from the date of issuance; (c) Investments in open market commercial paper rated at least “A1” or “P1” or higher by a national credit rating agency and maturing not more than one (1) year from the creation thereof; (d) Investments pursuant to or arising under currency agreements or interest rate agreements entered into in the ordinary course of business; (e) investments in joint ventures, strategic alliances, licensing and similar arrangements customary in Borrower’s industry and which do not require Borrower to assume or otherwise become liable for the obligations of any third party not directly related to or arising out of such arrangement; (f) any Investments permitted by Borrower’s investment policy as of the date hereof, as amended from time to time, provided that any such amendment thereto has been approved by Lender; and (g) other Investments in an aggregate amount not to exceed \$100,000 in any fiscal year of Borrower.

**“Permitted Liens”** means (i) Lender’s Lien; (ii) liens existing on the date of this Loan Agreement and described on Schedule B so long as such liens are or shall be subordinate to Lender’s Lien or, in Lender’s reasonable opinion, do not impact Lender rights to the Collateral; (iii) liens representing any interest or title of a licensor, lessor or sublicensor or sublessor under any lease or license permitted by this Agreement; (iii) liens for current taxes or other governmental or regulatory assessments which are not delinquent, (subject to permitted extensions), or which are contested in good faith by the appropriate procedures and for which appropriate reserves are maintained; (iv) bankers’ liens, rights of setoff and similar liens incurred on deposits made in the ordinary course of business as long as an account control agreement (or equivalent) for each account in which such deposits are held in a form acceptable to Lender has been executed and delivered to Lender; (v) Liens not to exceed \$50,000 in the aggregate in any fiscal year (A) upon or in any Equipment acquired or held by Debtor to secure the purchase price of such Equipment or Additional Indebtedness incurred solely for the purpose of financing the acquisition or lease of such Equipment, or (B) existing on such Equipment at the time of its acquisition provided that the Lien is confined solely to the Equipment so acquired and improvements thereon and the proceeds of such Equipment, (vi) materialmen’s, mechanics’, repairmen’s, employees’, carriers’, warehousemen’s or other like liens arising in the ordinary course of business and which are not delinquent for more than forty-five (45) days or are being contested in good faith by appropriate proceedings, provided that all such liens listed in this subsection (vi) shall never secure more than \$100,000 in the aggregate annually; (vii) liens on deposits in the ordinary course of business to secure liabilities to insurance carriers, lessors, utilities and other service providers; (viii) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and (ix) other liens securing indebtedness in an amount not in excess of \$100,000 in the aggregate at any one time.

**“Person”** is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

**“Qualified Public Offering”** shall mean an initial public offering of the equity interests of the Borrower which generates cash proceeds of at least \$30,000,000.

**“Receivables”** shall mean in addition to the definition of account as contained in the Uniform Commercial Code (a) all of the Borrower’s present and future accounts, contract rights, receivables, promissory notes and other instruments, chattel paper (including tangible and electronic chattel paper), tax refunds, general intangibles (excluding the Intellectual Property) and all rights to receive the Payments including the payment of money or other consideration under present or future contracts including, without limitation; (b) all present and future cash of the Borrower; (c) all present and future judgments, orders, awards and decrees in favor of the Borrower and causes of action in favor of the Borrower; (d) all present and future contingent and non-contingent rights of the Borrower to the payment of money for any reason whatsoever, whether arising in contract, tort or otherwise including, without limitation, all rights to receive payments under presently existing or hereafter acquired or created letters of credit; (e) all present and future claims, rights of indemnification and other rights of the Borrower under or in connection with any contracts or agreements to which the Borrower is or becomes a party or third party beneficiary; (f) all goods previously or hereafter returned, repossessed or stopped in transit, the sale, lease or other disposition of which contributed to the creation of any account, instrument or chattel paper of the Borrower; (g) all present and future rights of the Borrower as an unpaid seller of goods, including rights of stoppage in transit, detainee and reclamation; (h) all rights which the Borrower may now or at any time hereafter have, by law or agreement, against any Account Debtor or other obligor of the Borrower, and all rights, liens and security interests which the Borrower may now or at any time hereafter have, by law or agreement, against any property of any Account Debtor or other obligor of the Borrower; (i) all invoices and shipping documents; and (j) all present and future interests and rights of the Borrower, including rights to the payment of money, under or in connection with all present and future leases and subleases of real or personal property to which the Borrower is a party, as lessor, sublessor, lessee or sublessee; and (k) all receivables due to Borrower related to the sale of Borrower’s software products, or the provision by Borrower of services related to its software products.

**“Subordinated Indebtedness”** means Additional Indebtedness subordinated to the Indebtedness on terms and conditions acceptable to Lender in its sole discretion.

**IN WITNESS WHEREOF**, Borrower and Lender, intending to be legally bound hereby, have duly executed this Agreement in one or more counterparts, each of which shall be deemed to be an original, as of the day and year first aforesaid.

LENDER:

BORROWER:

**ATEL VENTURES, INC.**

**CYTOMX THERAPEUTICS, INC.**

By: /s/ Paritosh K. Choksi

By: /s/ Fletcher Payne

Name: Paritosh K. Choksi

Name: Fletcher Payne

Title: Executive Vice President

Title: CFO

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**SCHEDULE A**

**(Collateral Locations)**

**SCHEDULE B**

**(Permitted Indebtedness)**

**(Permitted Liens)**

SCHEDULE C

COUNTERPART NO. OF MANUALLY EXECUTED COUNTERPARTS. ONLY THE MANUALLY EXECUTED COUNTERPART NUMBERED "1" SHALL BE DEEMED "CHATTEL PAPER" AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AND IS SUFFICIENT TO TRANSFER LENDER'S INTEREST, OR TO GRANT A SECURITY INTEREST HEREIN.

LOAN SCHEDULE NO. to  
MASTER LOAN AND SECURITY AGREEMENT NO. CYTOY (the "Loan")  
dated as of December , 2013 by and between  
ATEL VENTURES, INC. ("Lender") and CYTOMX THERAPEUTICS, INC. ("Borrower")

1. **Collateral Description:** [See Rider 1 hereto]
2. **Amount of Advance:** \$3,000,000.
3. **Collateral Locations:** See Schedule A to the Master Loan and Security Agreement
4. **Commencement Date:** The Commencement Date shall be the first day of the calendar month following the Advance Date of the Loan, or if the Advance Date is the first day of the calendar month, on such day, [ , 2013.
5. **Advance Date:** the date indicated on the Request for Advance as the Advance Date, [ , 2013
6. **Basic Loan Term:** 42 months
7. **Basic Loan Payment:** In advance, \$81,588.00 per month. The first and last Basic Loan Payments shall be due on the Commencement Date, and at Lender's option, may be deducted from the Advance funded on the Advance Date.
8. **Loan Rate Factor:** The Basic Loan Payment is conditional upon Lender financing the amount of the Advance indicated above. Lender and Borrower agree that the Basic Loan Payment described herein is based on a Loan Rate Factor of 2.7196% which equates to \$27.196 for each full \$1,000 of the Advance. Lender and Borrower further agree that the Basic Loan Payment and Loan Rate Factor described herein may be adjusted in accordance with the provisions of Section 1(c) of the Master Loan and Security Agreement.
9. **Riders:** Rider No. 2 to the Loan Schedule – Balance Due Value is incorporated herein by reference.
10. **Loan Agreement:** All of the terms, covenants and conditions set forth in the Master Loan and Security Agreement are incorporated herein by reference as if the same had been set forth herein in full.
11. **End-of-Loan Requirement:** At the expiration of the Basic Loan Term of this Loan, Borrower shall make a final payment equal to six and one half percent (6.5%) of the original amount of the Advance set forth on this Loan Schedule.

Lender shall provide a **Notification of Schedule Adjustment** to Borrower should the Basic Loan Payment be adjusted as provided for in Paragraph 8 above.

ATEL VENTURES, INC.

CYTOMX THERAPEUTICS, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER NO. 1**  
**TO LOAN SCHEDULE NO. [ ]**  
**TO MASTER LOAN AND SECURITY AGREEMENT NO. CYTOY**  
**dated as of December , 2013 (the "Loan") between**  
**ATEL VENTURES, INC. as Lender and CYTOMX THERAPEUTICS, INC., as Borrower**

**"Collateral"** shall mean all personal property and fixtures of the Borrower, including, but not limited to all of the Receivables, Payments, accounts, the Deposit Account or Accounts, contract rights, instruments, documents, chattel paper (including tangible and electronic chattel paper), payment intangibles, commercial tort claims, health-care-insurance receivables, instruments, investment property, supporting obligations and general intangibles now owned or hereafter acquired by the Borrower and all goods, equipment, general intangibles and property of the Borrower described below which is now owned or hereafter acquired by the Borrower, wherever located; all deposit accounts (including all signature cards, account agreements and other documents relating to deposit accounts) and other obligations or indebtedness owed to the Borrower from whatever source arising; letter of credit rights; all rights of the Borrower to receive any payment in money or kind; all Inventory; all Equipment; all of the Borrower's rights as an unpaid seller, including stoppage in transit, detinue and reclamation; all guarantees, or other agreements or property securing or relating to any of the items referred to above, or acquired for the purpose of securing and enforcing any of such items; all books of account and documents related thereto; all customer lists and other documents containing the names, addresses and other information regarding the Borrower's customers, subscribers or those to whom the Borrower provides any services; computer tapes, programs, discs and other material, media or documents relating to the recording, billing or analyzing of any of the above; all computers, word processors, printers, switches, interfaces, source codes, mask works, software, web servers, website service contracts, internet connection contract or line lease, website hosting service contract, website license agreements, back-up copies of website content, contracts with website advertisers, scripts, codes or Active X controls, technology escrow agreements, website content development agreements, all rights, of whatever form, in and to instructional material, and connectors and all parts, accessories, additions, substitutions, or options together with all property or equipment used in connection with any of the above or which are used to operate or cause to operate any features, special applications, format controls, options or software of any or all of the above-mentioned items; whether now owned or existing or hereafter acquired or arising, contractual rights, literary rights, all amounts received as an award in or settlement of a suit in damages, proceeds of loans, interests in joint ventures or general or limited partnerships, the sale by the Borrower of any of the foregoing and all proceeds (cash and non-cash) of the foregoing; proceeds of property received wholly or partly in trade or exchange for the Collateral and all rents, revenues, issues, profits and proceeds in any form, including cash, insurance proceeds, distributions on stock, negotiable instruments and other evidences of indebtedness, chattel paper, security agreements and other documents arising from the sale, lease, license, encumbrance, collection of, or any other temporary or permanent disposition of, the Collateral or any interest therein. **Notwithstanding anything in this Agreement or any other Debt Document to the contrary, the term Collateral shall not include any Intellectual Property of Borrower (the "Excluded Property"); provided, however, the Collateral shall include all accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any of the foregoing Intellectual Property, ("Rights to Payments")**. Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying intellectual property herein described, is necessary to have a security interest in the Rights to Payment, then the Collateral shall automatically, and effective as of the date of the Agreement, include the intellectual property to the extent necessary to permit perfection of Lender's security interest in the Rights to Payment. The Lender may at any time and from time to time file, pursuant to the provisions of this Agreement, financing and continuation statements and amendments thereto reflecting the same.



**RIDER NO. 2**  
**TO LOAN SCHEDULE NO. [     ]**  
**TO MASTER LOAN AND SECURITY AGREEMENT NO. CYTOY**  
**dated as of December     , 2013 (the "Loan") between**  
**ATEL VENTURES, INC. as Lender and CYTOMX THERAPEUTICS, INC., as Borrower**

**Balance Due Value:** means the product of the corresponding percentage indicated below, for the Basic Loan Payment date immediately preceding the date that the event which caused an Event of Default or Prepayment occurred times the original amount of the Working Capital Line in the event of an Event of Default or Prepayment.

<b>Period</b>	<b>Balance Due Value For Events of Loss or Event of Default (stated as a percentage of Cost)</b>
After Payment Period No. 1	114.56%
2	111.88%
3	109.19%
4	106.50%
5	103.81%
6	101.12%
7	98.43%
8	95.74%
9	93.05%
10	90.36%
11	87.66%
12	84.97%
13	82.28%
14	79.58%
15	76.88%
16	74.19%
17	71.49%
18	68.79%
19	66.09%
20	63.39%
21	60.69%
22	57.99%
23	55.28%
24	52.58%
25	49.88%
26	47.17%
27	44.47%
28	41.76%
29	39.05%
30	36.34%
31	33.63%
32	30.92%
33	28.21%

34	25.50%
35	22.79%
36	20.08%
37	17.36%
38	14.65%
39	11.93%
40	9.22%
41	6.50%
42	6.50%

Balance Due Values are in addition to payment(s) due during the referenced period.

**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**[SCHEDULE D]**  
**MASTER LOAN AND SECURITY AGREEMENT NO. CYTOY (the "Loan")**  
**dated as of December , 2013, by and between**  
**ATEL VENTURES, INC. (the "Lender") and CYTOMX THERAPEUTICS, INC. (the "Borrower")**  
**REQUEST FOR ADVANCE No. -**

**WHEREAS, CYTOMX THERAPEUTICS, INC.** ("Borrower") will execute a Loan Schedule [No. ] to a certain Master Loan and Security Agreement No. CYTOY dated December , 2013, (the Loan Schedule, as it incorporates or will incorporate the term of the Loan Agreement, hereinafter referred to as the "Loan") between itself and **ATEL VENTURES, INC.** ("Lender"), and

**WHEREAS,** said Loan Schedule lists or will list certain Collateral more fully described on Rider 1 hereto ("Collateral");

**NOW, THEREFORE,** (i) Borrower requests that Lender make an Advance to Borrower equal to \$3,000,000.00. The date of any such payment shall be set forth below and known as the "Advance Date". Borrower agrees that Lender may fill in the Advance Date below on the date such Advance is made.

Borrower agrees that pursuant to the terms of the Loan, the Daily Loan Payment is \$ which will be multiplied by the number of days from (and including) the Advance Date to (but not including) the Commencement Date of the Loan Schedule and shall be due and payable on the Commencement Date and such Daily Loan Payment is due without right of deduction, offset, abatement, defense, counterclaim or demand whatsoever. The Basic Loan Payment hereunder is \$ per month, and is due monthly in advance without right of deduction, offset, abatement, defense, counterclaim or demand whatsoever on the Commencement Date and on the first day of each month thereafter for 42months.

Borrower confirms that the Collateral is insured with the Lender designated as Loss Payee/Additional Insured.

Borrower confirms having made for its own records a copy of this Request for Advance contemporaneously with its execution.

**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Advance Date: \_\_\_\_\_

**[SCHEDULE E]**  
**CYTOMX THERAPEUTICS, INC.**  
**CERTIFICATE OF SECRETARY**  
**December     , 2013**

The undersigned, Fletcher Payne, does hereby certify that he is the duly elected and qualified Secretary of CytomX Therapeutics, Inc., a Delaware corporation (the "Company"), and that pursuant to Section 1(b) of that certain Master Loan and Security Agreement dated as of December     , 2013, by and between the Company and ATEL Ventures, Inc. (the "Agreement"):

1. Attached hereto as Exhibit A is a true and complete copy of the Amended and Restated Certificate of Incorporation of the Company, as amended to date, as filed with the Secretary of State of the State of Delaware, which is in full force and effect as of the date hereof.

2. Attached hereto as Exhibit B is a true and complete copy of the Bylaws of the Company, as amended to date, which are in full force and effect as of the date hereof.

3. Attached hereto as Exhibit C is a true and complete copy of the resolutions duly adopted by the Board of Directors of the Company on December     , 2013 authorizing the Agreement, the execution, delivery and performance of the Agreement and all ancillary agreements and the taking of all action required thereunder or in connection therewith. Such resolutions have not been modified, rescinded or amended since their adoption and are in full force and effect as of the date hereof.

4. Each of the persons listed below has been duly elected to and now holds the office(s) of the Company set forth opposite his name and is currently serving in such capacity(ies), and the signature of each such person set forth opposite his or her name is his true and genuine signature:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Hoyoung Huh	Chairman of the Board	_____
Sean McCarthy	Chief Executive Officer and Assistant Secretary	_____
Fletcher Payne	Chief Financial Officer and Secretary	_____

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement. The foregoing shall be deemed to be the representations of the Company and not of the undersigned personally.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Secretary as of the date first above written.

By: \_\_\_\_\_

Fletcher Payne  
*Secretary*

[SCHEDULE F]

INSURANCE VERIFICATION

TO: \_\_\_\_\_  
Insurance Company  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Agent's Name  
\_\_\_\_\_  
Phone Number

Gentlemen:

Under the term of our Loan Agreement, we hereby request that a Memorandum or Certificate of Insurance be issued as follows:

- 1. **Liability Policy: "ATEL VENTURES, INC. (ATEL) and ITS ASSIGNEES" to be named as an "ADDITIONAL INSURED" party.**
  - [a] Named Additional Insured: ATEL VENTURES, INC. and its Assignees
  - [b] Minimum Insured Value: [\$3,000,000]
  
- 2. **Physical Damage or Loss Policy: "ATEL and ITS ASSIGNEES" to be named as a "LOSS PAYEE" and**
  - [a] Loss Payee, as interest may appear: ATEL VENTURES, INC. and its Assignees
  - [b] Minimum Insured Value: [\$        ]

**THIRTY (30) DAY NOTICE OF CANCELLATION OR CHANGE IN POLICY MUST BE GIVEN**

This insurance coverage is mandatory to consummate this loan transaction. Please mail one copy of the Memorandum or Certificate of Insurance to ATEL and one to the additional insured/Loss Payee.

Your immediate implementation of this instrument would be appreciated. Should you have any questions, please contact ATEL (415) 989-8800.

The undersigned authorizes ATEL, its assignees, or the Loss Payee to coordinate insurance coverage requirement with our agents.

**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

RETURN TO  
ATEL VENTURES, INC.  
600 Montgomery Street, 9th Floor  
San Francisco, CA 94111-2711

[SCHEDULE G]

NOTICE AND ACKNOWLEDGMENT OF ASSIGNMENT

Reference is hereby made to Master Loan and Security Agreement No. CYTOY, dated as of December , 2013, and to Loan Schedule No. thereto, dated as of , between ATEL VENTURES, INC., as Lender ("Lender") and CYTOMX THERAPEUTICS, INC. as Borrower ("Borrower") (the Loan Schedule and the Master Loan and Security Agreement as it is incorporated in the Loan Schedule, and any and all other documentation relating to the transaction contemplated thereby is hereinafter referred to as the "Loan".)

Lender hereby gives Borrower notice and Borrower hereby acknowledges receipt of notice that Lender has assigned to whose offices are at ("Assignee") all of its rights, but none of its obligations, in the Loan and the Collateral financed thereunder ("Collateral ") [as security for a loan made or about to be made by Assignee to Assignor]. Borrower agrees to make payment of any and all monies due or to become due Assignor thereunder to Assignee until Assignee instructs Borrower otherwise in writing.

In recognition of Assignee's reliance upon this Notice and Acknowledgment of Assignment in agreeing make a loan secured by the Collateral subject to the Loan and in consideration of Assignee's agreement to not interfere with Borrower's quiet possession of the Collateral subject to the terms of the Loan, Borrower certifies, confirms and agrees as follows:

1. That the Borrower will not assert against Assignee any defense, claim, counterclaim, recoupment, setoff, or right to cancel or terminate the Loan which Borrower may have against Assignor. Borrower agrees that it will pay to Assignee all monies due or to become due under the Loan without regard to any such defense, claim, counterclaim, recoupment, set-off or right whether arising under this Loan or any other transaction or otherwise and will not seek to recover any part of the same from Assignee, provided that Borrower shall not be obligated to make any payment or perform any obligation under the Loan in favor of Assignee if, when no Event of Default shall have occurred and be continuing and has not been cured to the satisfaction of Lender, Assignee interferes with Borrower's right to quiet enjoyment of the Collateral. [Notwithstanding the foregoing, nothing herein shall be deemed to relieve Assignor of any of its obligations to Borrower under the Loan.]

2. That the Collateral is in Borrower's possession at the address specified in the Loan Schedule, that the Collateral has been inspected by duly authorized representatives of Borrower and has been fully and finally accepted by duly authorized representatives of Borrower as the Collateral under the Loan and found to be in good working order and suitable for the Borrower's purposes in all respects.

3. That the Loan is in full force and effect and that any modification, amendment or supplement to the Loan has been approved by Assignee. Any future modification, termination, amendment or supplement to the Loan or settlement of amounts due thereunder shall be ineffective without Assignee's prior written consent, which will not be unreasonably withheld or delayed.

4. That neither Borrower nor, to Borrower's knowledge, Assignor has breached the Loan in any respect and that payments of any and all monies due under the Loan have been and will continue to be paid in strict accordance with the terms of the Loan. As of , 2 , there are successive loan payments of \$ each due under the Loan.

5. [Borrower acknowledges that Assignee has not assumed any of the obligations of Assignor or any other party under the terms of the Loan, and Assignee shall not be responsible in any way for the performance by Assignor or any other party of the terms and conditions of the Loan. Further, ]Assignor hereby notifies Borrower and Borrower acknowledges that Assignee is entitled to the benefits of each and every right accorded Assignor in the Loan, including but not limited to remedies, inspection rights, indemnity rights, right to give consent, right to receive payment of costs and expenses incurred in exercising rights and remedies under the Loan, including reasonable attorney's fees, and the right to receive notices and other documents required to be furnished under the Loan.

6. That Borrower has received no notice of a prior sale, transfer, assignment, hypothecation or pledge of the Loan, the Loan Payment reserved thereunder or the Collateral. Borrower agrees to not enter into any assignment, sublease or other transfer of its rights, duties, obligations or interests in the Loan or Collateral except in accordance with the provisions of the Loan.

7. That Borrower is aware of no claim of any kind or nature in or to the Collateral, or of any lien thereon other than Assignor's interest, Permitted Liens and Borrower's rights thereto under the Loan, and that Borrower will keep the Loan and Collateral free and clear of all liens and encumbrances arising by, through, or from Borrower.

9. All representations and duties of Assignor intended to induce Borrower to enter into this Loan whether required by the Loan or otherwise, have been fulfilled.

ATEL VENTURES, INC.

CYTOMX THERAPEUTICS, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

[SCHEDULE H]

CONSENT TO REMOVAL OF COLLATERAL

The undersigned has an interest as owner in the following described real property, (the "Real Property"):

That certain real property located at 343 OYSTER POINT BLVD. S. SAN FRANCISCO CA.

**CYTOMX THERAPEUTICS, INC.**, as Borrower ("Borrower"), in order to obtain a loan, has entered into or will enter into Master Loan and Security Agreement No. CYTOY dated as of December , 2013 with ATEL VENTURES, INC., as Lender ("Lender"). The Master Loan and Security Agreement and related Loan Schedules which incorporate the terms and conditions of the Master Loan and Security Agreement (together, the "Loans"), are secured by a lien on certain equipment of Borrower (the "Collateral"), which is or will be located upon the Real Property, and is described as follows:

See attached Rider 1 which Rider 1 may be amended from time to time.

Lender, as a condition to entering into the Loans, requires that the undersigned landlord consent to the removal by Lender of the Collateral from the Real Property, no matter how it is affixed thereto, and to the other matters set forth below.

NOW, THEREFORE, for a good and sufficient consideration, receipt of which is hereby acknowledged, the undersigned consents to the placing of the Collateral on the Real Property, and agrees with Lender as follows:

1. The Collateral shall be considered to be personal property of Borrower and shall not be considered part of the Real Property regardless of whether or by what means it is or may become attached or affixed to the Real Property.
2. The undersigned has not and will not claim any interest in the Collateral. The undersigned waives any right of distraint, attachment or execution against the Collateral or any claim to the Collateral, statutory or otherwise, during the effectiveness of the Loans.
3. The undersigned will permit Lender or its successors and assigns or agents to enter upon the Real Property for the purpose of exercising any right it may have under the terms of the Loans or otherwise including, without limitation, the right to inspect and the right to remove the Collateral from the Real Property; provided, however, that if Lender, in removing the Collateral damages any improvements of the undersigned on the Real Property, Lender will at its expense, cause the same to be promptly repaired.
4. Prior to the undersigned taking any action to terminate the Real Property lease or to evict Borrower from the Real Property for breach of the Real Property lease, the undersigned shall give Lender not less than thirty (30) days' written notice of such action at the address set forth below, and a reasonable opportunity to preserve, protect, liquidate, or remove any Collateral on the Real Property.
5. This agreement shall be binding upon the heirs, successors and assignees of the undersigned.
6. This agreement may be executed in counterparts all of which together shall constitute the original.
7. This agreement shall be deemed to have been made under and shall be governed by the laws of the State of California in all respects, including matters of construction, validity and performance. At Lender's sole discretion, option and election, jurisdiction and venue for any legal action between the parties arising out of or relating to this Waiver shall be in the Superior Court of San Francisco County, California, or, in cases where federal diversity jurisdiction is available, in the United States District Court for the Northern District of California located in San Francisco, California. The prevailing party in any legal action under this agreement shall be entitled to recover reasonable attorneys' fees and costs from the losing party.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of «DATE».

«INSERT UNDERSIGNED\_NAME»

By: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

E-Mail: \_\_\_\_\_



Acknowledged and Agreed:

ATEL VENTURES, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

The foregoing Consent must be returned to:

ATEL Ventures, Inc.  
600 Montgomery Street, 9th Floor  
San Francisco, California 94111  
Attn: Kay Jones  
(415) 616-3440  
kjones@atel.com

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RIDER 1 TO  
CONSENT TO REMOVAL OF COLLATERAL

[SCHEDULE I]

WAIVER AGREEMENT

CYTOMX THERAPEUTICS, INC., (“Customer”) and «COMPANY\_NAME», (“Company”) entered into a dated as of , (“Agreement”) for the placement of certain Equipment, as defined below, at Company’s address at (the “Location”).

ATEL VENTURES, INC. (“ATEL”) has entered into a Master Loan and Security Agreement No. CYTOY with Customer dated as of December 2013, (the “Security Agreement”) covering the equipment described on Rider 1 hereto and any additions, accessions or replacements thereto (the “Collateral”).

ATEL, Company and Customer now desire to enter into this Waiver Agreement (“Waiver”) as of «DATE».

NOW, THEREFORE, notwithstanding anything to the contrary contained in this Waiver, Customer, Company and ATEL agree as follows:

1. Company shall have no right of bailment and Company shall not hold any or all of the Collateral in bailment.
2. The Collateral shall be considered to be personal property and shall not be considered part of any real property regardless of whether or by what means it is or may become attached or affixed to any real or other personal property.
3. Company has no, and will not claim any, interest in the Collateral.
4. Upon three days prior notice to Company, Company will permit ATEL to enter the Location for the purpose of inspecting or removing the Collateral, provided that ATEL indemnifies Company and holds it harmless from and against any other person, corporation or entity claiming to have any interest in the Collateral. Company agrees to such removal of the Collateral. If ATEL, in removing any of the Collateral damages any improvements of Company at the Location, ATEL will cause the same to be repaired at ATEL’s expense.
5. Company shall not remove any of the Collateral without ATEL’s prior written consent. Company shall notify ATEL within 10 days of any termination or expiration of the Agreement and permit ATEL to remove the Collateral as described in Section 4 above.
6. All notices hereunder shall be sent by reliable, overnight messenger, with proof of delivery. The terms of this Waiver shall be binding on the heirs, successors and assigns of each party. Customer may not assign the Agreement without ATEL’s prior written consent. Company may assign the Agreement with prior written notice to ATEL.
7. Company and Customer shall not amend the Agreement without prior written notice to ATEL.
8. This Waiver may only be modified by a writing signed by an authorized representative of each party.
9. This Waiver may be executed in counterparts all of which together shall constitute the original.
10. In the event of any conflict between the terms of this Waiver and the Agreement, the terms of this Waiver shall prevail.
11. This Waiver shall be deemed to have been made under and shall be governed by the laws of the State of California in all respects, including matters of construction, validity and performance. At ATEL’s sole discretion, option and election, jurisdiction and venue for any legal action between the parties arising out of or relating to this Waiver shall be in the Superior Court of San Francisco County, California, or, in cases where federal diversity jurisdiction is available, in the United States District Court for the Northern District of California located in San Francisco, California. The prevailing party in any legal action under this Waiver shall be entitled to recover reasonable attorneys’ fees and costs from the losing party.

[signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Waiver Agreement.

Company:

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Notice Address: \_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_

ATEL VENTURES, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Notice Address: 600 Montgomery Street, 9th Floor  
San Francisco, CA 94111  
Attention: General Counsel  
Telephone: (415) 989-8800  
Fax: (415) 616-5555

Customer:

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Notice Address: \_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_

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RIDER NO. 1 TO  
WAIVER AGREEMENT

[SCHEDULE J]

BAILEE WAIVER AND AGREEMENT

This Bailee Waiver and Agreement (this "Agreement") is executed by the undersigned for the benefit of ATEL VENTURES, INC., as Lender (the "Lender") under the Loan Agreement defined below, effective as of «DATE», as follows:

**DEFINITIONS**

The following definitions shall apply throughout this Agreement:

"Lender" means ATEL VENTURES, INC., a California corporation with an office located at 600 Montgomery Street, 9th Floor, San Francisco, CA 94111, in its capacity as the Lender under the Loan Agreement, and its successors and assigns.

"Bailee" means the undersigned, and its successors and assigns.

"Borrower" means **CYTOMX THERAPEUTICS, INC.**, a Delaware corporation.

"Business Day" is any day that is not a Saturday, Sunday or a day on which banks are closed.

"Collateral" has the meaning specified in the Loan Agreement (including, without limitation, Borrower's accounts, payment intangibles and inventory, and other assets of the Borrower related thereto).

"Loan Agreement" means that certain Master Loan and Security Agreement No. CYTOY, dated as of December , 2013, among the Borrower, the Lender, and any amendment, restatement, supplement, or other modification thereof.

"Lender" means the Lender (as defined in the Loan Agreement) as a party to the Loan Agreement.

"Premises" collectively means any and all locations owned, leased, or otherwise controlled by the Bailee where any Property is located.

"Property" means, collectively, any and all property constituting Collateral (including, without limitation, inventory and books and records) now or hereafter owned by the Borrower and delivered by or on behalf of the Borrower to the Bailee pursuant to any bailment agreement, processing agreement, consignment, "sale or return" or similar agreement (regardless of when, or whether, title passes to the Bailee) or any other agreement, which at any time, from time to time, is stored on or otherwise located on the Premises for any purpose. "Property" also includes any and all proceeds of any of the foregoing, including, without limitation, all accounts, cash proceeds, or other property received upon sale or disposition thereof.

**RECITALS**

A. The Borrower and the Lender have entered into the Loan Agreement.

B. To secure the payment and performance of the Borrower's obligations under the Loan Agreement, the Borrower has granted to the Lender pursuant to the Loan Agreement, a continuing security interest and lien in (among other property) the Property.

C. The Borrower has delivered, and from time to time hereafter will deliver, to the Bailee the Property at the Premises.

D. In consideration of the Lender's agreement to provide credit to the Borrower under the Loan Agreement, the Lender has required that the Bailee enter into this Agreement with the Lender.

NOW THEREFORE, for value received, and for other good and valuable consideration, the receipt and adequacy of which hereby are acknowledged, the Bailee hereby agrees with the Lender, as follows:

1. **Notification and Acknowledgment.** The Lender hereby notifies the Bailee of the continuing security interest and lien of the Lender, in and to all of the Collateral, including all Property now or hereafter at any time in possession of the Bailee. The Bailee hereby acknowledges receipt of such notification. The Bailee hereby acknowledges and agrees that title to all Property now or hereafter received from the Borrower and held by the Bailee for processing, storing, or sale shall at all times remain with the Borrower, and the Bailee shall make no claim with respect thereto. The Bailee agrees, at the Borrower's expense, to execute in favor of the Lender, or join with the Borrower in the execution of, such documents, instruments, financing statements, certificates, and agreements as the Lender may reasonably request from the Bailee hereafter to evidence or give notice of such security interest.

2. **Waiver.** The Bailee hereby waives and releases any and all liens, security interests, or other interests, however arising, which the Bailee now has or may hereafter acquire with respect to any of the Property, and agrees that all possessory rights now or hereafter claimed by the Bailee with respect thereto are expressly subordinate and subject to the Lender's rights as provided herein.

3. **Directives.** Until receipt of further written notice from the Lender to the Bailee at the Bailee's address set forth in paragraph 10 ("Notices") below, the Bailee is hereby authorized to release Property in accordance with the Borrower's directions, provided, that upon written notice by the Lender to the Bailee, the Bailee shall not honor any directions by the Borrower and shall release Property only in accordance with the Lender's instructions.

4. **Rights of the Lender.** The Bailee agrees that the Lender, through its authorized representatives, may enter upon the Premises from time to time for the purpose of inspecting, repairing, removing, or conducting a sale or sales of any or all of the Property, and the Bailee shall not hinder or prevent the Lender from taking any such action. The Bailee further agrees that the Lender shall have no obligation or liability to the Bailee except for costs and expenses actually incurred by the Bailee to repair any damage to the Premises directly caused by the Lender or its authorized representatives in any such removal of the Property.

5. **Segregation.** The Bailee hereby agrees that the Property at all times will be kept segregated and apart from other property, if any, from time to time located on the Premises.

6. **Access; Charges.** Nothing contained in this agreement shall modify the obligation of the Borrower to pay charges and fees of the Bailee. The Bailee agrees to promptly notify the Lender if at any time any charges or fees owing from the Borrower become ninety (90) days past due. The Bailee agrees that upon receipt of such notice the Lender, at its option, may (a) maintain the Property at the Premises for a period of up to ninety (90) days, without charge other than reasonable and customary storage fees and charges accruing during such ninety (90) day period as may be mutually agreed to between the Bailee and the Lender, (b) enter the Premises during the Bailee's normal business hours, upon notice to the Bailee (or at such other mutually agreeable time as may be determined by the Lender and the Bailee) in order to remove the Property therefrom, without charge, other than accrued processing charges with respect to Property removed from the Premises by the Lender, and/or (c) require the Bailee to process or complete processing of any Property then or thereafter delivered to the Bailee, at a price mutually agreed to by the Lender and the Bailee. In any such event, the Bailee agrees to cooperate with the Lender and not to hinder the Lender's actions in enforcing its remedies with respect to the Property or any other Collateral (as defined in the Loan Agreement).

7. **Delivery of Proceeds to the Lender and the Lenders.** If from time to time the Bailee ever comes into possession or control of any identifiable cash proceeds arising from the sale of any of the Property, such proceeds shall be held by the Bailee in trust for the benefit of the Lender, and the same shall be paid and delivered to the Lender promptly after receipt by the Bailee.

8. **Notice of Default; Notice of Termination.** Prior to the Bailee's taking any action to terminate the agreements between the Bailee and the Borrower (the "Underlying Agreements") or to remove the Property (other than in accordance with the instructions of the Borrower in the ordinary course of business prior to the Bailee's receipt of a Notice) for breach of or default under any Underlying Agreement, the Bailee shall give the Lender not less than thirty (30) days' written notice of such action at the address set forth below, and a reasonable opportunity to preserve, protect, liquidate, or remove any Collateral from the Premises (but in no event to exceed the time period set forth in paragraph 6 hereof) and, if the Lender so elects, to cure such breach of or default under the Underlying Agreements. Notwithstanding the provisions of this paragraph, the Lender shall have no obligation to cure any such breach or default. The cure of any such breach or default by the Lender on any one occasion shall not obligate the Lender to cure any other breach or default or to cure such breach or default on any other occasion.

9. **Reliance by the Lender.** This Agreement is for the benefit of the Lender.

10. **Notices.** All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below.

Lender: ATEL VENTURES, INC.  
600 Montgomery Street, 9th. Floor  
San Francisco, CA 94111  
Attention: Kay B. Jones  
Fax: (415) 616-5555  
E-Mail: [kjones@atel.com](mailto:kjones@atel.com)  
Telephone: (415) 616-3440

Bailee: «INSERT BAILEE NAME»  
[\_\_\_\_\_  
[\_\_\_\_\_  
Attention: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-Mail: \_\_\_\_\_  
Telephone: \_\_\_\_\_

Borrower: CYTOMX THERAPEUTICS, INC.  
  
343 Oyster Point Blvd, Suite 100  
South San Francisco, CA 94080-1913  
Attn: Fletcher Payne, CFO  
Fax: (650) 351-0353  
E-Mail: [fpayne@cytomx.com](mailto:fpayne@cytomx.com)  
Telephone: 925-998-9845

Any party hereto shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other parties hereto of such new address at least thirty (30) days prior to the effective date of such new address.

11. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THIS AGREEMENT SHALL BE BINDING UPON THE BAILEE AND ITS SUCCESSORS AND ASSIGNS AND INURE TO THE BENEFIT OF THE LENDER AND ITS SUCCESSORS AND ASSIGNS.

12. This Agreement may be executed in counterparts all of which together shall constitute the original.

[signature pages follow]



IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date above first written.

**«INSERT BAILEE NAME», as Bailee**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATEL VENTURES, INC., as Lender**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**CYTOMX THERAPEUTICS, INC., as Borrower**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATEL VENTURES, INC.**  
**MASTER LOAN AND SECURITY AGREEMENT NO. CYTOX**  
**Dated as of May 31, 2012**

**Between**           **ATEL VENTURES, INC.**, a California corporation, as Lender ("**Lender**")

600 California Street, 6th Floor  
 San Francisco CA 94108-2733  
 Attention: General Counsel  
 Tel: (415) 989-8800 Fax: (415) 989-3796  
 Email: [avi@atel.com](mailto:avi@atel.com)

**And**                   **CYTOMX THERAPEUTICS, INC.**, a Delaware corporation, as Borrower ("**Borrower**")

650 Gateway Blvd., Suite 125  
 South San Francisco, CA 94080  
 Attention: Gregory Wilson, CFO  
 Tel: (650) 273-4617 Fax: (650) 351-0353  
 Email: [greg@cytomx.com](mailto:greg@cytomx.com)

NO INTEREST IN THE LOAN PAYMENT DUE OR THE RIGHTS OF THE LENDER UNDER ANY LOAN CAN BE TRANSFERRED BY THE DELIVERY OF POSSESSION OF ANY COUNTERPART OF THIS MASTER LOAN AND SECURITY AGREEMENT. SUCH AN INTEREST CAN BE TRANSFERRED ONLY BY DELIVERY OF POSSESSION OF THE ORIGINAL SIGNED COUNTERPART NO. 1 OF A LOAN SCHEDULE EXECUTED PURSUANT HERETO.

The parties of this Master Loan and Security Agreement ("Loan Agreement") hereto agree as follows:

**1. Loan:**

Lender agrees to loan to Borrower, and Borrower agrees to borrow from Lender, subject to satisfaction of the conditions set forth in Section 3 and any Loan Schedule, funds for the financing of Borrower's personal property described in any Loan Schedule (in each case, the "Collateral"). Any reference herein to a "Loan" shall mean any Loan Schedule, as it incorporates by reference all the terms and conditions of this Loan Agreement, the Requests for Advances, and any Exhibits, Riders, Supplements, amendments, or addendum thereto, if any, and such Loan Schedule, as it incorporates the terms and conditions of the Loan Agreement, is a separate and independent Loan.

**2. Definitions:**

(a) "Advance" means the Collateral Cost under any Request for Advance or Loan Schedule which is funded by the Lender.

(b) "Advance Date" means the date of any Advance as set forth on the applicable Request for Advance, which is made by Lender to Borrower or any Vendor as requested pursuant to any Request for Advance.

(c) "Assignee" has the meaning ascribed thereto in Section 11 hereof.

(d) "Balance Due Value" means the product of the corresponding percentage indicated on Rider No. 2 to the applicable Loan Schedule, for the Loan Payment date immediately preceding the date that the event which caused the Event of Loss or Event of Default occurred times the Collateral Cost of the item of Collateral suffering the Event of Loss, or of all Collateral subject to that Loan Schedule in the event of an Event of Default and Lender's decision to exercise its remedies.

(d) "Basic Loan Payment" means the amount indicated as the Basic Loan Payment, due monthly in advance or in arrears, as set forth in the applicable Request for Advance and Loan Schedule.

(e) "Basic Loan Term" means the initial term of any Loan, as indicated on the applicable Loan Schedule.

(f) "Borrower Reports" means any financial statements, projections, budget, business plan, private placement memorandum, due diligence materials, prospectus, registration statements, or any other materials prepared by Borrower and distributed to its investors, creditors, or Lender.

(g) "Business Day" means any day that is not a Saturday, Sunday or a day on which Lender is closed.

(h) "Change in Control" means a change in the majority interest or control of ownership of the Borrower in any one transaction or series of related transactions, or a sale, assignment, or acquisition of all, or substantially all, of the property of Borrower by merger, consolidation or purchase.

(i) "Collateral" means any lab equipment, manufacturing equipment, computer hardware such as PCs, servers, networking equipment, software, test equipment, telecom equipment, furniture and office equipment and includes Soft Collateral.

(j) "Collateral Cost" means the cost of the Collateral (including Soft Collateral) described in any Loan Schedule.

(k) "Commencement Date" means the first day of the calendar month following the Advance Date, as is indicated in the applicable Loan Schedule.

(l) "Daily Loan Payment" means the daily equivalent of the initial Basic Loan Payment which shall be due from the Advance Date to but excluding the Commencement Date during the Supplemental Loan Term.

(m) "Event of Default" means as defined in Section 9(a) hereof.

(n) "Event of Loss" means as defined in Section 8(a) hereof.

(o) "Final Payment" means the final payment due by Borrower hereunder, whether as Basic Loan Payment, balloon payment or other fixed payment, as provided in Section 14 hereof.

(p) "Guarantor" means a guarantor or surety of the obligations of the Borrower hereunder, if any.

(q) "Loan Payment" means Basic Loan Payment or Daily Loan Payment.

(r) "Loan Schedule" means a Loan Schedule substantially in the form of Addendum A hereto, executed pursuant to this Loan Agreement and "Loan Schedules" means all such Loan Schedules.

(s) "Loan Term" means the Basic Loan Term and any Supplemental Loan Term.

(t) "Permitted Liens" means (i) Lender's Lien; (ii) liens existing on the date of this Loan Agreement so long as such liens are or shall be subordinate to Lender's Lien or, in Lender's reasonable opinion, do not impact Lender rights to the Collateral; and (iii) other liens securing indebtedness in an amount not in excess of \$100,000 in the aggregate at any one time.

(u) "Proposal Letter" means any letter issued by Lender to Borrower describing the basic terms of a proposed loan financing. To the extent there is a conflict between the Proposal Letter and this Loan, the terms and conditions of this Loan shall govern.

(v) "Purchase Agreement" means the contract for sale entered into by the Borrower and the Vendor, and shall include any and all purchase orders, purchase agreements, invoices, and amendments to any of them.

(w) "Request for Advance" means the Request for Advance in the form of Addendum B hereto.

(x) "Soft Collateral" means certain custom use collateral, intangible personal property, warranty, service or other contract rights, taxes paid or prepaid, and other items generally considered fungible or expendable.

(y) "Supplemental Loan Term" means the period from the Advance Date to the Commencement Date.

(z) "UCC" means the Uniform Commercial Code as enacted in California.

(aa) "Vendor" means the manufacturer, distributor, or retailer of the Collateral.

### 3. Term of Loan and Conditions Precedent:

(a) Loan Term. The Loan Term, as to all Collateral designated on any Loan Schedule, shall include the Supplemental Loan Term commencing on the Advance Date for such Collateral to but excluding the Commencement Date, and shall continue for a Basic Loan Term equal to the initial period ending that number of months from the Commencement Date as is specified in the applicable Loan Schedule; provided, however, the Loan Term for each Advance made after the first Advance (each, a "Subsequent Advance") shall have a Loan Term coterminous with the Basic Loan Term of the first Advance until Borrower has successfully raised and funded a minimum of \$10,000,000 in additional equity financing ("Additional Financing"). The Loan Term of each Subsequent Advance shall extend to a full Basic Loan Term after the date of the Additional Financing.

(b) Procurement, Delivery, and Acceptance. Prior to any Advance Date, Borrower shall have ordered the personal property that will become Collateral from the Vendor pursuant to one or more Purchase Agreements. Borrower shall be solely responsible for the selection and ordering of the personal property that will become Collateral. Borrower may instruct or direct Lender, as its agent, to pay Vendor for the personal property that will become Collateral on Borrower's behalf or, Borrower upon proof or evidence of purchase, may request reimbursement by Lender for the personal property that will become Collateral previously purchased by Borrower. Collateral previously purchased shall be allowed to be financed. The advancement rate will be at invoice cost for Collateral purchased by Borrower 90 days or fewer before the Advance Date. Collateral purchased more than 90 days before the Advance Date shall be advanced at net book value based on three year straight line depreciation. Depreciation can be financed as Soft Collateral provided that the amount of such depreciation financed shall not exceed 30% of the outstanding balance of the Loan Line, subject to Section 3(c)(viii) below. The soft cost allocation can be used for sales tax, freight, installation costs, training, depreciation and assets of specific nature with undeterminable resale value.

(c) Obligation to Pay for Personal Property that Will Become Collateral. Borrower may request Advances for personal property that will become Collateral in an aggregate amount not to exceed \$2,000,000, (the "Loan Line"). Lender, at its discretion, which shall not be unreasonably withheld, shall advance such amounts to Borrower to purchase any Collateral once all conditions precedent set forth below have been satisfied and subject to the terms and conditions of this Loan Agreement: (i) with respect to each Advance, Lender and Borrower shall have entered into mutually acceptable loan documentation, including this Loan Agreement, the Loan Schedule, and other ancillary documents and instruments required by Lender, including sufficiently detailed invoices from the Vendor identifying the personal property that will become Collateral and Collateral Cost (which shall be Rider 1 to the Loan Schedule), corporate resolutions and incumbency certificates from Borrower (substantially in the form of Addendum C hereto), or other documents evidencing the Borrower's authority to execute and deliver the Loan, evidence of insurance and "Accord" certificate (pursuant to Insurance Verification substantially in the form of Addendum D hereto), appropriate waivers from all potential Collateral lien-holders (other than with respect to Permitted Liens), including any holders of prior liens on the Collateral, landlord and co-location facilities who control access to the Collateral (substantially in the form of Addenda F, G or H hereto, as applicable) (each a "Waiver"), and UCC-1 Financing Statements, provided that with respect to each Waiver, Borrower shall have sixty (60) days after the effective date of this Loan Agreement to obtain and deliver the appropriate Waiver from its landlord, and Borrower and Lender agree if the required Waiver is either missing or does not include language satisfactory to Lender which provides to Lender an independent means of access to the Collateral, Borrower shall pay to Lender, as additional security, cash in an amount equal to one month's Basic Loan Payment ("Additional Security"), which deposit will be applied to the next Basic Loan Payment due after the

required Waiver is provided and if the required Waiver is not provided, Lender shall apply the Additional Security to Borrower's last Basic Loan Payment if no Event of Default has occurred; (ii) Borrower shall have requested an Advance on personal property that will become Collateral to be placed under a Loan by executing a Request for Advance; (iii) Borrower shall have full legal right, title, and interest in and to the personal property that will become Collateral, free and clear of all liens, claims, and encumbrances whatsoever except Permitted Liens; (iv) all representations and warranties made under each Loan shall be true and correct, and there shall not exist an Event of Default or any condition, event, or act which with notice or lapse of time would become an Event of Default which has not been remedied or waived, and Borrower shall have fully performed all terms and conditions required of Borrower under the Loan; (v) there has not been any material adverse change in Borrower's financial condition or business operations since the date of Lender's Proposal Letter; (vi) the Collateral Cost funded under any Loan Schedule shall be not less than \$150,000 (or such lesser amount as may be agreed to by Lender in its sole discretion); (vii) Lender shall have determined whether the proposed Collateral is to be categorized as hard or Soft Collateral and the proposed Collateral shall be of commercially reasonable quality and suitable for use in the Borrower's business, in each case, in the Lender's reasonable judgment. No more than 30% of the Collateral Cost funded under all Loan Schedules shall constitute Soft Collateral, provided, however, if the percentage of Soft Collateral financed on any one Loan Schedule exceeds 30% of the total Collateral Cost funded on that Loan Schedule, Lender reserves the right, at its option, to require that Borrower finance sufficient hard Collateral Cost on the next succeeding Loan Schedules to bring the hard to Soft Collateral financed ratio back to at least 70% hard Collateral and no more than 30% Soft Collateral and provided further, if Borrower, for any reason, fails to bring the hard to Soft Collateral ratio back to at least 70% hard Collateral and no more than 30% Soft Collateral by December 31, 2012 (or such later date as may be agreed to by Lender in its sole discretion), Borrower shall pay to Lender, promptly upon receipt of Lender's invoice, a security deposit, in the amount of cash equal to the difference between (i) the dollar value of Soft Collateral that represents the percentage of Soft Collateral out of total Collateral Cost funded, and (ii) the dollar value of Soft Collateral that represents 30% of total Collateral Cost, until such date as the total hard Collateral to total Soft Collateral financed ratio is back to at least 70% hard Collateral and no more than 30% Soft Collateral, and such cash deposit shall, at Borrower's direction, either (x) be returned to Borrower, or (y) be applied to the next monthly Basic Loan Payment due under any Loan Schedules; and (ix) the funding period for Advances shall not extend beyond December 31, 2012 (or such later date as may be agreed to by Lender in its sole discretion). Lender agrees that in the event Lender at its discretion opts not to make an Advance under this Loan Agreement after an Advance is requested by Borrower and all conditions precedent set forth in Section 3(c) have been met by Borrower, the Warrant, as defined in Section 15, which shall initially be based upon the Loan Line of \$2,000,000, shall be automatically reduced by the number of shares which equate to the proportion of the amount of the Loan Line not funded by Lender. Borrower shall provide a certificate of adjustment indicating the adjustment to the Warrant at such time. Borrower agrees, however, that the Warrant shall not be so reduced in the event Lender is ready, willing, and able to make Advances to Borrower under this Loan Agreement, but Borrower chooses not to request the Advances. In the event the Warrant has been net exercised when any reduction in shares occurs, Lender shall forfeit and return to Borrower that number of shares which equate to the proportion of the Loan Line not funded by Lender at its discretion. To the extent Lender has purchased the Warrant shares at the exercise price for cash when any reduction in shares occurs, Borrower shall have the right to purchase back for cash from Lender that number of shares which equate to the proportion of the Loan Line not funded by Lender at its discretion, at the exercise price paid by Lender.

### 4. Loan Payment, Taxes and Late Payments:

(a) Loan Payment. A Daily Loan Payment shall be due during the Supplemental Loan Term on all Advances made by Lender as requested pursuant to any Request for Advance and shall accrue from the Advance Date with respect to any item of Collateral at the Daily Loan Payment set forth in the applicable Request for Advance multiplied by the number of days from (and including) the Advance Date to (but not including) the Commencement Date and shall be due and payable on the Commencement Date. The Basic Loan Payment payable hereunder during the Basic Loan Term is as set forth in the Loan Schedule. Lender and Borrower agree that the Basic Loan Payment described in the Loan Schedule has a corresponding yield relationship to the U.S. Treasury obligation with the closest equivalent maturity as the applicable Basic Loan Term ("Index Instrument"), as reported in The Wall Street Journal Online on the date of, and quoted in, Lender's Proposal Letter (or if there is no Proposal Letter, on the date Lender's investment committee approves Lender entering into this Loan Agreement or, if applicable, on the date Lender's investment committee approves any amendment to this Loan

Agreement which serves to increase the amount of financing available hereunder), and consequently, the Basic Loan Payment, Loan Rate Factor, and Balance Due Values Table may be adjusted upward to provide for any increase in the reported yield of the Index Instrument over 0.541%, and downward to provide for a decrease in the yield of the Index Instrument, provided such adjustment shall never be based on a yield that is less than 0.541% by the Lender on the date of preparation of the Loan Schedule, or alternatively, on the funding date by a Notification of Loan Payment Adjustment amendment prepared thereafter, to reflect a change on such date in the reported yield of the U.S. Treasury obligation, with the equivalent term of the U.S. Treasury obligation quoted in the Proposal Letter (or the closest term to such original U.S. Treasury obligation in the event an identical term issue is not reported, and in the event that two or more comparison Treasury obligations are quoted with identical maturities, then with the "Asked" price which is closest to par) in order to preserve Lender's anticipated corresponding yield relationship. Except as may otherwise be provided in any Loan Schedule, Basic Loan Payment shall begin to accrue on the Commencement Date and shall be due and payable by Borrower on the first day of each period (advance) or the last day (arrear) of each period, as set forth in the applicable Loan Schedule. In addition to the Basic Loan Payment Borrower shall pay Daily Loan Payment due as indicated in this Loan Agreement, or on any Loan Schedule, or any Rider hereto or thereto. All Loan Payments due by Borrower hereunder are absolute and unconditional obligations of Borrower which may not be abated or offset for any reason whatsoever as provided in Section 10 hereof.

(b) Taxes. In addition to the Loan Payment set forth herein or in any Loan Schedule, Borrower shall pay and indemnify and hold harmless Lender for an amount equal to all taxes, fees, expenses or charges paid, payable or required to be paid by Borrower, however designated and whenever assessed, which are levied or based on the Loan Payment, on the Loan, on the Collateral Cost, or on the Collateral or on its purchase, or on its possession, storage, use, lease, operation, control, delivery or value, including as a result of a sale-leaseback, or from the Loan Term expiration, or earlier termination, or from the exercise of any early termination, purchase, or on the Final Payment, or from any conveyance of title to Borrower or Borrower's designee; including, without limitation, state and local sales, use, privilege of doing business or excise taxes, taxes based on gross revenue or receipts, any penalties or interest in connection therewith or taxes or amounts in lieu thereof paid or payable in respect of the foregoing, but excluding solely taxes based on Lender's net income. Personal property taxes assessed on the Collateral during the term hereof shall be the sole responsibility of, and shall be paid on demand by, Borrower. Borrower agrees to file, all required property tax returns and reports concerning the Collateral with all appropriate governmental agencies, and, within thirty (30) days thereafter to send Lender confirmation of such filing. Borrower shall provide, on an annual basis, a copy of its property tax report lists to Lender and hereby certifies that all Collateral subject to property tax has been reported to the proper taxing jurisdiction.

(c) Late Payments. Interest on any past due Loan Payment and other payments due and payable shall accrue at the rate of 1-1/2% per month from the payment due date, or if such rate shall exceed the maximum rate allowed by law, then at such maximum rate, and shall be payable on demand. Charges for taxes, penalties and interest shall be promptly paid by Borrower.

(d) Prepayment Option. So long as no Event of Default shall exist and be continuing, Borrower may elect to terminate any outstanding Loan Schedule in whole or in part by paying to Lender in immediately available funds the Balance Due Value set forth in the applicable Loan Schedule for the Payment Period immediately preceding the date of prepayment, and any outstanding fees, taxes, costs or other reimbursements owing to Lender (the "Prepayment Option"). In the event Borrower elects to exercise its Prepayment Option, Borrower shall give Lender at least five (5) days prior written notice of the proposed prepayment date and such prepayment shall be made as of the regularly scheduled Loan Payment date. Upon receipt by Lender of all amounts due under a particular Loan Schedule, Lender shall, at Borrower's cost and expense, execute such further documents and take such further actions as may be necessary to affect the release of its security interest in the Collateral under the terminated Loan Schedule, including duly executing and delivering UCC termination statements for filing in any relevant jurisdictions. Nothing in this paragraph is intended to extinguish Lessor's Warrant or Lessor's right to indemnifications which by their nature survive the termination of a particular Loan Schedule.

## 5. Installation, Use and Quiet Possession of Collateral:

(a) Borrower shall at all times maintain the Collateral substantially in accordance with the manufacturer's specifications, including the manufacturer's engineering and safety changes prescribed by the manufacturer or Borrower's

Maintenance Organization, as hereinafter defined, incorporated therein, and prudent industry standards and in accordance with the provisions of this Loan specifying maintenance and return conditions for the Collateral. Borrower shall use the Collateral solely for business purposes, in compliance with the material covenants and conditions of all insurance policies required to be maintained by Borrower pursuant to the Loan. Borrower shall, at all times during the Loan Term, assure that the Collateral is maintained in operation and service in its original intended use, except as would not reasonably be expected to be materially harmful to the Collateral, Borrower or its business.

(b) Any equipment, supplies, spare or replacement parts or other items not specified in the Loan Schedule which are used on or in connection with the Collateral must meet the specifications of the manufacturer in all material respects, and shall be acquired by Borrower at its own expense, subject to trade credit extended to Borrower in the ordinary course of business. The Borrower shall at all times use the Collateral in compliance with all material laws and regulations of all federal, state, local and foreign authorities having jurisdiction thereof.

(c) Borrower will at all times keep the Collateral in its sole possession and control. The Collateral shall not be moved from the location stated in the applicable Loan Schedule without the prior written consent of Lender (said consent not to be unreasonably withheld). Notwithstanding the foregoing, the Collateral may be temporarily relocated for repairs and maintenance in the ordinary course of business not to exceed 90 days which new location(s) shall be provided to Lender for Collateral valued at more than \$50,000 in the aggregate.

(d) After prior written notice to Lender, Borrower may, at its own expense, make alterations in or add attachments to the Collateral, provided such alterations or attachments do not interfere in any material respect with the normal and satisfactory operation or maintenance of the Collateral or with Borrower's ability to obtain and maintain the maintenance contract required by Section 5(g) hereof. The manufacturer or other organization selected by Borrower to maintain the Collateral ("Maintenance Organization") may incorporate engineering changes or make temporary alterations to the Collateral upon request of Borrower. All such alterations and attachments shall be subject to the security interest of Lender, provided that at the request of Lender upon an Event of Default, or at the option of Borrower, so long as removal of the alterations and attachments by Borrower do not materially diminish the value of the item of Collateral from which they are removed and Lender is not compensated for such diminution in value, such alterations and attachments shall be removed by Borrower and the Collateral restored, at Borrower's expense, to its original condition as of the Advance Date thereof, reasonable wear and tear only excepted, and upon the removal and restoration, the alteration and/or attachment which was made by Borrower shall become the property of Borrower free and clear of the security interest of Lender.

(e) So long as there shall not exist an Event of Default, Lender or any Assignee shall not interfere with Borrower's use or possession of the Collateral during the Basic Loan Term.

(f) Borrower shall, during the term of this Loan, at its expense, keep the Collateral in good operating order and condition, reasonable wear and tear excepted, and shall use commercially reasonable efforts to make all necessary adjustments, repairs and replacements, and Borrower shall not use or permit the Collateral to be used in any manner or for any purpose for which, in the opinion of the manufacturer, the Collateral is not designed or reasonably suitable. Borrower will at all times operate, use, and maintain the Collateral substantially as represented by Borrower in its request for proposal and/or quotes or as otherwise represented herein or in any other instrument or document prepared by Borrower or its agents.

(g) Upon an Event of Default, at Lender's demand, pursuant to Section 9(b)(ii) hereof, Borrower shall, at its expense, deliver the Collateral and all of the service records and all software and software documentation subject thereto to Lender at the location designated by Lender in the operating order, repair, condition and appearance as such Collateral is required to be maintained pursuant to this Section 5. If any computer software requires relicensing when removed from Borrower's premises, Borrower shall bear all costs of such relicensing. Borrower shall, prior to such termination, arrange and pay for any repairs and changes as are necessary for the Collateral to satisfy the return condition stated herein and for the manufacturer or Maintenance Organization to accept the Collateral under contract maintenance at its then standard rates.

## 6. Borrower Rights and Inspection:

(a) The Collateral shall remain personal property regardless of the manner in which it may be installed or attached. Borrower shall, at Lender's request, affix to the Collateral, tags, decals or plates furnished by Lender, indicating Lender's security interest and Borrower shall not permit their removal or concealment.

(b) Borrower shall keep the Collateral free and clear of all liens and encumbrances except for Permitted Liens. EXCEPT FOR PERMITTED TRANSACTIONS, BORROWER SHALL NOT SELL, CONVEY, TRANSFER, PART WITH POSSESSION, EXCEPT AS SET FORTH IN SECTION 5(c), OR ASSIGN OR OTHERWISE ENCUMBER THIS LOAN OR ANY OF THE COLLATERAL OR ANY OF ITS RIGHTS HEREUNDER OR SUBLEASE THE COLLATERAL, OR SUFFER A CHANGE IN CONTROL, WITHOUT THE PRIOR WRITTEN CONSENT OF LENDER (SAID CONSENT NOT TO BE UNREASONABLY WITHHELD). EXCEPT AS PERMITTED HEREIN, ANY SUCH PURPORTED TRANSACTION SHALL BE NULL AND VOID AND OF NO FORCE AND EFFECT.

For purposes of this Loan, "Permitted Transaction" shall mean (i) Permitted Liens, (ii) dispositions of Collateral made concurrently with the exercise of Borrower's Prepayment Option with respect to such Collateral in accordance with Section 4(d) hereof; (iii) any Change in Control in which the surviving entity after such Change in Control has a tangible net worth equal to or greater than that of the Borrower as of the date of the Change in Control, which shall be based on pro forma financial statements utilizing, in Lender's reasonable opinion, reasonable assumptions in the preparation thereof by Borrower and provided by Borrower to Lender at least five (5) Business Days before such Change in Control, and the financial condition of such entity will enable it, in Lender's reasonable opinion, based on said financial statements, to meet all obligations to Borrower's creditors, including its obligations under the Loan, as they become due for the remaining term of the Loan; and (iv) other dispositions of Collateral having an aggregate fair market value not in excess of \$100,000 during the Loan Term. No permitted assignment or sublease shall relieve Borrower of any of its obligations hereunder without the express written consent of Lender.

**Prepayment Requirement.** In the event Lender in good faith does not give prior written consent to any event set forth in this Section 6(b), and such event does not constitute a Permitted Transaction, Borrower shall prepay in full all Loan Schedules entered into under this Loan Agreement affected by such event by paying to Lender the Balance Due Value as of the Loan payment date immediately preceding the consummation of any event described in this Section 6(b) plus any other amounts outstanding and owed to Lender under each such Loan Schedule. Upon receipt by Lender of all amounts due under a Loan Schedule, Lender shall, at Borrower's sole cost and expense, execute such further documents and take such further actions as may be necessary to affect the release of its security interests in the applicable Collateral, including duly executing and delivering UCC termination statements for filing in any relevant jurisdictions. Nothing in this paragraph is intended to extinguish Lender's Warrant or Lender's right to indemnifications which by their nature survive the termination of this Loan Agreement and the Loan Schedules.

(c) Lender or its agents shall have free access to the Collateral upon forty-eight (48) hours advance notice to Borrower and any applicable landlord or co-location facility and any and all records thereto during regular business hours for the purpose of inspection and for any other purpose contemplated in this Loan, provided, however, no such notice shall be required if an Event of Default or any condition, event, or act which with notice or lapse of time would become an Event of Default has occurred. Such inspections shall be at Lender's cost and expense, except that once annually during the Loan Term, or whenever an Event of Default or any condition, event, or act which with notice or lapse of time would become an Event of Default exists, the inspections shall be at Borrower's cost and expense.

(d) Borrower shall promptly notify Lender of all material details concerning any material damage to, or material loss of, the Collateral arising out of any event or occurrence whatsoever, including but not limited to, the alleged or apparent improper manufacture, functioning or operation of the Collateral.

## 7. Indemnities:

Borrower will defend, indemnify and hold Lender harmless against any and all suits, judgments, claims, demands and liabilities of any kind and nature (including without limitation claims relating to environmental discharge, cleanup or compliance, and claims arising out of or in connection with the design, manufacture, possession or operation of the Collateral, including environmental, product, or strict liability) and all costs and expenses whatsoever to the extent they may be incurred or suffered by Lender or Assignee in connection herewith (including, without limitation, reasonable attorneys' fees and expenses), fines, penalties (and other charges of applicable governmental authorities), licensing fees relating to any item

of Collateral, damage to or loss of property (including consequential or special damages to third parties or damages to Borrower's property), or bodily injury to or death of any person (including, without limitation, any agent or employee of Borrower); provided that Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Lender's gross negligence or willful misconduct. Such indemnities shall continue in full force and effect, notwithstanding the expiration or termination of this Loan.

## 8. Risk of Loss on Borrower:

(a) Beginning on the Advance Date thereof and continuing until the Loan is terminated and all obligations of Borrower are performed, Borrower relieves Lender of responsibility for all risks of physical damage to or loss or destruction of the Collateral, howsoever caused (including without limitation, accident, theft, misplacement, condemnation, seizure, forfeiture and abandonment) ("Event of Loss"). During the term of this Loan as to any Loan Schedule, Borrower shall, at its own expense, keep in effect all risk and public liability insurance policies covering the Collateral designated in each Loan Schedule. The public liability insurance policy shall be in such amount as is reasonably acceptable to Lender. Any increase in the amount of such insurance coverage reasonably requested by Lender shall be put into effect on the next succeeding renewal date of such insurance. The all risk insurance policy shall be for an amount not less than the higher of replacement cost of the Collateral or the Balance Due Value Table. Lender, its successors and assigns and/or such other party as may be designated by any thereof to Borrower, in writing, shall be named as additional insured and/or loss payees on such policies, which shall be written by an insurance company of recognized responsibility which is reasonably acceptable to Lender with terms and conditions reasonably acceptable to Lender. Evidence of such insurance coverage shall be furnished to Lender no later than the Advance Date set forth in the Loan Schedule(s) and, from time to time, thereafter as Lender may request. Such policies shall provide that no less than thirty (30) days written notice shall be given Lender and any other party named as loss payee prior to cancellation of such policies for any reason. If Borrower fails to provide evidence of such insurance or to deliver evidence of renewal of each such policy within ten (10) days of request therefor from Lender, then Borrower agrees to pay Lender a non-compliance fee equal to 1% of the Collateral Cost for all Collateral covered under this Loan each month until such evidence is provided to Lender. Borrower hereby irrevocably appoints Lender or any other party named as loss payee as Borrower's attorney-in-fact coupled with an interest, so long as a default or Event of Default hereunder exists and is continuing to negotiate and make claim for, receive payment of, and execute any and all documents that may be required to be provided to the insurance carrier in substantiation of any such claim for loss or damage under said insurance policies, and to endorse Borrower's name to any and all drafts or checks in payment of the loss proceeds.

(b) If any item of Collateral is materially damaged or suffers an Event of Loss, Borrower shall give to Lender prompt notice thereof and this Loan shall continue in full force and effect without any abatement of Loan Payment. Borrower shall determine, within twenty (20) days after the date of occurrence of such damage or Event of Loss, whether such item of Collateral can be repaired. In the event Borrower determines that such item of Collateral can be repaired with commercially reasonable efforts, Borrower shall cause such item of Collateral to be promptly repaired. In the event Borrower determines that the item of Collateral cannot be repaired with commercially reasonable efforts, Borrower shall either: (i) promptly replace such item of Collateral with equipment useful in the business of Borrower of equal or greater value free and clear of all liens and encumbrances except for Permitted Liens, and this Loan shall continue in full force and effect as though such damage or destruction had not occurred; or (ii) pay to Lender an amount equal to the Balance Due Values for Events of Loss for the item of Collateral for the Loan Payment due date immediately preceding the Event of Loss and this Loan will terminate as to the item of Collateral suffering the Event of Loss and the Loan Payment under the applicable Loan Schedule shall be reduced thereafter pro rata by the reduction of the original Collateral Cost of the item of Collateral suffering the Event of Loss. All proceeds of insurance received by Lender, the designated loss payee, or Borrower under the policy referred to in the preceding paragraph of this Section shall be applied toward the cost of any such repair or replacement so long as Borrower shall not be in default of its obligations hereunder.

## 9. Events of Default and Remedies:

(a) **Events of Default.** The occurrence of any one of the following shall constitute an Event of Default hereunder:

(i) Borrower fails to pay an installment of Loan Payment or other payment within five (5) days after the date when the same becomes due and payable.

(ii) Borrower attempts to remove, sell, transfer, encumber, sublet or part with possession of the Collateral or any items thereof, except as expressly permitted herein.

(iii) Borrower breaches or shall have breached any material representation or warranty made or given by Borrower in this Loan or in any other document furnished to Lender in connection herewith (provided that any breach of a representation or warranty that has a bearing on the Lender's credit, economics, or collateral security considerations under this Loan shall be deemed to be material), or any such representation or warranty shall be untrue or, by reason of failure to state a material fact or otherwise, shall be misleading or any of the statements or other documents or information submitted at any time heretofore or hereafter by Borrower to Lender shall be untrue or, by reason of failure to state a material fact or otherwise, shall be misleading, in each case, as of when made.

(iv) Borrower shall fail to observe or perform any of the other obligations required to be observed or performed by Borrower hereunder and such failure shall continue uncured for thirty (30) days after written notice thereof to Borrower by Lender or the then Assignee hereof.

(v) Borrower shall suffer or have suffered in the reasonable judgment of Lender, a material adverse change in its financial condition or business operations since either the date of the Proposal Letter or the date of the Borrower Reports submitted by Borrower to Lender.

(vi) Borrower shall be in material breach of or in default under any lease, loan, or other agreement or obligation at any time executed (i) with Lender in any amount, or (ii) with any other lessor, lender, or other creditor in the amount of \$100,000 or more, whether or not Borrower's obligations thereunder have been or are being accelerated by such party.

(vii) Borrower ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or an insolvent, files a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute, law or regulation or files an answer admitting the material allegations of the petition filed against it in any such proceeding, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of all or any substantial part of its assets or properties, or if it or its shareholders shall take any action looking to its dissolution or liquidation.

(viii) Within thirty (30) days after commencement of any proceedings against Borrower seeking reorganization, arrangement, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed, or if within thirty (30) days after the appointment without Borrower's consent or acquiescence of any trustee, receiver or liquidator of it or of all or any substantial part of its assets and properties, such appointment shall not be vacated.

(ix) Borrower becomes the subject matter of, or enters into any Change in Control that is not a Permitted Transaction without the prior written consent of Lender

(x) Borrower fails to comply with its insurance obligations under Section 8 (a).

Any Event of Default shall be deemed material and a substantial impairment of Lender's interests for the purpose of this Loan, the UCC, and any other applicable law.

(b) **Remedies.** Upon the occurrence of an Event of Default, Lender may at its option do any of the following: (i) by notice to Borrower terminate this Loan as to any or all Loan Schedules; (ii) whether or not this Loan is terminated as to any or all Loan Schedules, take possession of any or all of the Collateral listed on any or all Loan Schedules, wherever situated, and for such purpose, enter upon any premises without liability for so doing or Lender may cause Borrower and Borrower hereby agrees, to return said Collateral to Lender as provided in this Loan Agreement; (iii) recover from Borrower any and all past due payments, and, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Balance Due Values for Events of Default of all Collateral calculated as of the Loan Payment date preceding the date that the event which resulted in the Event of Default occurred, which payment shall become immediately due and payable; and (iv) sell, dispose of,

hold, use or lease any Collateral as Lender in its sole discretion may determine. Lender reserves the right, in its sole and absolute discretion, to control the timing and negotiate the terms of any re-leasing or re-sale of any or all of the Collateral at a public auction or in a private sale, at such time, on such terms and with such notice as Lender shall in its sole and absolute discretion deem commercially reasonable.

(c) **Mitigation.** In the event that Borrower shall have paid to Lender or its Assignee, (as hereinafter defined), the liquidated damages referred to in Section 9(b)(iii) above, and Borrower shall have previously returned the Collateral to Lender in accordance with Section 9(b)(ii) above, then Lender or its Assignee shall pay to Borrower, promptly after receipt thereof, all sale or rental proceeds received from any sale or re-letting of the Collateral during the balance of the Basic Loan Term (after deduction of all unreimbursed damages, costs and expenses incurred by Lender as a result of the Event of Default; or other sums due Lender by Borrower under the Loan) said amount never to exceed the amount of the liquidated damages paid by Borrower. Lender shall use commercially reasonable efforts to sell, re-lease or otherwise use or dispose of the Collateral in mitigation of damages to the extent required by law (however, Lender shall not be obligated to give preference to the sale, lease or other disposition of the Collateral over the sale, lease or other disposition of similar collateral owned or leased by Lender).

(d) **Other Damages.** Notwithstanding the exercise by Lender or its Assignee of any of the remedies found in Section 9(b) above, Borrower shall, in any event remain fully liable for reasonable damages as provided by law and for all reasonable costs of collection and reasonable expenses incurred by Lender or its Assignee on account of such Event of Default including but not limited to all expenses of selling or leasing the Collateral (including broker's and sales representative's fees and commissions), cleaning and repainting, storage costs, repossession costs, court costs and reasonable attorney's fees. Borrower hereby agrees that, in any event, it will be liable for any deficiency after any lease or other disposition of the Collateral. The rights afforded Lender hereunder shall not be deemed to be exclusive, but may be exercised concurrently and shall be in addition to any other rights or remedies provided to creditors or lenders under the UCC or otherwise by law or equity.

#### 10. Borrower's Loan Obligations:

It is understood and agreed as between Lender and Borrower, Borrower shall be responsible for all costs and expenses of every nature whatsoever arising out of or in connection with or related to this Loan or the Collateral, or its possession, ownership, or use (including, but not limited to, taxes, insurance, maintenance, transportation in and out, rigging, drayage, packing, installation and disconnect charges). Borrower's obligations hereunder (including its obligation to pay Loan Payment when and as due without notice or demand, or any other sum due hereunder upon demand) are absolute and unconditional, and (i) may not be terminated, rescinded or revoked for any reason whatsoever, except pursuant to the express provisions hereof, and (ii) shall not be subject to any abatement, reduction, recoupment, defense, offset or counterclaim available to Borrower for any reason whatsoever including operation of law, defect in the Collateral, failure of Lender or any Assignee to perform any of its obligations hereunder (other than Lender's obligation to allow Borrower's quiet enjoyment of the Collateral in accordance with the provisions hereof) or for any other cause or reason whatsoever, whether similar or dissimilar to the foregoing. Borrower hereby waives any and all defenses or claims Borrower may assert against Lender or any Assignee, whether now or in the future, and which would prevent Borrower from performing its obligations hereunder, including, without limitation, defect in the Collateral, interference with the Borrower's use, operation or possession of the Collateral (other than Lender's obligation to allow Borrower's quiet enjoyment of the Collateral in accordance with the provisions hereof), failure of the Lender or of any Assignee to perform any of its obligations hereunder (other than Lender's obligation to allow Borrower's quiet enjoyment of the Collateral in accordance with the provisions hereof), the liability or indebtedness of Lender or any Assignee to Borrower or any other person, or the bankruptcy, insolvency or default of the Lender or any Assignee. In the event this Loan is terminated prior to its expiration by agreement or otherwise between Lender or Borrower or for any other reason whatsoever, including, without limitation, early termination, casualty loss, or default, then Borrower shall be responsible and agrees to pay any and all costs and expenses and/or liabilities of Lender as a result thereof, including taxes and any pre-payment penalties, fees or charges assessed by any Assignee against Lender or Borrower in accordance with the terms hereof; provided that Borrower shall not be liable for any portion of any such liabilities, costs, expenses, or other amounts resulting from Lender's or Assignee's gross negligence or willful misconduct. Borrower hereby agrees that in the event that Borrower fails to pay or perform any obligation under this Loan, Lender may, at its option, pay or perform said obligation and any payment made or expense incurred by Lender in connection therewith shall become additional Loan Payment which shall be due and payable by Borrower upon demand.

## 11. Assignment:

(a) Borrower agrees that Lender may transfer or assign all or any part of Lender's right, title and interest in, under or to the Collateral and this Loan and any or all sums due or to become due pursuant to any of the above, to any third party (the "Assignee") for any reason and the Assignee may so reassign and transfer; provided that Lender agrees that it shall not make any assignment to a third party that (i) is not a financial institution, or (ii) is or is affiliated with a competitor of Borrower. Borrower agrees that upon receipt of written notice from Lender or Assignee of such assignment, Borrower shall perform all of its obligations hereunder for the benefit of Assignee and any successor assignee and, if so directed, shall pay all sums due or to become due hereunder directly to the Assignee or to any other party designated by the Assignee. Borrower hereby covenants, represents and warrants as follows, and agrees that the Assignee and any successor assignee shall be entitled to rely on and shall be considered a third party beneficiary of the following covenants, representations and warranties: (i) Borrower's obligations hereunder are absolute and unconditional; (ii) may not be terminated, rescinded or revoked for any reason whatsoever, except pursuant to the express provisions hereof; (iii) shall not be subject to any abatement, reduction, recoupment, defense, offset or counterclaim available to Borrower for any reason whatsoever including operation of law, defect in the Collateral, failure of Lender or Assignee to perform any of its obligations hereunder (other than Lender's obligation to allow Borrower's quiet enjoyment of the Collateral in accordance with the provisions hereof) or for any other cause or reason whatsoever, whether similar or dissimilar to the foregoing; (iv) unless otherwise provided in the Notice and Acknowledgment of Assignment, Borrower shall not look to Assignee or any successor assignee to perform any of Lender's obligations hereunder; (v) Borrower will not amend or modify the Loan without the prior written consent of the Assignee; and (vi) Borrower will send a copy to Assignee and any successor assignee of each notice which Borrower sends to Lender.

(b) Upon receipt of notice of any such assignment, Borrower agrees to execute and deliver to Lender such documentation as Assignee or any successor assignee may reasonably require, including but not limited to a Notice and Acknowledgment of Assignment in the form of Addendum E hereto which requires Borrower to make certain representations or reaffirmations as to some of the basic terms and covenants contained in this Loan. Unless otherwise indicated in the Notice and Acknowledgment of Assignment, Lender shall not be relieved of any of its obligations hereunder, and the rights of Borrower hereunder shall not be impaired.

## 12. Ownership and Tax Treatment:

At all times prior to any permitted disposition of the Collateral by Borrower or any foreclosure, sale, or other disposition of the Collateral by Lender in accordance with the terms hereof, Borrower shall be deemed the owner of the Collateral for all purposes, including Federal and State income taxes, and all applicable sales, use, and property taxes, and for FASB accounting purposes.

## 13. Representations and Warranties of Borrower:

The Borrower represents and warrants to the Lender that the following are true and correct on the date the Borrower executes any Loan:

(i) The Borrower is duly formed and validly existing under the laws of the State of its organization, and has the full power and authority and legal right to carry on its business as is now conducted, and is duly qualified to do business in the jurisdictions where the Collateral is or will be operated, in each case, except as would not reasonably be expected to have a material adverse effect on Borrower or its business.

(ii) The Loan has been duly authorized, executed and delivered by the Borrower, and constitutes the valid, legal and binding agreement of the Borrower, enforceable against the Borrower in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(iii) The execution and delivery by the Borrower of the Loan and the Borrower's compliance with all of the provisions of the Loan are within the powers of the Borrower, and will not, to the best of Borrower's knowledge, conflict with or

result in a breach of any presently existing material law or governmental rule, regulation order, writ, injunction or decree.

(iv) No authorization or approval from, consent of, or filing, registration or qualification with, any state, federal or local governmental or public body or authority, except as has been obtained or made, is necessary for the execution or delivery by the Borrower of the Loan, or the validity of the Loan or the operation of the Collateral by the Borrower.

(v) The Borrower, has not directly or indirectly offered, sold, encumbered or transferred any interest in the Collateral or solicited offers to buy, encumber or transfer any such interest from, anyone other than the Lender. The Vendor of the Collateral is not affiliated with the Borrower and, to the best of Borrower's knowledge, Lender has received the benefit of any and all material discounts or rebates thereto, and Borrower has not received directly any such rebates, discounts, kickbacks or reimbursements.

(vi) Lender's interest in each item of Collateral will be free of all claims, liens and encumbrances arising by, through or under the Borrower other than as permitted pursuant to the terms of this Loan.

(vii) The Borrower is not in violation of any order of any court, arbitrator or governmental body, material laws, ordinances or governmental rules or regulations (domestic or foreign) to which it is subject, or with respect to any material loan agreement, debt instrument or contract with a supplier or customer of Borrower and has not failed to obtain or apply for any material licenses, permits, franchises or other governmental authorizations necessary to the ownership of its property (including the Collateral) or to the conduct of its business.

(viii) There are no suits or proceedings pending or, to the knowledge of the Borrower, threatened in any court or before any regulatory commission, board or other governmental administrative agency against or affecting the Borrower which if determined adversely to Borrower would materially adversely affect Borrower's business as presently conducted or its ability to perform its obligations hereunder.

(ix) Neither the Loan, nor any written statement furnished to the Lender by the Borrower hereby, contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein not misleading as of the date thereof.

(x) All applications, financial statements and Borrower Reports, and all information hereafter furnished by Borrower and Guarantor to Lender will be, true and correct in all material respects as of their respective dates (it being agreed that projections of future events are not to be viewed as facts and actual results may vary significantly from projected results).

(xi) As of the date hereof, the date of any Loan Schedule and of any Advance Date, there has been no material adverse change in any matter stated in such Borrower Reports which have been submitted, by Borrower and/or any Guarantor to Lender.

(xii) Neither Borrower nor any Guarantor has omitted to state any material fact which would make any of the foregoing false or materially misleading in light of the circumstances under which made.

(xiii) The Borrower's principal place of business, chief executive office, and state of incorporation (as such terms are used in the UCC) are indicated in the heading hereof.

(xiv) Since the date of the Proposal Letter issued by Lender in connection with this transaction, and as of the date of Borrower's latest Borrower Reports, which have been previously submitted by Borrower to Lender, there has not been any material adverse change in the contemplated business, operations, properties or financial condition of the Borrower.

(xv) The Borrower will use the Collateral in accordance with its original request for quote or proposal, or any other written or oral representations made concerning the usage of the Collateral. The Collateral will be used "predominately" in the United States as such term is used in the Internal Revenue Code.

(xvi) The Collateral shall at all times remain the property of Borrower except as expressly permitted herein. Borrower will at all times use commercially reasonable efforts to protect and defend at its own cost and expense, the security interest of Lender against all claims, liens and legal processes of creditors of

Borrower and other persons claiming by, through or under Borrower, and keep the Collateral free and clear from all such claims, liens and processes, in each case, other than Permitted Liens. The Collateral is and shall remain personal property, and not part of any real estate or Borrower shall have obtained from all applicable real property interest holders appropriate Waivers and releases as reasonably requested by Lender.

#### 14. End-of-Loan Position:

Borrower's End-of-Loan position with respect to any Loan is as set forth on the applicable Loan Schedule.

#### 15. Miscellaneous:

(a) Stock Warrant - No Original Issue Discount. Borrower agrees that it will issue to Lender upon execution of this Loan Agreement a Warrant based upon four and three quarters percent (4.75%) of the Loan Line for the purchase of Borrower's Series B-1 preferred stock at the exercise price of \$0.048961 per share (the "Warrant"). Borrower and Lender hereby acknowledge and agree that the Warrant to purchase stock transferred to Lender is part of an investment unit within the meaning of Section 1273(c)(2) of the Internal Revenue Code which includes the Loans entered into hereunder. Borrower and Lender further agree as between Borrower and Lender, that the fair market value of the Warrant is equal to US\$100 and that, pursuant to Treas. Reg. § 1.1273-2(h), US\$100 of the issue price of the investment unit will be allocable to the Warrant and the balance shall be allocable to the Loans. Borrower and Lender agree to prepare their federal income tax returns in a manner consistent with the foregoing agreement and, pursuant to Treas. Reg. § 1.1273, the original issue discount on the Loans shall be considered to be zero.

(b) Choice of Law. No consent or approval provided for herein shall be binding upon Lender unless signed on its behalf by an officer of Lender. This Loan Agreement and each Loan shall be deemed to have been made in the State of California and shall be governed in all respects by the laws of such State. Lender and Borrower hereby submit themselves to the jurisdiction of the State and Federal courts in San Francisco, California for any matter or controversy arising from any Loan. In the event any provision of this Loan is enforced in a court of law, or any other judicial or administrative setting, then the party succeeding in such matter or controversy shall also be awarded all of its attorney's fees and court costs and other expenses incurred in the pursuit or defense of such matter or controversy (including, without limitation, the defense of any counter-claims forwarded by the losing party).

(c) Entire Agreement. This Loan constitutes the entire agreement between Borrower and Lender with respect to the Collateral, supersedes all prior oral or written agreements and understandings, and no covenant, condition or other term or provision hereof may be waived or modified orally.

(d) Notices. All notices hereunder shall be in writing, and any such notice shall become effective (i) the following day upon delivery thereof to an overnight mail or courier service, (ii) in the case of notice by first class United States mail, three days after being so deposited in the United States mail, or (iii) in the case of notice by facsimile or electronic mail transmission, immediately upon confirmation of transmission, in each case addressed to the appropriate party at its respective address set forth above in the caption heading of this Loan Agreement, or at such other address as such party may from time to time designate by written notice to the other party to the address indicated in the heading of this Loan Agreement.

(e) Successors and Assigns. This Loan shall be binding upon and inure to the benefit of Lender and Borrower and their respective successors and assigns (including any subsequent assignee or Assignee).

(f) Unenforceability. If any term or provision of this Loan or the application thereof to any person is, to any extent, invalid or unenforceable, the remainder of this Loan, or the application of such provision to the person other than those to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Loan shall be valid and be enforced to the fullest extent permitted by law, provided however, that to the extent that the provisions of any such applicable law can be waived, they are hereby waived by the Borrower.

(g) Waivers and Consents. No waiver, approval, or consent of any of the terms and conditions hereof shall be effective unless in writing and signed by the party against whom such waiver, approval, or consent is sought to be enforced. Any waiver, approval or consent granted by the Lender are only effective if signed by an authorized officer of the Lender. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

(h) Further Assurances, Financing Statements, Fees and Costs. Borrower agrees to execute any and all other documents, instruments and agreements, reasonably requested by the Lender in furtherance of the intent of the parties herein. Lender is hereby authorized by Borrower to cause this Loan or other instruments, including Uniform Commercial Code Financing Statements, to be filed or recorded for the purpose of showing Lender's interest in the Collateral and Borrower agrees that Lender may execute and file such instruments for and on behalf of Borrower. To the extent Lender has filed Uniform Commercial Code Financing Statements prior to the execution of this Loan Agreement by Borrower, Borrower hereby ratifies and confirms the completion and filing of any Uniform Commercial Code Financing Statements by Lender occurring prior to the execution by Borrower of this Loan Agreement. Borrower shall pay Lender a transaction fee of \$2,000 covering transaction costs. Borrower agrees that it shall pay, in addition to the amounts referred to above, all reasonable out of pocket costs and expenses (including reasonable attorneys' fees and expenses for Lender's outside counsel) for preparing, amending, negotiating, administering, defending and enforcing the Loan Agreement and Warrant and related documents, (including, without limitation, those incurred in connection with appeals or insolvency proceedings) or otherwise incurred with respect to Borrower until all obligations of Borrower to Lender are paid in full. Borrower shall also pay to Lender a facility fee equal to one percent (1%) of the Loan Line equal to \$20,000. Lender acknowledges receipt of a deposit from Borrower in the amount of \$20,000 and agrees to apply such amount to the transaction fee, facility fee, and out of pocket expenses.

(i) Conflict. In the event of any conflict between the terms and conditions of this Loan Agreement and the terms and conditions of any Loan Schedule or Rider thereto, the terms and conditions of such Loan Schedule or Rider shall prevail.

(j) Financial Statements. During the term of this Loan, Borrower hereby agrees to deliver to Lender or Assignee and any successor assignee a copy of Borrower's and Guarantor's (i) annual unaudited financial statements including cash flow statement within one-hundred and twenty (120) days after the end of its fiscal year; provided that Borrower shall provide a copy of Borrower's audited financial statements within 5 Business Days of when the same shall become available to Borrower; (ii) quarterly unaudited financial statements including a cash flow statement within sixty (60) days after the end of its fiscal quarter; and (iii) monthly unaudited financial statements including a cash flow statement within thirty (30) days after the end of each month or at such other times as Lender may reasonably request. So long as there are amounts due Lender under this Loan, Borrower shall supply Lender with such other financial and operating performance data as is provided to its outside investors or commercial lenders and, if applicable, required to be provided to shareholders by the Security and Exchange Commission, and Borrower shall immediately notify Lender of any material adverse change in its financial condition or business prospects.

(k) Survival. Any obligation required to be performed by Borrower under this Loan, which by their nature, or expressly survive the termination of this Loan, shall survive the expiration or other termination of this Loan for the period prescribed by applicable law.

(l) Use of Information. Borrower shall permit Lender to list Borrower's name and logo and to describe the transaction contemplated herein in Lender's marketing materials and to post such information on Lender's website. Lender agrees that Borrower may list Lender as an investor on Borrower's website and agrees to enter into a mutually agreeable press release announcing the financing contemplated by this Loan Agreement, provided that the press release shall be approved by Borrower within ten (10) days of the date of this Loan Agreement.

(n) Payments. Borrower authorizes Lender to debit the Loan Payments by electronic means (e.g., automated clearinghouse payment) (the "ACH Payments") from Borrower's deposit account and Borrower shall provide Lender with the ACH Payment information and instructions prior to funding of an Advance hereunder.

#### 16. Loan Status; California Finance Lenders Law; Security Interest:

Lender and Borrower agree that Article 9 of the UCC governs the terms of this Loan. Borrower hereby grants to Lender a security interest pursuant to Article 9 of the UCC as follows (the "Lender's Lien"):

BORROWER HEREBY GRANTS TO LENDER A SECURITY INTEREST IN THE COLLATERAL WHETHER NOW OWNED BY BORROWER OR HEREAFTER ACQUIRED, WHICH IS DESCRIBED ON ANY LOAN SCHEDULE ENTERED INTO BY LENDER AND BORROWER AND WHICH INCORPORATES THIS LOAN AGREEMENT BY REFERENCE, AND ANY ATTACHMENTS, ADDITIONS, ACCESSIONS, SUBSTITUTIONS AND



REPLACEMENTS THERETO, AND ANY PROCEEDS THEREOF (INCLUDING WITHOUT LIMITATION, INSURANCE PROCEEDS) AND BORROWER HEREBY AGREES TO PERMIT LENDER TO FILE ANY AND ALL UCC FINANCING STATEMENTS REQUIRED IN ACCORDANCE WITH SECTION 15(h) HEREOF. LENDER SHALL RETAIN LENDER'S LIEN ON ALL LOAN SCHEDULES UNTIL BORROWER HAS PERFORMED ALL OBLIGATIONS AND PAID IN FULL ALL AMOUNTS DUE UNDER ALL LOAN SCHEDULES.

Upon the payment in full of the obligations under all Loan Schedules under this Loan Agreement, the security interest granted hereby shall automatically terminate and all rights to the Collateral shall revert to Borrower. Upon any such termination, (i) Lender will, at Borrower's expense, execute and deliver to Borrower such documents as Borrower shall reasonably request to evidence such termination and (ii) Lender hereby authorizes the filing of any termination statements at such time.

(Remainder of page intentionally left blank)

NO INTEREST IN THE LOAN PAYMENT DUE OR THE RIGHTS OF THE LENDER UNDER ANY LOAN CAN BE TRANSFERRED BY THE DELIVERY OF POSSESSION OF ANY COUNTERPART OF THIS LOAN AGREEMENT. SUCH AN INTEREST CAN BE TRANSFERRED ONLY BY DELIVERY OF POSSESSION OF THE ORIGINAL SIGNED COUNTERPART NO. 1 OF ANY LOAN SCHEDULE EXECUTED PURSUANT HERETO.

LENDER:

**ATEL VENTURES, INC.**

By: /s/ Paritosh K. Choksi

Name: Paritosh K. Choksi

Title: Executive Vice President

BORROWER:

**CYTOMX THERAPEUTICS, INC.**

By: /s/ Gregory E. Wilson

Name: Gregory E. Wilson

Title: CFO

Attachments:

- Addendum A- Form of Loan Schedule
- Addendum B- Form of Request for Advance
- Addendum C- Form of Corporate Resolution and Incumbency Certificate
- Addendum D- Form of Request for Evidence of Insurance
- Addendum E- Form of Notice and Acknowledgment of Assignment
- Addendum F- Consent to Removal of Collateral
- Addendum G- Waiver Agreement (Co-location)
- Addendum H- Bailee Waiver and Agreement

[ADDENDUM A]

COUNTERPART NO. \_\_\_ OF \_\_\_ MANUALLY EXECUTED COUNTERPARTS. ONLY THE MANUALLY EXECUTED COUNTERPART NUMBERED "1" SHALL BE DEEMED "CHATTEL PAPER" AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AND IS SUFFICIENT TO TRANSFER LENDER'S INTEREST, OR TO GRANT A SECURITY INTEREST HEREIN.

LOAN SCHEDULE NO. \_\_\_ to  
MASTER LOAN AND SECURITY AGREEMENT NO. CYTOX (the "Loan")  
dated as of May 31, 2012 by and between  
ATEL VENTURES, INC. ("Lender") and CYTOMX THERAPEUTICS, INC. ("Borrower")

1. **Collateral Description:** [See Rider 1 hereto]  
[QTY            MODEL/FEATURE/DESCRIPTION            VENDOR/MANUFACTURER            SERIAL NO.]
2. **Collateral Cost:**            [See Rider 1 hereto]
3. **Collateral Location:**
4. **Commencement Date:** The Commencement Date shall be the first day of the calendar month following the Advance Date of the Loan, or if the Advance Date is the first day of the calendar month, on such day, [\_\_\_\_\_, 201\_\_].
5. **Advance Date:** the date indicated on the Request for Advance as the Advance Date, [\_\_\_\_\_, 201\_\_]
6. **Basic Loan Term:**            42 months (except as otherwise provided in Section 3(a) of the Master Loan and Security Agreement)
7. **Basic Loan Payment:**        In Advance, \$\_\_\_\_\_ per month. The first and last Basic Loan Payments shall be due on the Commencement Date, and at Lender's option, may be deducted from the Collateral Cost funded on the Advance Date.
8. **Loan Rate Factor:** The Basic Loan Payment is conditional upon Lender financing the Collateral at the Collateral Cost indicated above. Lender and Borrower agree that the Basic Loan Payment described herein is based on a Loan Rate Factor of 2.7196% which equates to \$27.196 for each full \$1,000 of Collateral Cost and that the Basic Loan Payment shall be adjusted upwards or downwards by such Loan Rate Factor to the extent by which the actual purchase price financed by Lender for the Collateral ("Actual Cost") is greater or lesser than the Collateral Cost indicated above, and thereafter, the Actual Cost shall be the Collateral Cost. Lender and Borrower further agree that the Basic Loan Payment and Loan Rate Factor described herein may be adjusted in accordance with the provisions of Section 4(a) of the Loan.
9. **Riders:**                        Rider No. 2 to the Loan Schedule – Balance Due Value are incorporated herein by reference.
10. **Loan Agreement:** All of the terms, covenants and conditions set forth in the Loan are incorporated herein by reference as if the same had been set forth herein in full.
11. **End-of-Loan Requirement:** At the expiration of the Basic Loan Term of this Loan, Borrower shall make a Final Payment equal to six and one half percent (6.5%) of the original Collateral Cost for all and not less than all the Collateral set forth on this Loan Schedule.

Lender shall provide a **Notification of Schedule Adjustment** to Borrower should the Commencement Date or the Basic Loan Payment be adjusted as provided for in Paragraph 8 above.

ATEL VENTURES, INC.

CYTOMX THERAPEUTICS, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**RIDER NO. 1**  
**TO LOAN SCHEDULE NO. [ ]**  
**TO MASTER LOAN AND SECURITY AGREEMENT NO. CYTOX**  
**dated as of May 31, 2012 (the "Loan") between**  
**ATEL VENTURES, INC. as Lender and CYTOMX THERAPEUTICS, INC., as Borrower**

**[INSERT COLLATERAL DESCRIPTION]**

RIDER NO. 2  
 TO LOAN SCHEDULE NO. [ ]  
 TO MASTER LOAN AND SECURITY AGREEMENT NO. CYTOX  
 dated as of May 31, 2012 (the "Loan") between  
 ATEL VENTURES, INC. as Lender and CYTOMX THERAPEUTICS, INC., as Borrower

Balance Due Value: means the product of the corresponding percentage indicated below, for the Loan Payment date immediately preceding the date that the event which caused an Event of Loss or Event of Default or Prepayment occurred times the Collateral Cost of the item of Collateral suffering the Event of Loss or of all Collateral in the event of an Event of Default or Prepayment.

<b>Period</b>	<b>Balance Due Value For Events of Loss or Event of Default (stated as a percentage of Cost)</b>
After Payment Period No. 1	114.56%
2	111.88%
3	109.19%
4	106.50%
5	103.81%
6	101.12%
7	98.43%
8	95.74%
9	93.05%
10	90.36%
11	87.66%
12	84.97%
13	82.28%
14	79.58%
15	76.88%
16	74.19%
17	71.49%
18	68.79%
19	66.09%
20	63.39%
21	60.69%
22	57.99%
23	55.28%
24	52.58%
25	49.88%
26	47.17%
27	44.47%
28	41.76%
29	39.05%
30	36.34%
31	33.63%
32	30.92%
33	28.21%
34	25.50%

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35	22.79%
36	20.08%
37	17.36%
38	14.65%
39	11.93%
40	9.22%
41	6.50%
42	6.50%

Balance Due Values are in addition to payment(s) due during the referenced period.

**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

[ADDENDUM B]  
MASTER LOAN AND SECURITY AGREEMENT NO. CYTOX (the "Loan")  
dated as of May 31, 2012, by and between  
ATEL VENTURES, INC. (the "Lender") and CYTOMX THERAPEUTICS, INC. (the "Borrower")

REQUEST FOR ADVANCE No. \_\_-\_\_

WHEREAS, CYTOMX THERAPEUTICS, INC. ("Borrower") will execute a Loan Schedule [No. \_\_] to a certain Master Loan and Security Agreement No. CYTOX dated May 31, 2012, (the Loan Schedule, as it incorporates or will incorporate the term of the Loan Agreement, hereinafter referred to as the "Loan") between itself and ATEL VENTURES, INC. ("Lender"), and

WHEREAS, said Loan Schedule lists or will list certain Collateral financed thereunder more fully described on Rider 1 hereto ("Collateral");

NOW, THEREFORE, (i) Borrower requests that Lender make an Advance [to Borrower] [to the Vendor of the Collateral] pursuant to the terms and in the amounts indicated on the attached invoice(s) totaling \$\_\_\_\_\_ ("Collateral Cost", please see attached Appendix "A"). (The date of any such payment shall be set forth below and known as the "Advance Date"); and (ii) Borrower acknowledges (where applicable) delivery, receipt and installation of all Collateral listed on said Collateral Appendix A at the location indicated on the attached Appendix A, which Collateral, delivery, and installation has been inspected and found satisfactory. On the Advance Date indicated below, Borrower affirms that the Collateral has been "placed in service" as such term is used in the Internal Revenue Code and is acceptable to Borrower for financing hereunder and hereby requests that Lender make an Advance with respect thereto. Borrower agrees that Lender may fill in the Advance Date below on the date the Collateral Cost is advanced.

Borrower agrees that pursuant to the terms of the Loan, the Daily Loan Payment is \$\_\_\_\_\_ in total which equals \$\_\_\_\_\_ multiplied by the number of days from (and including) the Advance Date to (but not including) the Commencement Date of the Loan Schedule and shall be due and payable on the Advance Date and such Daily Loan Payment is due without right of deduction, offset, abatement, defense, counterclaim or demand whatsoever. The Basic Loan Payment for the Collateral accepted hereunder is \$\_\_\_\_\_ per month, and is due monthly in advance without right of deduction, offset, abatement, defense, counterclaim or demand whatsoever on the Commencement Date and on the first day of each month thereafter for \_\_ months.

Borrower confirms that the Collateral is insured with the Lender designated as Loss Payee/Additional Insured.

Borrower confirms having made for its own records a copy of this Request for Advance contemporaneously with its execution.

**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Advance Date: \_\_\_\_\_

[ADDENDUM C]

**CERTIFIED COPY OF CORPORATION RESOLUTION  
AND INCUMBENCY CERTIFICATE  
of  
CYTOMX THERAPEUTICS, INC.**

“RESOLVED: That any one or more of the following officers of this corporation,

Name	Title	Signature
_____	_____	_____
_____	_____	_____

be and they hereby are authorized and directed to from time to time enter into for and on behalf of this corporation personal property loan agreements and other documents, instruments, and agreements in furtherance of such transactions, with this corporation as Borrower and **ATEL VENTURES, INC.** as Lender in such form and in such amounts and upon such terms as the officers of this corporation or any one or more of them deem to be in the best interests of this corporation and its stockholders.”

I, \_\_\_\_\_, Secretary of **CYTOMX THERAPEUTICS, INC.**, hereby certifies that each person named above is an officer of \_\_\_\_\_, holding the office set forth opposite his name and that the signature set forth opposite his name is his genuine signature.

I also hereby certify that the foregoing is a true copy of a resolution duly and legally adopted by the Board of Directors of said corporation, on \_\_\_\_\_, 20\_\_.

Dated

SEAL of Corporation

(Secretary)



[ADDENDUM D]

INSURANCE VERIFICATION

TO: \_\_\_\_\_  
Insurance Company \_\_\_\_\_ Agent's Name \_\_\_\_\_  
Address \_\_\_\_\_ Phone Number \_\_\_\_\_  
City, State, Zip Code \_\_\_\_\_

Gentlemen:

The undersigned is presently leasing the following described Collateral:  
[Collateral Description]

Under the term of our Loan Agreement, we hereby request that a Memorandum or Certificate of Insurance be issued as follows:

1. **Liability Policy: "ATEL VENTURES, INC. (ATEL) and ITS ASSIGNEES" to be named as an "ADDITIONAL INSURED" party.**  
[a] Named Additional Insured: ATEL VENTURES, INC. and its Assignees  
[b] Minimum Insured Value: [\$3,000,000]
  
2. **Physical Damage or Loss Policy: "ATEL and ITS ASSIGNEES" to be named as a "LOSS PAYEE" and**  
[a] Loss Payee, as interest may appear: ATEL VENTURES, INC. and its Assignees  
[b] Minimum Insured Value: [\$\_\_\_\_\_]

**THIRTY (30) DAY NOTICE OF CANCELLATION OR CHANGE IN POLICY MUST BE GIVEN**

This insurance coverage is mandatory to consummate this loan transaction. Please mail one copy of the Memorandum or Certificate of Insurance to ATEL and one to the additional insured/Loss Payee.

Your immediate implementation of this instrument would be appreciated. Should you have any questions, please contact ATEL (415) 989-8800.

The undersigned authorizes ATEL, its assignees, or the Loss Payee to coordinate insurance coverage requirement with our agents.

**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

RETURN TO  
ATEL VENTURES, INC.  
600 California Street, 6th Floor  
San Francisco, CA 94108-2733

[ADDENDUM E]

NOTICE AND ACKNOWLEDGMENT OF ASSIGNMENT

Reference is hereby made to Master Loan and Security Agreement No. CYTOX, dated as of May 31, 2012, and to Loan Schedule No. \_\_\_\_\_ thereto, dated as of \_\_\_\_\_, between ATEL VENTURES, INC., as Lender ("Lender") and CYTOMX THERAPEUTICS, INC. as Borrower ("Borrower") (the Loan Schedule and the Master Loan and Security Agreement as it is incorporated in the Loan Schedule, and any and all other documentation relating to the transaction contemplated thereby is hereinafter referred to as the "Loan".)

Lender hereby gives Borrower notice and Borrower hereby acknowledges receipt of notice that Lender has assigned to \_\_\_\_\_ whose offices are at \_\_\_\_\_ ("Assignee") all of its rights, but none of its obligations, in the Loan and the Collateral financed thereunder ("Collateral") [as security for a loan made or about to be made by Assignee to Assignor]. Borrower agrees to make payment of any and all monies due or to become due Assignor thereunder to Assignee until Assignee instructs Borrower otherwise in writing.

In recognition of Assignee's reliance upon this Notice and Acknowledgment of Assignment in agreeing make a loan secured by the Collateral subject to the Loan and in consideration of Assignee's agreement to not interfere with Borrower's quiet possession of the Collateral subject to the terms of the Loan, Borrower certifies, confirms and agrees as follows:

1. That the Borrower will not assert against Assignee any defense, claim, counterclaim, recoupment, setoff, or right to cancel or terminate the Loan which Borrower may have against Assignor. Borrower agrees that it will pay to Assignee all monies due or to become due under the Loan without regard to any such defense, claim, counterclaim, recoupment, set-off or right whether arising under this Loan or any other transaction or otherwise and will not seek to recover any part of the same from Assignee, provided that Borrower shall not be obligated to make any payment or perform any obligation under the Loan in favor of Assignee if, when no Event of Default shall have occurred and be continuing and has not been cured to the satisfaction of Lender, Assignee interferes with Borrower's right to quiet enjoyment of the Collateral. [Notwithstanding the foregoing, nothing herein shall be deemed to relieve Assignor of any of its obligations to Borrower under the Loan.]

2. That the Collateral is in Borrower's possession at the address specified in the Loan Schedule, that the Collateral has been inspected by duly authorized representatives of Borrower and has been fully and finally accepted by duly authorized representatives of Borrower as the Collateral under the Loan and found to be in good working order and suitable for the Borrower's purposes in all respects.

3. That the Loan is in full force and effect and that any modification, amendment or supplement to the Loan has been approved by Assignee. Any future modification, termination, amendment or supplement to the Loan or settlement of amounts due thereunder shall be ineffective without Assignee's prior written consent, which will not be unreasonably withheld or delayed.

4. That neither Borrower nor, to Borrower's knowledge, Assignor has breached the Loan in any respect and that payments of any and all monies due under the Loan have been and will continue to be paid in strict accordance with the terms of the Loan. As of \_\_\_\_\_, 20\_\_\_\_, there are \_\_\_\_\_ successive loan payments of \$ \_\_\_\_\_ each due under the Loan.

5. [Borrower acknowledges that Assignee has not assumed any of the obligations of Assignor or any other party under the terms of the Loan, and Assignee shall not be responsible in any way for the performance by Assignor or any other party of the terms and conditions of the Loan. Further, ]Assignor hereby notifies Borrower and Borrower acknowledges that Assignee is entitled to the benefits of each and every right accorded Assignor in the Loan, including but not limited to remedies, inspection rights, indemnity rights, right to give consent, right to receive payment of costs and expenses incurred in exercising rights and remedies under the Loan, including reasonable attorney's fees, and the right to receive notices and other documents required to be furnished under the Loan.

6. That Borrower has received no notice of a prior sale, transfer, assignment, hypothecation or pledge of the Loan, the Loan Payment reserved thereunder or the Collateral. Borrower agrees to not enter into any assignment, sublease or other transfer of its rights, duties, obligations or interests in the Loan or Collateral except in accordance with the provisions of the Loan.

7. That Borrower is aware of no claim of any kind or nature in or to the Collateral, or of any lien thereon other than Assignor's interest, Permitted Liens and Borrower's rights thereto under the Loan, and that Borrower will keep the Loan and Collateral free and clear of all liens and encumbrances arising by, through, or from Borrower.

9. All representations and duties of Assignor intended to induce Borrower to enter into this Loan whether required by the Loan or otherwise, have been fulfilled.

A TEL VENTURES, INC.  
  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

CYTOMX THERAPEUTICS, INC.  
  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

[ADDENDUM F]

CONSENT TO REMOVAL OF COLLATERAL

The undersigned has an interest as owner in the following described real property, (the "Real Property"):

That certain real property located at \_\_\_\_\_.

**CYTOX THERAPEUTICS, INC.**, as Borrower ("Borrower"), in order to obtain a loan, has entered into or will enter into Master Loan and Security Agreement No. CYTOX dated as of May 31, 2012 with ATEL VENTURES, INC., as Lender ("Lender"). The Master Loan and Security Agreement and related Loan Schedules which incorporate the terms and conditions of the Master Loan and Security Agreement (together, the "Loans"), are secured by a lien on certain equipment of Borrower (the "Collateral"), which is or will be located upon the Real Property, and is described as follows:

See attached Rider 1 which Rider 1 may be amended from time to time.

Lender, as a condition to entering into the Loans, requires that the undersigned landlord consent to the removal by Lender of the Collateral from the Real Property, no matter how it is affixed thereto, and to the other matters set forth below.

NOW, THEREFORE, for a good and sufficient consideration, receipt of which is hereby acknowledged, the undersigned consents to the placing of the Collateral on the Real Property, and agrees with Lender as follows:

1. The Collateral shall be considered to be personal property of Borrower and shall not be considered part of the Real Property regardless of whether or by what means it is or may become attached or affixed to the Real Property.

2. The undersigned has not and will not claim any interest in the Collateral. The undersigned waives any right of distraint, attachment or execution against the Collateral or any claim to the Collateral, statutory or otherwise, during the effectiveness of the Loans.

3. The undersigned will permit Lender or its successors and assigns or agents to enter upon the Real Property for the purpose of exercising any right it may have under the terms of the Loans or otherwise including, without limitation, the right to inspect and the right to remove the Collateral from the Real Property; provided, however, that if Lender, in removing the Collateral damages any improvements of the undersigned on the Real Property, Lender will at its expense, cause the same to be promptly repaired.

4. Prior to the undersigned taking any action to terminate the Real Property lease or to evict Borrower from the Real Property for breach of the Real Property lease, the undersigned shall give Lender not less than thirty (30) days' written notice of such action at the address set forth below, and a reasonable opportunity to preserve, protect, liquidate, or remove any Collateral on the Real Property.

5. This agreement shall be binding upon the heirs, successors and assignees of the undersigned.

6. This agreement may be executed in counterparts all of which together shall constitute the original.

7. This agreement shall be deemed to have been made under and shall be governed by the laws of the State of California in all respects, including matters of construction, validity and performance. At Lender's sole discretion, option and election, jurisdiction and venue for any legal action between the parties arising out of or relating to this Waiver shall be in the Superior Court of San Francisco County, California, or, in cases where federal diversity jurisdiction is available, in the United States District Court for the Northern District of California located in San Francisco, California. The prevailing party in any legal action under this agreement shall be entitled to recover reasonable attorneys' fees and costs from the losing party.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of «DATE».

«INSERT UNDERSIGNED\_NAME»

By: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

E-Mail: \_\_\_\_\_

Acknowledged and Agreed:

ATEL VENTURES, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

The foregoing Consent must be returned to:

ATEL Ventures, Inc.  
600 California Street, 6th Floor  
San Francisco, California 94108  
Attn: Kay Jones  
(415) 616-3440  
kjones@atel.com

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RIDER 1 TO  
CONSENT TO REMOVAL OF COLLATERAL

[ADDENDUM G]

WAIVER AGREEMENT

CYTOMX THERAPEUTICS, INC., ("Customer") and «COMPANY\_NAME», ("Company") entered into a \_\_\_\_\_ dated as of \_\_\_\_\_, ("Agreement") for the placement of certain Equipment, as defined below, at Company's address at \_\_\_\_\_ (the "Location").

ATEL VENTURES, INC. ("ATEL") has entered into a Master Loan and Security Agreement No. CYTOX with Customer dated as of May 31, 2012, (the "Security Agreement") covering the equipment described on Rider 1 hereto and any additions, accessions or replacements thereto (the "Collateral").

ATEL, Company and Customer now desire to enter into this Waiver Agreement ("Waiver") as of «DATE».

NOW, THEREFORE, notwithstanding anything to the contrary contained in this Waiver, Customer, Company and ATEL agree as follows:

1. Company shall have no right of bailment and Company shall not hold any or all of the Collateral in bailment.
2. The Collateral shall be considered to be personal property and shall not be considered part of any real property regardless of whether or by what means it is or may become attached or affixed to any real or other personal property.
3. Company has no, and will not claim any, interest in the Collateral.
4. Upon three days prior notice to Company, Company will permit ATEL to enter the Location for the purpose of inspecting or removing the Collateral, provided that ATEL indemnifies Company and holds it harmless from and against any other person, corporation or entity claiming to have any interest in the Collateral. Company agrees to such removal of the Collateral. If ATEL, in removing any of the Collateral damages any improvements of Company at the Location, ATEL will cause the same to be repaired at ATEL's expense.
5. Company shall not remove any of the Collateral without ATEL's prior written consent. Company shall notify ATEL within 10 days of any termination or expiration of the Agreement and permit ATEL to remove the Collateral as described in Section 4 above.
6. All notices hereunder shall be sent by reliable, overnight messenger, with proof of delivery. The terms of this Waiver shall be binding on the heirs, successors and assigns of each party. Customer may not assign the Agreement without ATEL's prior written consent. Company may assign the Agreement with prior written notice to ATEL.
7. Company and Customer shall not amend the Agreement without prior written notice to ATEL.
8. This Waiver may only be modified by a writing signed by an authorized representative of each party.
9. This Waiver may be executed in counterparts all of which together shall constitute the original.
10. In the event of any conflict between the terms of this Waiver and the Agreement, the terms of this Waiver shall prevail.
11. This Waiver shall be deemed to have been made under and shall be governed by the laws of the State of California in all respects, including matters of construction, validity and performance. At ATEL's sole discretion, option and election, jurisdiction and venue for any legal action between the parties arising out of or relating to this Waiver shall be in the Superior Court of San Francisco County, California, or, in cases where federal diversity jurisdiction is available, in the United States District Court for the Northern District of California located in San Francisco, California. The prevailing party in any legal action under this Waiver shall be entitled to recover reasonable attorneys' fees and costs from the losing party.

[signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Waiver Agreement.

Company:

Customer:  
**CYTOMX THERAPEUTICS, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Notice Address: \_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Notice Address: 650 Gateway Blvd., Suite 125  
South San Francisco, CA 94080  
Attention: Gregory Wilson, CFO  
Telephone: (650) 273-4617  
Fax: (650) 351-0353

ATEL VENTURES, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Notice Address: 600 California Street, 6th Floor  
San Francisco, CA 94108  
Attention: General Counsel  
Telephone: (415) 989-8800  
Fax: (415) 616-5555

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RIDER NO. 1 TO  
WAIVER AGREEMENT



[ADDENDUM H]

BAILEE WAIVER AND AGREEMENT

This Bailee Waiver and Agreement (this "Agreement") is executed by the undersigned for the benefit of ATEL VENTURES, INC., as Lender (the "Lender") under the Loan Agreement defined below, effective as of «DATE», as follows:

DEFINITIONS

The following definitions shall apply throughout this Agreement:

"Lender" means ATEL VENTURES, INC., a California corporation with an office located at 600 California Street, 6th Floor, San Francisco, CA 94108, in its capacity as the Lender under the Loan Agreement, and its successors and assigns.

"Bailee" means the undersigned, and its successors and assigns.

"Borrower" means CYTOMX THERAPEUTICS, INC., a Delaware corporation.

"Business Day" is any day that is not a Saturday, Sunday or a day on which banks are closed.

"Collateral" has the meaning specified in the Loan Agreement (including, without limitation, Borrower's accounts, payment intangibles and inventory, and other assets of the Borrower related thereto).

"Loan Agreement" means that certain Master Loan and Security Agreement No. CYTOX, dated as of May 31, 2012, among the Borrower, the Lender, and any amendment, restatement, supplement, or other modification thereof.

"Lender" means the Lender (as defined in the Loan Agreement) as a party to the Loan Agreement.

"Premises" collectively means any and all locations owned, leased, or otherwise controlled by the Bailee where any Property is located.

"Property" means, collectively, any and all property constituting Collateral (including, without limitation, inventory and books and records) now or hereafter owned by the Borrower and delivered by or on behalf of the Borrower to the Bailee pursuant to any bailment agreement, processing agreement, consignment, "sale or return" or similar agreement (regardless of when, or whether, title passes to the Bailee) or any other agreement, which at any time, from time to time, is stored on or otherwise located on the Premises for any purpose. "Property" also includes any and all proceeds of any of the foregoing, including, without limitation, all accounts, cash proceeds, or other property received upon sale or disposition thereof.

RECITALS

A. The Borrower and the Lender have entered into the Loan Agreement.

B. To secure the payment and performance of the Borrower's obligations under the Loan Agreement, the Borrower has granted to the Lender pursuant to the Loan Agreement, a continuing security interest and lien in (among other property) the Property.

C. The Borrower has delivered, and from time to time hereafter will deliver, to the Bailee the Property at the Premises.

D. In consideration of the Lender's agreement to provide credit to the Borrower under the Loan Agreement, the Lender has required that the Bailee enter into this Agreement with the Lender.

NOW THEREFORE, for value received, and for other good and valuable consideration, the receipt and adequacy of which hereby are acknowledged, the Bailee hereby agrees with the Lender, as follows:

1. Notification and Acknowledgment. The Lender hereby notifies the Bailee of the continuing security interest and lien of the Lender, in and to all of the Collateral, including all Property now or hereafter at any time in possession of the Bailee. The Bailee hereby acknowledges receipt of such notification. The Bailee hereby acknowledges and agrees that title to all Property now or hereafter received from the Borrower and held by the Bailee for processing, storing, or sale shall at all times remain with the Borrower, and the Bailee shall make no claim with respect thereto. The Bailee agrees, at the Borrower's expense, to execute in favor of the Lender, or join with the Borrower in the execution of, such documents, instruments, financing statements, certificates, and agreements as the Lender may reasonably request from the Bailee hereafter to evidence or give notice of such security interest.

2. Waiver. The Bailee hereby waives and releases any and all liens, security interests, or other interests, however arising, which the Bailee now has or may hereafter acquire with respect to any of the Property, and agrees that all possessory rights now or hereafter claimed by the Bailee with respect thereto are expressly subordinate and subject to the Lender's rights as provided herein.

3. Directives. Until receipt of further written notice from the Lender to the Bailee at the Bailee's address set forth in paragraph 10 ("Notices") below, the Bailee is hereby authorized to release Property in accordance with the Borrower's directions, provided, that upon written notice by the Lender to the Bailee, the Bailee shall not honor any directions by the Borrower and shall release Property only in accordance with the Lender's instructions.

4. **Rights of the Lender.** The Bailee agrees that the Lender, through its authorized representatives, may enter upon the Premises from time to time for the purpose of inspecting, repairing, removing, or conducting a sale or sales of any or all of the Property, and the Bailee shall not hinder or prevent the Lender from taking any such action. The Bailee further agrees that the Lender shall have no obligation or liability to the Bailee except for costs and expenses actually incurred by the Bailee to repair any damage to the Premises directly caused by the Lender or its authorized representatives in any such removal of the Property.

5. **Segregation.** The Bailee hereby agrees that the Property at all times will be kept segregated and apart from other property, if any, from time to time located on the Premises.

6. **Access; Charges.** Nothing contained in this agreement shall modify the obligation of the Borrower to pay charges and fees of the Bailee. The Bailee agrees to promptly notify the Lender if at any time any charges or fees owing from the Borrower become ninety (90) days past due. The Bailee agrees that upon receipt of such notice the Lender, at its option, may (a) maintain the Property at the Premises for a period of up to ninety (90) days, without charge other than reasonable and customary storage fees and charges accruing during such ninety (90) day period as may be mutually agreed to between the Bailee and the Lender, (b) enter the Premises during the Bailee's normal business hours, upon notice to the Bailee (or at such other mutually agreeable time as may be determined by the Lender and the Bailee) in order to remove the Property therefrom, without charge, other than accrued processing charges with respect to Property removed from the Premises by the Lender, and/or (c) require the Bailee to process or complete processing of any Property then or thereafter delivered to the Bailee, at a price mutually agreed to by the Lender and the Bailee. In any such event, the Bailee agrees to cooperate with the Lender and not to hinder the Lender's actions in enforcing its remedies with respect to the Property or any other Collateral (as defined in the Loan Agreement).

7. **Delivery of Proceeds to the Lender and the Lenders.** If from time to time the Bailee ever comes into possession or control of any identifiable cash proceeds arising from the sale of any of the Property, such proceeds shall be held by the Bailee in trust for the benefit of the Lender, and the same shall be paid and delivered to the Lender promptly after receipt by the Bailee.

8. **Notice of Default; Notice of Termination.** Prior to the Bailee's taking any action to terminate the agreements between the Bailee and the Borrower (the "Underlying Agreements") or to remove the Property (other than in accordance with the instructions of the Borrower in the ordinary course of business prior to the Bailee's receipt of a Notice) for breach of or default under any Underlying Agreement, the Bailee shall give the Lender not less than thirty (30) days' written notice of such action at the address set forth below, and a reasonable opportunity to preserve, protect, liquidate, or remove any Collateral from the Premises (but in no event to exceed the time period set forth in paragraph 6 hereof) and, if the Lender so elects, to cure such breach of or default under the Underlying Agreements. Notwithstanding the provisions of this paragraph, the Lender shall have no obligation to cure any such breach or default. The cure of any such breach or default by the Lender on any one occasion shall not obligate the Lender to cure any other breach or default or to cure such breach or default on any other occasion.

9. **Reliance by the Lender.** This Agreement is for the benefit of the Lender.

10. **Notices.** All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below.

Lender: ATEL VENTURES, INC.  
600 California Street, 6th. Floor  
San Francisco, CA 94108  
Attention: Kay B. Jones  
Fax: (415) 616-5555  
E-Mail: [kjones@atel.com](mailto:kjones@atel.com)  
Telephone: (415) 616-3440

Bailee: «INSERT BAILEE NAME»  
[\_\_\_\_\_]\_\_\_\_\_  
[\_\_\_\_\_]\_\_\_\_\_  
Attention: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-Mail: \_\_\_\_\_  
Telephone: \_\_\_\_\_

Borrower: CYTOMX THERAPEUTICS, INC.  
  
650 Gateway Blvd, Suite 125  
South San Francisco, CA 94080

Attn: Gregory Wilson, CFO  
Fax: (650) 351-0353  
E-Mail: gregorywilson@gmail.com  
Telephone: 925-998-9845

Any party hereto shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other parties hereto of such new address at least thirty (30) days prior to the effective date of such new address.

11. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THIS AGREEMENT SHALL BE BINDING UPON THE BAILEE AND ITS SUCCESSORS AND ASSIGNS AND INURE TO THE BENEFIT OF THE LENDER AND ITS SUCCESSORS AND ASSIGNS.

12. This Agreement may be executed in counterparts all of which together shall constitute the original.

[signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date above first written.

«INSERT BAILEE NAME», as Bailee

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATEL VENTURES, INC., as Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

CYTOMX THERAPEUTICS, INC., as Borrower

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**AMENDMENT NO. 1 TO  
MASTER LOAN AND SECURITY AGREEMENT NO. CYTOX**

THIS AMENDMENT NO. 1 TO MASTER LOAN AND SECURITY AGREEMENT NO. CYTOX dated as of May 31, 2012 (**"Amendment No. 1"**) is made and entered into as of January 31, 2013 by and between **ATEL VENTURES, INC.**, as Lender (**"Lender"**), and CYTOMX THERAPEUTICS, INC. as Borrower (**"Borrower"**).

**WHEREAS**, Lender and Borrower have entered into Master Loan and Security Agreement No. CYTOX and Loan Schedules which incorporate the terms and conditions of Master Loan and Security Agreement No. CYTOX (the **"Loan Agreement"**); and

**WHEREAS**, Borrower has requested that Lender increase the dollar limit on the aggregate purchase price of equipment which Lender is willing to finance for Borrower under the \$2,000,000 Loan Line by an additional Three Hundred Thousand dollars (\$300,000) (the **"Additional Loan Line"**);

**WHEREAS**, Lender is willing to provide the Additional Loan Line on the terms set forth herein and Borrower is willing to agree to such terms:

**NOW THEREFORE**, the parties hereto agree as follows:

1. **Definitions.** Unless otherwise indicated, words and terms which are defined in the Loan Agreement shall have the same meaning where used herein. Upon execution of this Amendment, each reference in the Loan Agreement to "this Loan Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Loan Agreement, and each reference in any Loan Schedule, Requests for Advances, Exhibits, Riders, or Supplements to the "Loan Agreement", "thereunder", "thereof" or words of like import referring to the Loan Agreement shall mean and be a reference to the Loan Agreement as amended by this Amendment; the term "Loan" shall be deemed to include the terms and conditions of this Amendment; the term "Collateral" shall be deemed to include any additional equipment financed under the Additional Loan Line; and the term "Loan Schedule" shall be deemed to include any Loan Schedule entered into pursuant to the Additional Loan Line.

2. **Amendment.**

- a. Section 2(b) of the Loan Agreement is hereby amended by deleting the reference to "Loan Line" in the penultimate sentence thereof and substituting "Total Loan Line" therefor.
- b. Following Section 3(c), Obligation to Pay for Personal Property that Will Become Collateral, a new Section 3(d) is added as follows:

“Upon full funding of the \$2,000,000 Loan Line, Lender agrees to provide an additional loan line of up to \$300,000 (the “Additional Loan Line”) on the same terms and conditions as set forth in Section 3(c), provided, however, the Loan Line and Additional Loan Line (“Total Loan Line”) shall not exceed \$2,300,000. The funding period for Advances under the Additional Loan Line shall not extend beyond June 30, 2013. Lender agrees that in the event Lender at its discretion opts not to make an Advance from the Additional Loan Line, after an Advance is requested by Borrower and all conditions precedent set forth in Section 3(c) have been met by Borrower, the Warrant, as defined in the second paragraph of Section 15, which shall initially be based upon the Additional Loan Line of \$300,000, shall be automatically reduced by the number of shares which equate to the proportion of the amount of the Additional Loan Line not funded by Lender. Borrower shall provide a certificate of adjustment indicating the adjustment to the Warrant at such time. Borrower agrees, however, that the Warrant shall not be so reduced in the event Lender is ready, willing, and able to make Advances to Borrower under the Additional Loan Line, but Borrower chooses not to request the Advances. In the event the Warrant has been net exercised when any reduction in shares occurs, Lender shall forfeit and return to Borrower that number of shares which equate to the proportion of the Additional Loan Line not funded by Lender at its discretion. To the extent Lender has purchased the Warrant shares at the exercise price for cash when any reduction in shares occurs, Borrower shall have the right to purchase back for cash from Lender that number of shares which equate to the proportion of the Additional Loan Line not funded by Lender at its discretion, at the exercise price paid by Lender.”

c. Following Section 15 (a), Stock Warrant – No Original Discount, a new paragraph is added as follows:

“Borrower agrees that it will issue to Lender in conjunction with the Additional Loan Line, an additional Warrant based upon four and three quarters percent (4.75%) of the Additional Loan Line for the purchase of Borrower’s Series B-1 preferred stock at the exercise price of \$0.048961 per share (the “Additional Warrant”). Borrower and Lender hereby acknowledge and agree that the Additional Warrant to purchase stock transferred to Lender is part of an investment unit within the meaning of Section 1273(c)(2) of the Internal Revenue Code which includes the Loans entered into hereunder. Borrower and Lender further agree as between Borrower and Lender, that the fair market value of the Additional Warrant is equal to US\$100 and that, pursuant to Treas. Reg. § 1.1273-2(h), US\$100 of the issue price of the investment unit will be allocable to the Additional Warrant and the balance shall be allocable to the Loans. Borrower and Lender agree to prepare their federal income tax returns in a manner consistent with the foregoing agreement and, pursuant to Treas. Reg. § 1.1273, the original issue discount on the Loans shall be considered to be zero.”

d. Following Section 15(h), Further Assurances, Financing Statements, Fees and Costs, a new paragraph is added as follows:

“Borrower agrees that with respect to the Additional Loan Line, it shall pay all

reasonable out of pocket costs and expenses (including reasonable attorneys' fees and expenses for Lender's outside counsel) for preparing, amending, negotiating, administering, defending and enforcing the Loan Agreement, as amended, and Additional Warrant and related documents, (including, without limitation, those incurred in connection with appeals or insolvency proceedings) or otherwise incurred with respect to Borrower until all obligations of Borrower to Lender are paid in full. Borrower shall also pay to Lender a facility fee equal to one percent (1%) of the Additional Loan Line equal to \$3,000.

3. All the terms and conditions of the Master Loan and Security Agreement shall continue in full force and effect except as expressly amended herein.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 as of the day and year written above.

LENDER  
**ATEL VENTURES, INC.**

BORROWER  
**CYTOMX THERAPEUTICS, INC.**

By: /s/ Paritosh K. Choksi  
Title: Executive Vice President

By: /s/ Fletcher Payne  
Title: CFO